

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2017

Virginia Beach, Virginia



**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT
OF THE
CITY OF VIRGINIA BEACH, VIRGINIA**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**PREPARED BY
DEPARTMENT OF FINANCE
PATRICIA A. PHILLIPS
DIRECTOR**

ACKNOWLEDGMENTS

The preparation of this report has been accomplished by the efficient and dedicated services of the staff of the Department of Finance. The contributions of all are invaluable and sincerely appreciated and clearly reflect the high standards which have been set by the City of Virginia Beach.

MANAGEMENT

Donald Barnett, Miryam Woodson, Kevin Kielbasa

CAFR PREPARATION TEAM

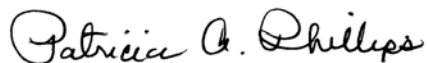
Patricia Kephart, James Leary, Jumel Nicholas, Amanda Phelps, Lisa Pittenger
Andrew Oliver, Stacy Hershberger

STAFF SUPPORT

Loretta Brown, Bonnie Castellow

It is also appropriate to thank the City Manager, Mayor and Members of City Council for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

Sincerely,

A handwritten signature in cursive script that reads "Patricia A. Phillips".

Patricia A. Phillips, Director
Department of Finance

**CITY OF VIRGINIA BEACH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF VIRGINIA BEACH, VIRGINIA

CITY COUNCIL

William D. Sessoms, Jr., Mayor At-Large
Louis R. Jones, Vice Mayor Bayside District
Jessica P. Abbott Kempsville District
Robert M. Dyer Centerville District
Shannon D. S. Kane Rose Hall District
James L. Wood Lynnhaven District
John E. Uhrin Beach District
Barbara M. Henley Princess Anne District
John D. Moss At-Large
Rosemary Wilson At-Large
Benjamin Davenport At-Large

SCHOOL BOARD

Daniel D. Edwards, Vice Chairman District 2 – Kempsville
Beverly M. Anderson, Chairman At-Large
Trenance B. Riggs District 1 – Centerville
Joel A. McDonald District 3 – Rose Hall
Carolyn D. Weems District 4 – Bayside
Carolyn T. Rye District 5 – Lynnhaven
Sharon R. Felton District 6 – Beach
Kimberly A. Melnyk District 7 – Princes Anne
Dorothy M. Holtz At-Large
Ashley K. McLeod At-Large
Victoria Manning At-Large

CONSTITUTIONAL OFFICERS

John T. Atkinson City Treasurer
Colin Stolle Commonwealth's Attorney
Philip J. Kellam Commissioner of the Revenue
Kenneth Stolle Sheriff
Tina E. Sinnen Clerk of Circuit Court

VIRGINIA BEACH DEVELOPMENT AUTHORITY

Dorothy L. Wood Chair
Charles M. Salle Vice Chair
Michael H. Levinson Secretary
Stephen J. McNulty Assistant Secretary
Bryan D. Cuffee Treasurer
David L. Bernd Commissioner
Linwood O. Branch Commissioner
Jerrold L. Miller Commissioner
Peter K. Mueller Commissioner
Joseph E. Strange Commissioner
Lisa Murphy Commissioner

APPOINTED OFFICERS

David L. Hansen City Manager
Mark D. Stiles City Attorney
Ruth Hodges Fraser City Clerk
Jerald Banagan Real Estate Assessor
Lyndon S. Remias City Auditor

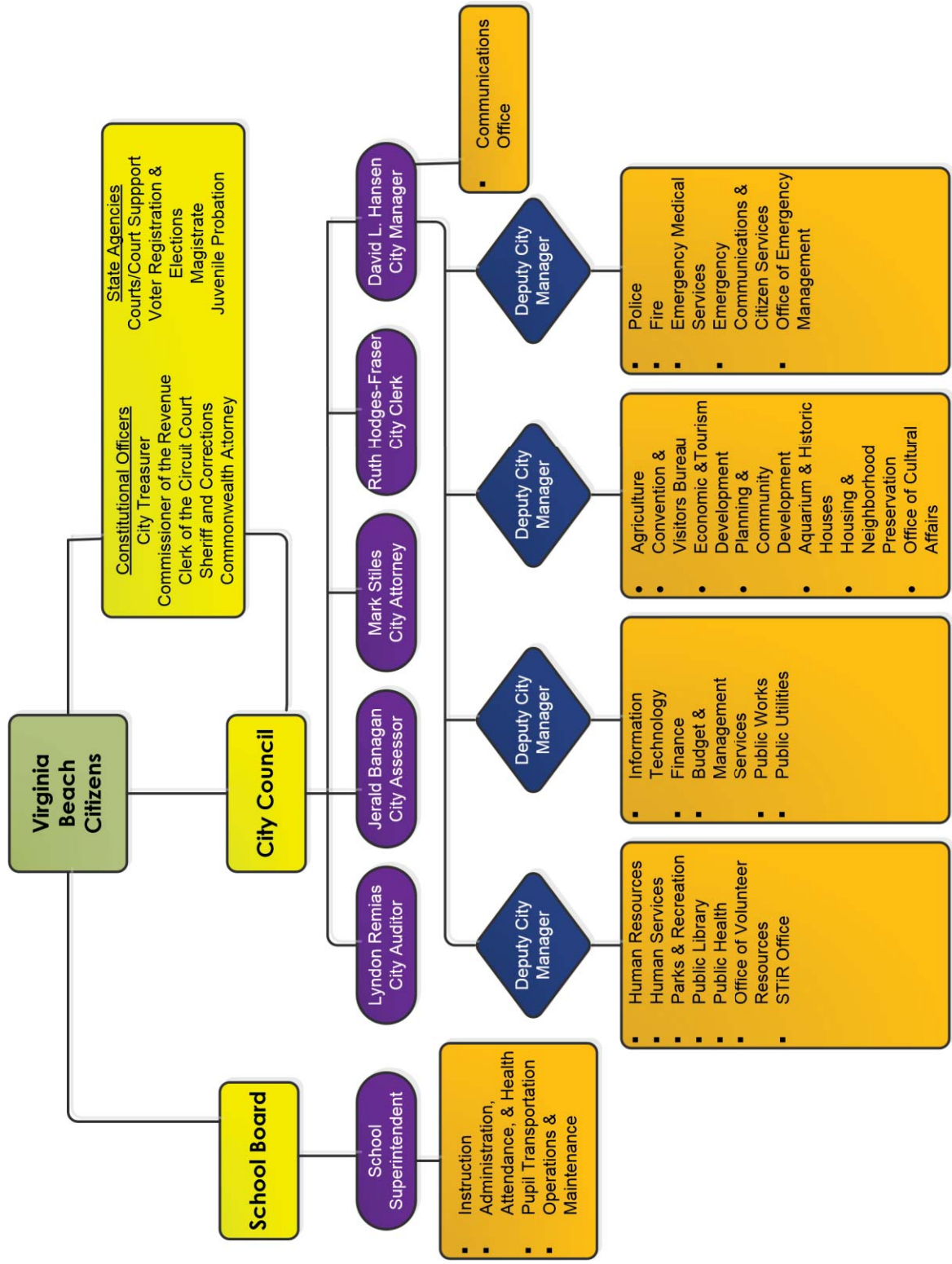
VIRGINIA BEACH COMMUNITY DEVELOPMENT CORPORATION

Addie W. Thomason President and CEO
Jessica Guglielmo Vice President and COO
Alex Kalasinsky Board President
Wanda Cooper Board Vice President
Courtney Lalonde Board Secretary/Treasurer
Tammy Hindle Director
Richard White Director
Anthony Nero Director
Terron Rogers Director

CITY LEADERS

Thomas M. Leahy III Deputy City Manager
Kenneth L. Chandler Deputy City Manager
Steven R. Cover Deputy City Manager
Ronald H. Williams, Jr. Deputy City Manager

CITY ORGANIZATION & INFORMATION





DEPARTMENT OF FINANCE
(757) 385-4681
FAX (757) 385-4302

City of Virginia Beach

VBgov.com

BUILDING 1
2401 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23456-9009

December 1, 2017

The Honorable William D. Sessoms, Jr., Mayor
Members of the Virginia Beach City Council
Municipal Center
Virginia Beach, Virginia 23456

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report of the City of Virginia Beach, Virginia, for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported to present fairly the financial position of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The City of Virginia Beach's MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

The present City of Virginia Beach was formed on January 1, 1963, by the merger of Princess Anne County and the former, smaller, resort community known as the Town of Virginia Beach. This merger created one of the largest cities in the Commonwealth of Virginia with an area of 310 square miles and 38 miles of shoreline on the Atlantic Ocean and the Chesapeake Bay. The latest estimated population for 2017 for the City of Virginia Beach is 455,856.

The City of Virginia Beach derives its governing authority from a charter granted by the General Assembly of the Commonwealth of Virginia. The governing body of the City is the City Council, which formulates policies for the administration of the City. The charter provides for a Council-Manager form of government.

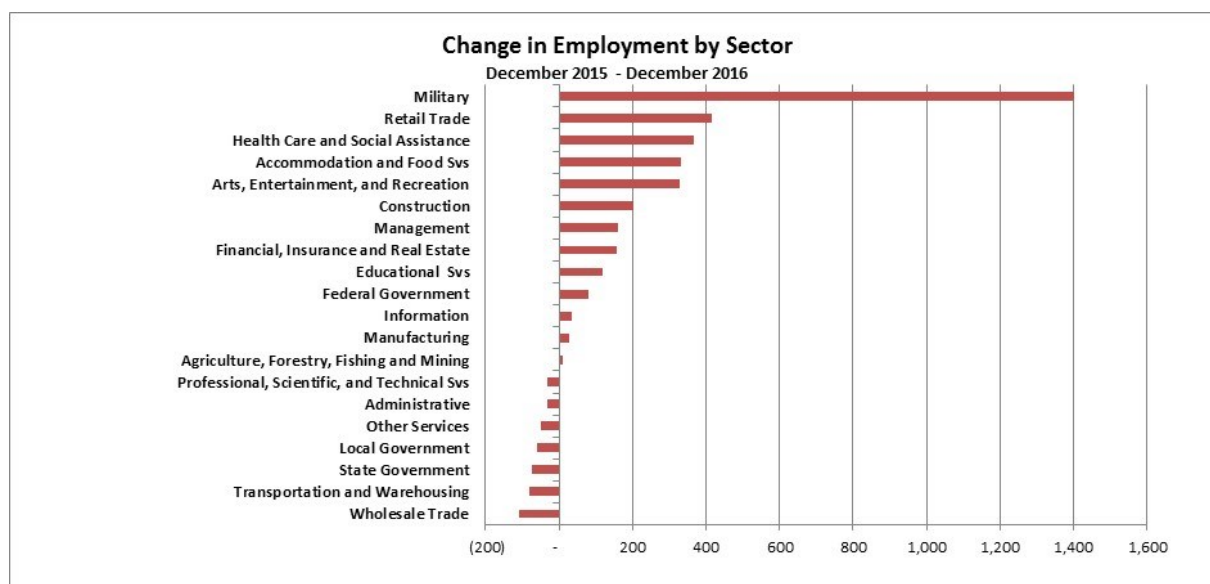
In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the City of Virginia Beach) as well as its component units, which are legally separate organizations for which the City Council is financially accountable. The component units qualifying for inclusion in this report are the Virginia Beach City Public Schools and the Virginia Beach Community Development Corporation, which are discretely presented, and the Virginia Beach Development Authority (VBDA), a blended component unit. Financial accountability for these component units was determined on the basis of City Council's selection of governing authority, designation of management, ability to influence operations, and/or accountability for fiscal matters. The discretely presented component units reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The VBDA is a blended component unit, and although legally separate, it is considered a part of the City's operations, and therefore data from this entity is combined with financial information from the City. The City has responsibility through support agreements for debt payments on outstanding Public Facility Revenue Bonds that are in the VBDA's financial records.

The City provides a full range of general governmental services for its citizens. These services include police, emergency medical response, fire protection, collection and disposal of refuse, water and sewer, and storm water services, parks and recreation facilities, museums, libraries, and maintenance of streets, highways, parks and public beaches. Other services provided include public education in grades kindergarten through twelfth grade, public health and social services, certain technical and special education services, mental health assistance, planning and community development services, agricultural services, housing services, correctional facilities and judicial activities.

Cities in Virginia have sole property taxing jurisdiction over the entire area within their boundaries and operate independently of any county government. There are no overlapping jurisdictions and, consequently, citizens of Virginia cities are not subject to overlapping debt or taxation.

ECONOMIC CONDITIONS AND OUTLOOK

The Virginia Beach economy continues to improve in most areas. There are positive trends in the areas of job growth, tourism, real estate assessments, and port activity. Also, positive trends continue with a decrease in the unemployment rate and increase in the overall labor force led by military employment. Defense spending increased region-wide as the Defense Department increased the number of active duty personnel on the Navy bases. The number of ships home-ported increased to 67 in FY 2016 from 65 in FY 2015, however the number of aircraft squadrons home-ported decreased to 37 in FY 2016 from 39 in FY 2015.

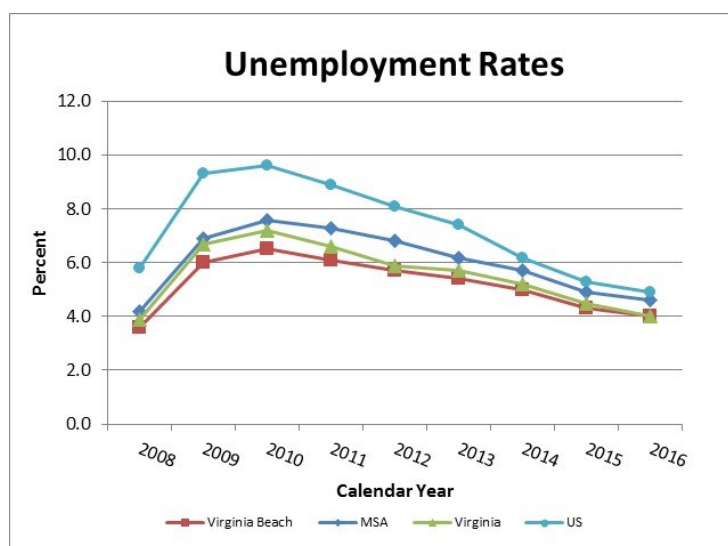


The **average employment** in the fourth quarter of 2016 was 203,064 compared to 199,861 in the fourth quarter of 2015, an increase of 3,203 jobs over this period. The largest **employment sectors** in Virginia Beach are the Military, Retail Trade, Accommodation and Food Services, Health Care and Social Assistance, and Local Government Employment. The Military, Retail Trade, Health Care and Social Assistance, Accommodation and Food Services, and Arts, Entertainment and Recreation sectors saw the largest increases over the period December 2015 - December 2016. Wholesale Trade sector decreased the most over this time period, followed by Transportation and Warehousing, State Government and Local Government sectors. (Source: *Virginia Employment Commission, Navy Region Mid-Atlantic FY-2016 Economic Impact Report*)

As reported by the Navy, there were 27,076 **active-duty military stationed** at the two Navy bases in Virginia Beach (Joint Expeditionary Base Little Creek-Fort Story and Naval Air Station Oceana/Dam Neck Annex) in FY2016, an increase of 1,403 from FY 2015. (Sources: *Navy Region Mid-Atlantic FY-2016 Economic Impact Report, U.S. Department of the Navy, Navy Region Mid-Atlantic Integrated Shore Requirements Office; 2017 State of the Region Report, Old Dominion University*)

The average number of Virginia Beach residents employed in 2016 was 219,775 from a labor force of 228,787. The average employment from January through September 2017 was 222,556, which is 1.2% higher than in the same period during 2016, surpassing the pre-recession high of 218,472 that occurred in 2008. [Source: *U.S. Department of Labor, Bureau of Labor Statistics (BLS)*]

September 2017's monthly **unemployment rates** were: 3.6% for Virginia Beach, 4.1% for the MSA, 3.6% for the state and 4.1% for the U.S. These rates are all lower than or equal to the rate for the previous month and the previous year. There has been a steady decline in the unemployment rate in Virginia Beach since 2010. [Source: *Virginia Employment Commission (VEC) & BLS*]



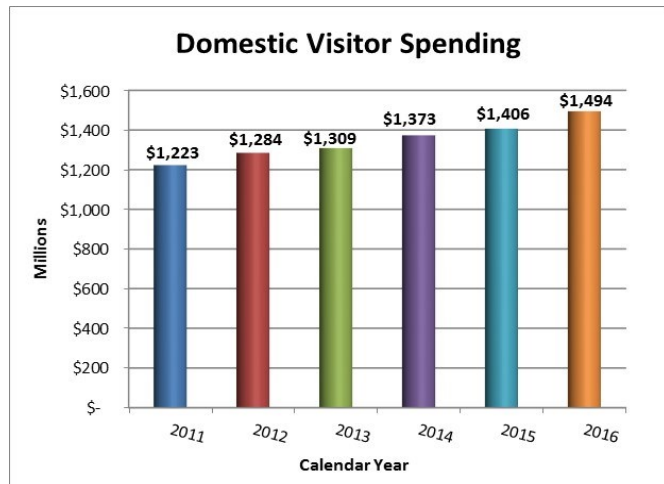
The **per capita income** for Virginia Beach was \$52,235 in 2015, which is greater than that for the state at \$52,052 and the nation at \$48,112. The per capita income for Virginia Beach has increased an average of 3.1% per year since 2010. [Source: *U.S. Department of Commerce, Bureau of Economic Analysis (BEA)*]

The Virginia Beach **median household income** in 2016 was \$71,117. It has increased an average of 1.7% per year since 2010. (Source: *US Census Bureau*)

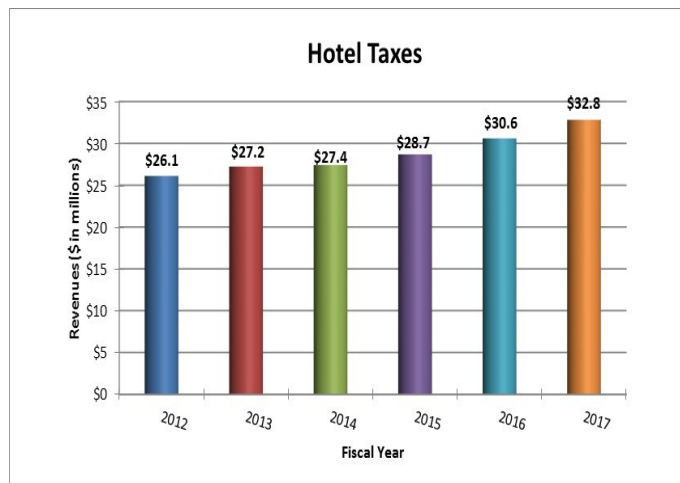
Defense spending, tourism, and the ports are stabilizers of the Hampton Roads and Virginia Beach economies. According to Old Dominion University, Department of Defense direct spending in Hampton Roads in 2016 is projected to be \$19.6 billion, or 2.1% above the 2015 level of \$19.2 billion. According to the Department of the Navy, direct spending from payroll (military, civil service, and civilian contractors) and procurement (including ship construction and repair) in the region was \$12.3 billion, or 14.5% increase over FY 2015 level of \$10.7 billion. (Sources: *2017 State of the Region Report, Old Dominion University, Navy Region Mid-Atlantic FY-2016 Economic Impact Report*)

The Budget Control Act of 2011 mandated across the board cuts in federal discretionary and defense spending. Since then, three-compromise budget bills have increased the sequestration caps, the latest one being the Bipartisan Budget Act of 2015. There may be additional relief from sequestration in the future, but it would not alter the trend towards a smaller, active-duty military force. Congress is supportive of increasing defense spending to maintain military readiness and address modernization gaps. On November 16, 2017, Congress submitted to the President for signature the National Defense Authorization Act (NDAA) totaling \$700 billion that exceeds the \$549 million cap for defense spending; the NDAA includes a 2.4 percent military pay increase and adds more than 20,000 service members, 90 new joint strike fighters to the military's fleet, and a third new littoral combat ship. If Congress removes the defense spending caps and appropriates funding for the plan, it could have positive impacts for the City and region. (Sources: *2017 State of the Region Report, Old Dominion University; The Associated Press/The Virginian-Pilot, "Congress sends Trump \$700 billion military policy legislation", Richard Lardner, November 17, 2017; Military Times, "Congress' \$700B Defense Authorization Deal Adds 20,000 Troops, Rejects Space Corps" November 8, 2017*).

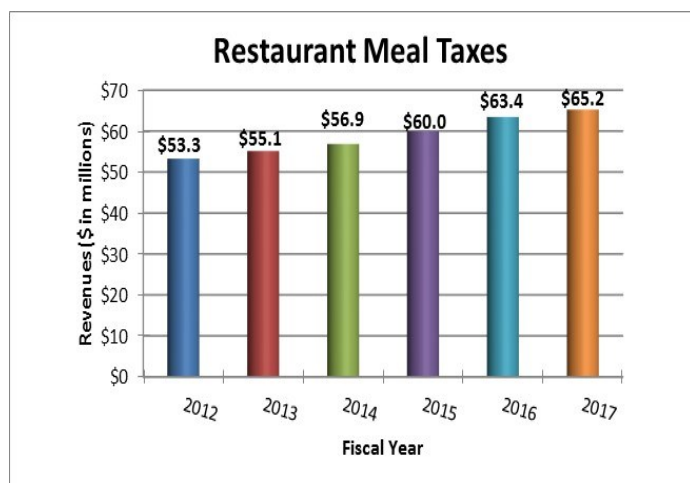
The **Tourism and Convention Industry** is a stabilizer of the Virginia Beach economy. In 2016, visitor spending from domestic travelers reached a record high of \$1.49 billion, which was an increase of 6.2% over the 2015 spending level of \$1.41 billion. Domestic traveler spending has increased an average of 4.1% for the last six years. Tourism and the convention industry supported 13,650 jobs with a payroll of \$277.9 million in 2016, an increase of 5.6% and 8.5%, respectively, over 2015 levels of 12,924 jobs with \$256.2 million payroll. (Sources: U.S. Travel Association and Virginia Tourism Corporation)



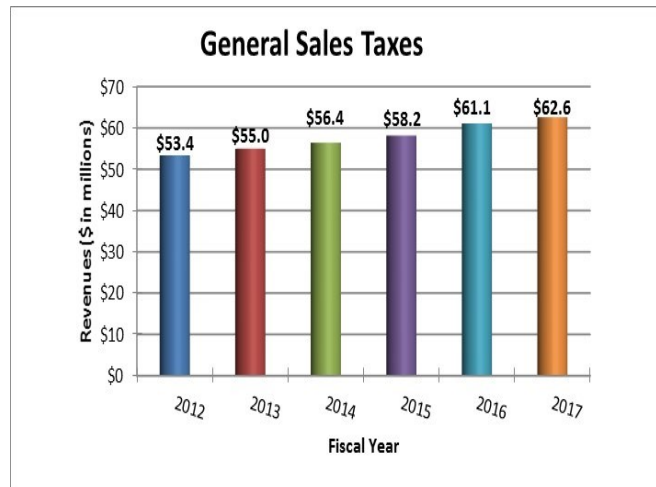
Hotel tax revenue collected in FY 2017 was \$32.8 million, an increase of \$2.2 million (7.2%) compared with \$30.6 million collected in FY2016. The continual rise in hotel tax revenues, 4.1% annually from 2012 to 2017 on average, is indicative of the strength of the tourism industry in Virginia Beach. The hotel tax rate was 8.0% plus the \$1.00/room night charge throughout this period, with an additional \$1.00/room night charge beginning January 1, 2017 for a five-year period through December 31, 2021 dedicated to assisting in payment of debt service for various public infrastructure improvements. (Source: Department of Finance)



Restaurant meals tax revenue collected in FY2017 was \$65.2 million, \$1.8 million more than in FY2016, also setting another all-time record high. Restaurant meals tax revenue has been a consistent performer, even during the recession. The restaurant tax rate remained 5.5% throughout this period. (Source: Department of Finance)

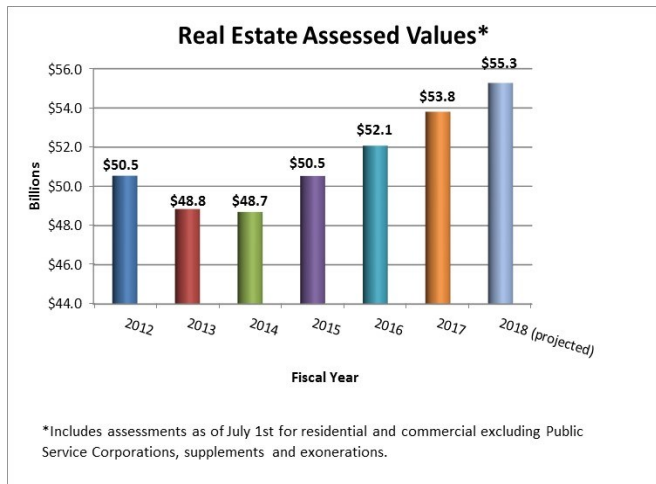


General sales tax revenue reflects the City's 1% share of the State sales tax. The amount collected in FY2017 was \$62.6 million, an increase of \$1.5 million (2.5%) compared with \$61.1 million collected in FY2016. This increase is the seventh consecutive increase since the recession (FY2010); this revenue stream has been increasing annually over the last 6 years by 3.2% on average. (Source: Department of Finance)



The **Port of Virginia** is another important segment of the Hampton Roads economy. The number of 20-foot equivalent unit containers (TEU) shipped through the Port in 2016 reached 2.66 million, a 4.8% increase over 2015 (2.55 million). From January through September 2017, the number of containers shipped has increased 7.5% over the same period last year (2.1 million vs 1.95 million). The Port of Virginia is the third largest container port on the east coast. Due to its ability to host the huge super ships, it is well positioned to increase market share, helping to diversify the regional economy. Port activities create jobs directly at the Port or indirectly in industries that supply the Port or serve its employees. (Sources: Port of Virginia, 2017 State of the Region Report, Old Dominion University)

Virginia Beach **real estate assessments** are projected to increase 2.7% in FY 2018. Assessments increased 3.3% in FY2017, following a 3.0% increase in FY2016, indicating an end to the recession-related declines and setting the stage for future increases. (Source: Real Estate Assessor's Office, Annual Report)



In the aftermath of the recession, **foreclosures** in Virginia Beach peaked at 1,688 in 2010. There were 751 foreclosures in 2016, down from 847 in 2015. There have been 515 foreclosures in 2017 through September compared to 595 over the same period in 2016. The number of foreclosures is now below 2002 levels, prior to the housing bubble and the resulting recession. (Sources: Real Estate Assessor's Office, Circuit Court)

The total number of **building permits** increased by 11.1% from 8,758 in FY2016 to 9,734 in FY2017. The value of the permits increased 3.1% from \$485.0 million in FY2016 to \$499.9 million in FY2017. During FY2018 through the end of October 2017, the total number of building permits issued increased to 4,439, compared with 3,105 during the same period in FY 2017 (an increase of 43%). The value of the permits increased to \$372.3 million compared with \$154.5 million (an increase of 140.9%). The growth in development is primarily due to growth in the residential market in multi-family/apartment and single family developments. During this period, building permits related to the re-building from Hurricane Matthew numbered 211 with a value of \$6.88 million (Source: Dept. of Planning and Community Development).

In summary, there are many reasons to be optimistic about the Virginia Beach economy. Visitor spending and hotel tax revenues remain at all-time highs, indicating the tourism sector remains strong. Job growth is strong, which translates into higher meals tax receipts, which are also at all-time highs. Retail sales continue their modest growth. Unemployment in Virginia Beach remains the lowest in the region. Real estate assessments increased in FY2017 and are projected to increase in FY2018 as the number of foreclosures declines to prerecession levels. Regionally, the Port of Virginia continues to grow in importance to the region's economy. The number of 20-ft container units passing through the Port has increased for the seventh year in a row. These measures indicate the Virginia Beach economy will continue to grow at a steady pace next year.

MAJOR INITIATIVES

The FY2017 financial report reflects the use of resources to achieve the city government's vision as defined by City Council. To achieve its vision, City Council identified ten goal areas at its Annual Goal Setting workshop:

1. Grow the Local Economy
2. Create a Financially Sustainable City Providing Excellent Services
3. Improve the Transportation System
4. Revitalize Neighborhoods and Plan for the Future
5. Be a Competitive, First Class Resort for Residents, Businesses and Tourists
6. Be the Safest City in Virginia
7. We are an Inclusive Community that is Welcoming and Empowers All
8. Our Community has World Class Schools and Educational Programs
9. Data and Technology are used to Enhance Community Livability, Prosperity and Sustainability
10. City Assets and Infrastructure are Well Maintained and Meet Community Expectations

To enhance City Council's long time vision of *A Community for a Lifetime*, in March 2013 Council adopted the City's first sustainability plan, *A Community Plan for a Sustainable Future*. It is designed to focus City and community efforts toward achieving economic, environmental and social sustainability and is intended to help achieve the vision set forth in the *Envision Virginia Beach 2040 Committee Report*. Existing City plans and projects, as well as all new projects, are viewed through the sustainability lens. Metrics have been developed to track progress in achieving the goals set forth in both plans.

During FY2017, progress was made in support of the ten Council goals as reflected in the following highlights of some key initiatives and projects.

Goal #1—Grow the Local Economy

Retain and grow existing businesses and expand higher paying job opportunities—Virginia Beach Development Authority (VBDA)

FY2017 was another successful year for business development in the City. Since the inception of the Economic Development Incentive Program (EDIP) in 1994, the VBDA and the Department of Economic Development has awarded 211 EDIP grants totaling \$52.2 million, which has generated more than \$2 billion in private investment and created and retained 32,651 jobs in the City. For FY2016-17, a total of \$1,398,500 of EDIP funds were approved for 13 companies, which are intended to leverage more than \$40,600,000 in private investment (ratio of \$29 private investment to \$1 public investment) and the creation/retention of 687 jobs in the City.

APZ Land Use and Redevelopment—NAS Oceana Encroachment Reduction Program & London Bridge Commerce Center

NAS Oceana generates over 16,000 jobs with a total payroll of more than \$1 billion and is one of the most important components of the Virginia Beach economy. YesOceana, Virginia Beach's award winning Oceana Land Use Conformity Program (comprised of zoning ordinances to achieve appropriate land use planning and economic/business incentives), began in September 2005 to meet the requirements of the Base Realignment and Closure (BRAC) Commission to protect our citizens and retain Naval Air Station Oceana, the Navy's East Coast Master Jet Base by reducing incompatible land uses surrounding the facility. Since inception, the business component of the program has eliminated a total of 55 non-conforming commercial properties in the Accident Potential Zone 1 (APZ-1) and the City has committed a total of \$3.2 million to 43 businesses to promote compatible uses within the APZ-1 district. Included in that total, the VBDA has awarded \$2.7 million in Economic Development Investment Program (EDIP) grants for projects under the YesOceana program, leveraging more than \$50 million in new and retained private investment. For FY2017, through the 100% locally funded APZ-1 Economic Incentives capital project, \$485,000 of incentive grants were awarded to seven companies to generate \$12.6 million in new and retained private investment (ratio of \$26 private investment to \$1 public investment). From July through October 2017, the VBDA has awarded \$60,000 in EDIP grants to three companies which will generate \$1,172,000 in new and retained private investment.

Retain and Grow Small Businesses and Enhance opportunities for citizens to increase wealth and prosperity - Economic Development Small Business and Diversification Strategy (SWaM)

During FY2017, the Department of Economic Development hosted nine events for more than 1,100 members of its Small, Women-and Minority-Owned and Service Disabled Veteran-Owned Small Business communities. The Small Business web portal was enhanced to provide a single point of access for small businesses through the City's main website. Based on feedback from the business community and a review of top portals around the U.S., the site was redesigned to include comprehensive content and to be more welcoming, dynamic and intuitive for users.

Town Center Expansion - Phase VI and Beyond the Core Area

Town Center, the focal point of the City's Central Business District, continues to expand the economy, drawing crowds and attracting popular new restaurants, shops and businesses. The latest phase to be developed, Phase VI, represents the highest ratio of private versus public investment, with more than \$11 of private sector investment for every \$1 of public investment. The \$41 million project will feature a nine story mixed-use building including 33,000 square-feet of new retail space, a 5,000-square foot second level restaurant, 131 new studio and one-bedroom apartments, an 11,000 square-foot elevated public plaza and a \$7.6 million privately funded 300-seat live performance theater (Zeiders American Dream Theater). The VBDA and City Council approved the development agreement for this project in May 2016; groundbreaking occurred on October 24th with construction beginning November 2016, and completion is scheduled for spring 2018.

The success of Town Center has been a catalyst for other projects including Pembroke Mall expansion and redevelopment highlighted by the region's first REI and Nordstrom Rack retail stores, Convergence Center V, a new 50,000-square foot Class A office building with parking deck that opened March 2015, and the CityView Two mixed-use project at the intersection of Bonney Road and Constitution Drive. In June 2016, the VBDA approved a term sheet for CityView Two, a mixed-use development consisting of three phases to include 24,000 square-feet of office space, 16,000 square-feet of office/retail /restaurant space, a 126-room hotel, 221 apartment units and 523 structured and surface parking spaces. The development agreement was approved by the VBDA on July 18, 2017 and by City Council on August 15, 2017. The City will return the incremental real estate taxes up to \$10.2 million to assist in the development of the parking structure, of which a portion will provide public parking, for the \$60.5 million project (ratio of \$5.9 private investment to \$1 public investment).

Pursue Opportunities for Research and Development and Medical Related Businesses; Attract new "targeted" businesses, biomedical, health care and life sciences, finance, insurance and real estate, information technology and professional services, advanced manufacturing, retail. — *Bioscience Business Development*

Due to the national importance of the Biomedical and Healthcare Industry, which is slated to grow exponentially as a percentage of the GDP in the coming years, City Council increased funding for the biomedical initiative from \$500,000 to \$1 million annually in FY2016 and has maintained that level of funding in FY2017 and FY2018. The Department of Economic Development created a brand, including an industry specific website (www.vabeachbio.com), to increase awareness about Virginia Beach's biomedical and healthcare assets, and market the initiative, known as "VABeachBio."

The City transferred 155 acres of land in this corridor to the VBDA for the future development of a bio/health science research park. The park is expected to accommodate up to 1 million square-feet of new commercial space. Work continues on plans for infrastructure preparation for the VABeachBio Innovation Park. The Development Authority also opened its first bio-accelerator in partnership with Tidewater Community College in Spring 2016. The 1,500 square-foot space has been fully leased to Sanyal Biotechnology, a company focusing on finding a cure for a liver disease known as "NASH", and work continues on plans to expand the VABeachBio Accelerator.

The Department of Economic Development also announced the VABeachBio Innovation Challenge, a partnership with the Center for Advancing Innovation which will seek to turn 20 pre-selected inventions from federal labs and universities into startup companies. The inventions will focus on veteran-related illnesses, and the challenge will begin in the fall of 2017.

Veterans Care Center and Veterans Facility Access Road

Virginia Beach was selected by the State as the Hampton Roads site for the construction of a 141,000 square-foot 128-bed Veterans Care Facility named Jones & Cabacoy Veterans Care Center to be located at the intersection of West Neck Road and Nimmo Parkway in the Princess Anne Commons biomedical corridor. It will be one of two new facilities built in the Commonwealth; the other will be located in Fauquier County. The facility will provide affordable, high-quality care to Virginia veterans including skilled nursing, Alzheimer's/memory care, short-term rehabilitation, and domiciliary care. The facility will be constructed by the Virginia Department of Veterans Services, and will employ approximately 150 people from a variety of disciplines, including nursing, therapy, and professional staff. City Council voted to transfer 26-acres to the State in March 2017, with construction commencing Fall 2017 and estimated completion in late 2019. The City will construct an access road to the site as part of the capital project Nimmo Parkway—Phase IIA. Formal design of the roadway began in August 2017 and will be completed in May 2018. Construction is scheduled to begin in July 2018 and be completed in early 2020.

Goal #2—Create a Financially Sustainable City Providing Excellent Services

Maintain Triple A Bond Ratings

For eight consecutive years, all three major bond rating agencies, Fitch, Moody's and Standard & Poor's, assigned a triple-A rating to Virginia Beach's general obligation bonds. All three rating agencies have praised Virginia Beach's conservative fiscal management. Virginia Beach is the only city in Hampton Roads to receive triple-A bond ratings from all three rating agencies. The key rating drivers are: exceptional financial management, moderate debt and rapid amortization, large diverse tax base, comprehensive financial policies, conservative budgeting, and full funding of retirement costs. The number of municipal defaults as well as increased transparency requirements of GASB have caused the rating agencies to put greater emphasis on pensions, retiree health care, and debt issuance and administration in their rating analyses.

Deliver City services in the most cost effective manner— Increase City Expenditures paid to Minority Business to 10% of Expenditures

For FY2017, City expenditures to minority vendors were \$20.4 million, which represented 6.8% of total City expenditures, an increase of 6.56% from FY2016. Minority firms received \$12.1 million (8.5%) of goods and services expenditures, and \$8.3 million of construction expenditures (5.3%). The Procurement Opportunity Committee (POC) continues to play a significant role in the improvement of awards to Minority-owned businesses. The POC has delivered more than \$2.7M in contracts to minority owned businesses since establishment in March of 2016. It was recognized by the Alliance for Innovation as the Outstanding Achievement in Local Government Innovation in April 2017.

Hampton University has established a Small Business Center to assist with increasing the market of ready, willing and capable Small, Women, and Minority (SWaM) businesses while providing a resource for area businesses. The City manages Locally Administered Projects (LAP) funded in part through the Virginia Department of Transportation. The City obtained the Urban Construction Initiative Certification. With this certification, the City of Virginia Beach is responsible for managing the Civil Rights portion of state and federally funded roadway projects, particularly the Disadvantaged Business Enterprise (DBE) participation.

The City launched Job Order Contracting (JOC) in FY 2017. Utilizing the Bond Waiver Provision (non-transportation and less than \$500K per year) in the Virginia Public Procurement Act (VPPA), three Invitations for Bids were advertised for General Construction Services. The City pre-qualified 16 bidders of which 8 were minority owned businesses (highest participation percentage on record for a City Construction Bid). Two contracts were awarded to minority owned businesses. Anticipated expenditure per contract is \$500K per year for three years or \$3M in new minority spending.

Goal #3—Improve the Transportation System

Reduce congestion and improve traffic flow - Governor's Transportation Fund - Lesner Bridge

The Governor's Transportation Plan provides \$156.1 million for four major road projects in Virginia Beach. These projects are: Witchduck Road Phase II, Lynnhaven Parkway Phase XI, Holland Road Phase VI, and the Lesner Bridge replacement project. These projects are in various stages of design/construction, to be completed between 2016 - 2018.

The largest of these projects is the Lesner Bridge Replacement project. The Lesner Bridge connects Shore Drive between the Chesapeake Bay and the Lynnhaven River. Constructed in the 1950's and 1960's, the bridge was built to last 50 years. Construction to replace the aging bridge began in June 2014. The project will cost \$116.5 million and will replace the existing Lesner Bridge with a signature facility that will be capable of handling six lanes of traffic in the future. Construction of the westbound bridge lanes (north span) was opened to traffic on November 11, 2016 and construction of the eastbound bridge and lanes (south span) began June 2017 and is expected to be completed in March 2018. Completion of the multi-use path on the westbound bridge and landscaping is estimated to be completed by May 2018.

Goal #4—Revitalize Neighborhoods and Plan for the Future

Sea Level Rise/Recurrent Flooding Comprehensive Analysis

Hampton Roads, by the nature of its geography, is susceptible to sea level rise. Virginia Beach is proactively assessing its vulnerability, developing strategies, and implementing policy and engineering measure to increase its resiliency. The City's approach to sea level rise incorporates the Storm Water Master Plan, the Comprehensive Sea Level Rise (SLR) Study that is now underway, and Water Quality Regulations. The first phase of the SLR Study is designed to define the problem and its constituent parts. All four major watersheds have been evaluated: Lynnhaven, Elizabeth, Atlantic, and Southern. The second phase, to identify adaptation strategies and to ascertain the right solutions for particular locations, is underway for the Lynnhaven and Southern watersheds and is scheduled to be completed in summer 2018.

Analysis of future precipitation pattern changes is ongoing. The study of future flood insurance coverage needs and residual risk is ongoing. The public engagement activities have recently been initiated and will occur in the next 12-to-18 months. The third phase is to provide recommendation for action, with priorities and implementation costs. When spread over many future years, the City's strategy for dealing with sea level rise/recurrent flooding preserves the tax base and future economic growth opportunities at a cost that is affordable to its citizens.

Neighborhood Channel Dredging

In 2010 the City adopted a new strategy to assist communities in re-establishing navigational channels. The strategy involves the use of Special Service Districts (SSD), where waterfront property owners agree to a surcharge on their real estate taxes for the purpose of constructing the navigation channel. The City participates in the cost by dredging a spur channel from the main City navigation channel to the neighborhood. The SSD revenues cover the cost of dredging for continuation of the channel into the community to serve all participating properties. Individual channels linking private properties to the neighborhood channel is funded entirely by property owners wishing to connect to the system. To date, seven SSDs have been created under this program having the following real estate surcharges per \$100 assessed value: Old Donation Creek at \$0.184, Bayville Creek at \$0.569, Shadowlawn at \$0.1594, Chesapeake Colony at \$0.02913, Harbour Point at \$0.079, Gills Cove at \$0.063, and Hurds Cove at \$0.438. During FY2017, neighborhood dredging projects were completed in the Old Donation Creek (August 2016), Shadowlawn (May 2017) and Harbour Point (June 2017) Neighborhood SSDs with the next cycle of dredging anticipated to occur in FY2023.

Goal #5—Be a Competitive, First Class Resort for Residents, Businesses and Tourists

Convention Center Business Development— Meetings, Convention & Sports Marketing sales efforts are mission critical to the City's efforts in making Virginia Beach a year-around destination. Convention and Visitor Bureau teams are engaged in destination marketing efforts to generate business opportunities that deliver an excellent return and economic impact for Virginia Beach ranging from small meetings to large-scale citywide conventions along with impactful participatory sports events taking place in our many sports venues. The Virginia Beach Convention Center continues to be a major focus due to its ability to attract large-scale, impactful events that utilize exhibition space, ballrooms & meeting/conference spaces. These events generate visitor spending including hotel room nights. The Convention Center completed its 12th year in August 2017. Total attendance for FY2017 reached 622,013 (vs. 663,000 in FY 2016) generating an estimated 101,136 (vs. 115,857 in FY2016) hotel room nights.

Become a year-round destination and Optimize the potential of the Convention Center: Arena, Convention Hotel, Sports Center, Dome Site:

Arena Project

In February 2014, the City received competing proposals for a \$200 million sports and entertainment arena across 19th Street from the Virginia Beach Convention Center. The proposed Arena would provide a privately owned and operated entertainment amenity creating a year-round attraction to increase outside visitation in the shoulder season (October – April), attracting additional conventions, boosting existing businesses, and enhancing the City's national and international exposure. After extensive review and public participation, Council selected United States Management (USM) (recently renamed Mid-Atlantic Arena LLC (MAA))

to work with City staff to develop a comprehensive development agreement (Agreement), which was approved in December 2015. MAA's proposal assumed financial and operational risk in return for 1/8th (1%) of existing hotel taxes (8%) and all taxes generated by the arena (during the construction phase and operations) to pay for debt service until 2045. The final deal structure was subject to MAA obtaining private financing. Council gave MAA until November 6, 2017 to close on their loan for financing the arena. On November 7, Virginia Beach officially terminated its agreement with the MAA for failure to meet this deadline.

Support the upgrade to and development of convention quality hotels - Cavalier Hotel Restoration, Marriott Hotel and Embassy Suite Convention Hotel Campus Complex

The historic Cavalier Hotel, a landmark built in 1927 and a symbol of the City's early resort days, has hosted presidents, celebrities and guests from around the world. When a judge ordered the property sold to settle a lawsuit, the City Council supported saving the Cavalier by endorsing a series of incentives to attract a developer to buy and preserve it. On July 23, 2013, Gold Key/PHR closed on the 21-acre property, including both the old hotel and a surrounding parcel, as well as the newer Cavalier across the street on the oceanfront. Since then, the old hotel has been placed on the Virginia Landmarks Register as well as the National Register of Historic Places. Currently, the historic Cavalier is being renovated, and will reopen in winter 2017. The surrounding property will include 83 residential homes, including estate homes, cottages and bungalows, and is expected to be completed in 2017. The oceanfront hotel has been demolished and will reopen in 2017 as a new Oceanfront Marriott Hotel including parking garage. In March 2017, City Council approved an amendment to the agreement, to include the Embassy Suites and an expanded parking garage on the oceanfront. These three hotels will provide a convention center hotel campus complex.

Tourism Development Gap Financing was approved by the Commonwealth Office of the Comptroller and the Virginia Tourism Corporation in July 2014. This State program allows the developer to retain one percent of state and local sales tax revenue generated by the project and assess a 1% developer access fee to provide financing for up to 20% of the development cost. The City's share of the TDFP is \$8.17 million to be paid in annual installments of \$110,000, which will gradually increase to \$600,000 by Year 7 and is estimated to be fully paid over approximately 14-to-15 years. Also, the City provided \$13 million for infrastructure improvements and will return the annual incremental real estate taxes generated by the project not to exceed \$5 million. Total City investment will be \$26.17 million. Private investment in this project is \$185 million. The ratio of private to public investment is \$7.1 to \$1. It is anticipated that this project will produce annual revenues of \$2 million to the City in Year 1 growing to \$6 million by Year 7.

Dome Site development

The VBDA issued a Request for Qualifications (RFQ) on February 8, 2017 for development of the Dome Site area (bounded by Pacific Avenue to the east and Baltic Avenue to the west between 18th and 20th Streets with an additional 0.69 acres on an adjacent parcel at the corner of 18th Street and Arctic Avenue) consisting 10.35-acres over 3-blocks into a mixed-use development to include entertainment venues, unique or new to market retail and restaurants, multi-family residential and year-round programming to attract both locals and tourists. Four proposals are under review by the VBDA's evaluation committee. The intent is for the project

to complement the resort area's active lifestyle, support continued growth of the surrounding ViBe Creative District, be integrated with the surrounding community, and provide an active and attractive streetscape. One developer has been selected to work with to develop a potential term sheet to further define the project and responsibilities.

Sports Center

Participatory sports-related tourism events held in the City have tripled from about 30 events a year from 2003 to 2012, to 94 events in 2015, and involved 100,000 hotel rooms being booked in 2016. This form of travel has been more resilient in times of economic recession than other types of travel, and has potential to increase hotel occupancy during the off-season from October through April. The City's existing facilities are operating at or near capacity and cannot accommodate continued growth. And, increased competition in this tourism market is occurring nation-wide and regionally. The Convention and Visitors Bureau hired a firm to conduct a sports marketing study to review the city's sports marketing initiatives and provide recommendations for leveraging this booming market. The consultant suggested the city build and operate a 130,000-150,000 square-foot recreational facility that would feature 12 regulation basketball courts that can convert to 14 volleyball courts, team rooms, concessions and administrative offices. With this configuration, the city should be able to generate 36 additional events per year with an economic impact of nearly \$10 million. On July 25, 2017, the City issued a Request for Conceptual PPEA Proposals for a Virginia Beach Sports Center to be located west of the Convention Center. By the September 26, 2017 deadline, three proposals were received and are currently under staff review with anticipation of a development agreement to be approved in winter 2017 to enable construction to begin in the summer of 2018 with the goal of opening during fall 2019. In May 2017, City Council adopted the FY2018 CIP, which includes \$40 million in funding over a two-year period, FY2018 (\$4 million) and FY2019 (\$36 million) for a Convention Center Sports Center, to be paid for using tax revenues generated by hotel rooms, amusements and restaurant meals collected in the Tourism Investment Program Fund.

Goal #6—Be the Safest City in Virginia

Have community policing that creates a sense of community—Community Policing Strategy

Since 2010, the Police Department has been engaged in a Community Policing Program in the Western Bayside area of the City. With solid partnerships of a number of other City agencies, civic leaders and the Bayside Churches United, officers have positively interacted with the community; the rising crime rate has been stabilized; community activities have dramatically increased; and the citizens have readily assisted the police in a cooperative effort to reduce negative social and criminal behavior. With the graduation of the next Police Academy, officers will be specifically assigned to the Green Run area of the City in an effort to replicate the Western Bayside project.

Have the capacity to deal with mental health issues and needs—Opioid/Heroin Initiative

Opioid addiction and overdose have become critical health issues affecting the nation, states and localities. In 2016, 83 persons died in Virginia Beach from drug overdose. During the 1st quarter of 2017, 28 have died. Through inter-departmental and community collaboration, Virginia Beach's Departments of Police (VBPD), Emergency Medical Services (VBEMS), and Human Services (VBDHS) along with the Virginia Department of Health—Virginia Beach Department of Public Health (VBPDH) are addressing the opioid crisis through deployment of

prevention, treatment and harm reduction strategies. Prevention strategies include education and reduction of opioids for illicit use. The VBDPH provided over a dozen talks to local groups including Eastern Virginia Medical School, Sentara Hospitals, as well as high schools and the Galilee Church. The VBPD reduced the volume of prescription opioids available for misuse by 3,978 pounds over the past 12 months with the drug take-back program. VBDHS provided medical detoxification to 85 individuals in FY2017 through the Pathways Center. Additionally, VBDHS provides medication assisted treatment for clients through linkages with private partners. Naloxone saves lives, preventing opioid overdose deaths. The four departments collaborate to provide REVIVE! Classes that teach laypersons how to utilize naloxone. Since April 2016, 218 attendees received training. VBEMS and VBPD deploy naloxone regularly to prevent death. In 2016, 326 individuals received naloxone from first responders; 13% were provided by police. From January to June 2017, 151 persons received naloxone; 13.2% received from the VBPD.

Goal #7—We are an Inclusive Community that is Welcoming and Empowers All

Supportive services available to all residents when needed - Housing Resource Center

The Housing Resource Center is a major part of City Council's plan to end homelessness. It will offer day services for homeless people, a temporary emergency shelter and community services to prevent homelessness. The City will build the 62,000 square-foot, 3-story, \$26.9 million Housing Resource Center at 104 N. Witchduck Road, near Southern Blvd. It will replace and expand upon the services offered at the Lighthouse Center. The Housing Resource Center will include a 40-bed short-term shelter for families with children, 40 shelter beds for single adults and 30 affordable efficiency apartments. It will also have classrooms and a health clinic, and office space for city agencies and other groups that work with families and individuals to prevent homelessness. The ceremonial ground breaking took place on October 13, 2016. As of August, 2017, construction is on schedule. Expected facility opening date is June 1, 2018.

Have equitable access to city procurement and services - Disparity Study

In July 2017 the City contracted with BBC Research & Consulting, a Denver, Colorado firm specializing in conducting disparity studies that assess how minority-, women- and service-disabled veteran-owned businesses are faring in the local marketplace, to analyze the City's contracting and procurement. The study is designed to provide a benchmark point. It will score the city on its efforts to encourage underrepresented business owners to bid on city contracts and help determine what, if any, improvements are needed to optimize the process. As a part of the first step in the research, business owners, trade association representatives and other interested parties were invited to attend one of three public meetings in October 2017, during which BBC consultants shared information about the study and collected feedback from stakeholders. Feedback included current market conditions, their experiences doing business in the region and working with the City; any barriers or difficulties they've experienced when bidding on City contracts; and any race or gender-based discrimination they may have encountered in doing business locally. Business owners that could not attend the meetings could e-mail their input to the consultant's project team. The study will involve review of contracts and procurements the City awarded from July 1, 2012 through June 30, 2017 and an availability telephone survey of businesses. From the analysis the consultant will determine and compare the percentage of dollars awarded to these firms with the percentage of dollars these businesses were available for on relevant contracts to derive a disparity index (i.e. the ratio of % utilization ÷ % availability). The final report is expected in the summer of 2018.

Goal #8—Our Community has World Class Schools and Educational Programs

Achieve equitable attainment for a quality education for individuals from birth to adulthood—Full Day Kindergarten/Pre-kindergarten Expansion & Reduced Class Sizes

City Council approved a real estate tax increase of \$0.0125 from \$0.99 to \$1.0025 per \$100 of assessed value to provide the Virginia Beach Public Schools \$6.75 million in FY2018 to begin a phased-in expansion of pre-kindergarten and full-day kindergarten (the full implementation cost is \$14.1 million). Full-day kindergarten is currently offered at 12 elementary schools with plans to expand to all 53 elementary school in the next five years, adding between 15 and 18 full-day classes each year to increase the number of at-risk students served in pre-kindergarten program from 704 to 1,154 by the 2021-22 school year. Also 40 additional teaching positions are funded in the FY2018 Budget to reduce class sizes at the secondary level.

Expand the presence of Tidewater Community College and other higher learning institutions—Higher Education Campus Expansion Strategy

Old Dominion University (ODU) has plans to continue expansion of its curriculum and programs at the Virginia Beach Higher Education Center. The City's Department Economic Development is working with ODU staff to explore opportunities for supporting and enhancing the biomedical initiative in the Princess Anne Commons corridor. In his State of the University address on August 23, 2017, ODU's President Broderick announced plans to add new graduate health sciences programs and centers at the Virginia Beach campus, including programs on telehealth, resiliency, and water technology. Existing bio-related programs, such as the highly-ranked nurse anesthesia program, will also continue to expand.

Provide a broad range of arts and cultural resources and activities.—Library Renovation

Funding totaling \$5.8 million was provided over the first two years of the FY2018 CIP for a new capital project, VA Beach Public Library Transformation, to expand and enhance the Children's, Story Time, Tween, Teen, Public Computer Use, Special Services, and study room areas of eight Virginia Beach Public Library locations (Bayside, Great Neck, Kempsville, Meyera E. Oberndorf Central, Oceanfront, Princess Anne, Pungo-Blackwater, and Windsor Woods). As Library use has evolved and increased, the spaces provided for these service areas no longer meet the public demand for improved facilities. The completed project design will help to ensure uniformity of service provision at all Library locations. The project scope work is currently scheduled to be completed in September-October, 2017, and scheduled construction is projected to occur from July 2022 through June 2023.

Goal #9—Data and Technology are used to Enhance Community Livability, Prosperity, and Sustainability

The City is recognized as a leader in technology—Transoceanic Fiber Cable and Data Center Development

The first transoceanic fiber cable connections in the Mid-Atlantic are coming to Virginia Beach. In March 2016, Spanish telecom giant Telefónica announced plans to connect Rio de Janeiro and Fortaleza, Brazil to Virginia Beach with the BRUSA ultrafast submarine cable. The

projected completion date is June 2018. This connection will increase the availability of ultrahigh-speed broadband services between the U.S. and South America. In May 2016, Microsoft and Facebook announced plans to build “MAREA”—a new, state of the art subsea cable connecting Bilbao, Spain to Virginia Beach. Work started in February 2017 with a projected completion date of November/December 2017. This will be the highest-capacity subsea cable to cross the Atlantic with an estimated design capacity of 160 terrabits per second. The VBDA approved sale of a 3.5-acre site in Corporate Landing to Telefónica International Wholesale Services USA, Inc. for \$735,000 for construction of a 24,000-square foot data center that will support both sub-sea cable projects.

In December 2016, the VBDA approved a purchase agreement with Globalink Data Center LLC to purchase 10 acres of land for \$2 million in Corporate Landing Business Park for a 138,000 square-foot carrier-neutral data center to provide connections for numerous fiber providers. NxtVn, a Dutch developer of major data center parks, is proposing development of its first U.S. data center park in Virginia Beach including a cable landing station and data center campus on a 250-acre tract of land along Dam Neck Road. Negotiations are ongoing with the property owners to secure the site for development. Phase 1 of the development will be approximately 95 acres. The data center park is a revolutionary idea that will allow data center operators to increase efficiency and speed-to-market while reducing capital costs. Investment by NxtVn will create a technological ecosystem that, when combined with our ever-more-robust broadband infrastructure, will attract the world’s most prominent players in cloud services, data analytics and multi-carrier markets to Virginia Beach.

The City is recognized as a leader in technology and all citizens and businesses have access to state-of-the-art broadband services -- Next Generation Network (Remote City Site Connection)

The City’s Information Technology Department began an infrastructure improvement program in 2015. The Next Generation Network (NGN) capital project first appeared in the FY2015 CIP and is currently funded in the FY2018 CIP at \$13.5 million over the six year period through FY2023. This project enables Virginia Beach to become a truly connected community. The NGN project is expanding the existing city-owned high-speed fiber network to connect 65 remote City facilities with the Municipal Center campus to improve network speed and reliability, and reduce leased line service costs. Also, NGN will implement network redundancy between 6 facilities (super-sites). Remote sites to be served include the Departments of Police, Fire, Emergency Medical Services, Human Services, Libraries, Parks and Recreation and many others, including the potential for regional partnerships. This proactive modernization effort made the City ready and attractive as a transoceanic cable landing site. The project will be completed by the end of December 2017.

Goal #10—City Assets and Infrastructure are Well Maintained and Meet Community Expectations

Have an effective storm water management system that is well-designed, well- built, and well-maintained and prepare city infrastructure for sea level rise— Aragona Flooding SW Project, Ashville Park SW Flooding, Sherwood Lakes SW Flooding, Windsor Woods, Princess Anne, The Lakes SW Flooding

The City experienced an unprecedented amount of rain in a two-month period exceeding 36 inches caused by three severe weather events (Tropical Storm Hermine September 1, 2016, Tropical Storm Julia September 19, 2016 and Hurricane Matthew October 7, 2016). Severe roadway and residential flooding occurred that damaged over 2,200 properties. Some neighborhoods are still rebuilding and recovering. As a result of recurrent flooding issues occurring in various areas of the City, a community discussion ensued about weaknesses and lack of capacity in the City's storm water management system to handle excessive storm water run-off. In response, City Council increased the storm water utility fee (i.e., equivalent residential unit fee) rate from \$0.433 cents per day to \$0.458 cents per day (reflecting an annual increase to homeowners of \$9.12), and provided additional funding of 1-cent from real estate tax revenues (\$5.4 million) in the FY2018 CIP totaling an additional \$300 million over a 15-year period to address flooding issues in areas experiencing recurrent flooding including Aragona, Ashville Park, Sherwood Lakes, Windsor Woods, Princess Anne, and The Lakes.

Have well designed, well-built and well-maintained city buildings and facilities.—City Hall Replacement

The current City Hall Building is 80,000 square-feet providing 69,000 square-feet of usable space that was constructed in 1969. Despite previous renovations and on-going maintenance, the building has become functionality obsolete including lack of space for staff who are housed in other City and leased facilities, inefficient lay-out for the public, as well as the original (48-year old) electrical, plumbing, fire protection and mechanical systems that are in poor condition and operating beyond their normal life-span (20-to-25 years). Failure of any of these systems would render the building unusable. Extensive renovations are needed to the building, but cannot be done without evacuating the facility, and performing a comprehensive abatement of asbestos containing material throughout the building. Included in the six-year FY2018 CIP is a new project funded from FY2018 through FY2021 totaling \$50.3 million to replace the existing building with a facility of between 120,000 and 150,000 square-feet. After receiving public input in three community meetings presenting various options and locations for a replacement City Hall, City Council approved a resolution on October 3, 2017 to proceed with the design of a replacement 3-story City Hall Building to be located at the Municipal Center adjacent to the existing City Hall Building.

INTERNAL CONTROL AND BUDGETARY ACCOUNTING

The City's management team is responsible for establishing and maintaining an internal control structure to protect the assets of the government from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City's control environment reflects the attitude of management at all levels towards ethical behavior, organizational values, competence, integrity and the well-being of the organization. *Integrity Connection* is an initiative designed to promote the City's Organizational Values and Code of Ethics by providing resources and encouraging integrity throughout the organization. *Integrity Connection* provides a way for City employees to ask questions regarding ethical behavior and to report fraudulent activity in a confidential manner through a formalized hotline that offers the option of anonymity. The biennial Member Survey enables employees to provide valuable input to management concerning communications, values and ethics, recognition, leadership, training & development, and the work environment. Based on survey results, Organization Action Plans are developed to address survey findings.

Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, Enterprise Funds and School Board Governmental Component Unit Funds are included in the annual appropriated budget. The level of budgetary control is established by each organizational unit included in the budget ordinance. Additional controls are exercised administratively.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Appropriations for the subsequent fiscal year are increased in the amount necessary to satisfy the un-liquidated balance of encumbrances at year-end. As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

FINANCIAL MANAGEMENT POLICIES

The City employs a number of policies to provide the framework for sound financial management. City Council's continuing fiscal policies include maintaining existing services to the extent possible; positioning the City to withstand local and regional economic disruptions; meeting the demands of natural growth, decline and change; ensuring that citizens understand and support the need for fiscal sustainability and the policies through which it is achieved; maintaining a diverse tax base; maintaining and monitoring existing debt policies; and providing for special services and projects through special dedicated revenue generation (e.g. Tourism Investment Program and the Tourism Advertising Program Special Revenue Funds).

City Council's policies provide overall direction and guidance for resource management. In addition, these policies resulted in the high level of financial strength that led to and continue to support the upgrade of the City's bond ratings to triple-A by Standard & Poor's, Moody's Investors Service, and Fitch Ratings.

A number of the City's financial management policies govern how the operating budget is prepared and managed. For example, the budget will be balanced on a current revenue to expenditure basis, unencumbered budget appropriations (except for those for capital projects and grants) will lapse at the end of the fiscal year, the appropriation ordinance will set the legal level of budgetary control and the City will set fees and user charges for each self-supporting enterprise fund at a level that fully supports costs. Regarding fund balance policies, the unassigned fund balance or net position of any fund shall not be used to finance continuing expenditures. Additionally, the city shall maintain an unassigned fund balance of 8% to 12% of the following year's projected revenues, equating to approximately one month of operating expenses.

The City further maintains policies that specify what projects may qualify as capital projects. In general, the project must be a major expenditure of over \$250,000 that is ongoing in nature or requires multi-year funding. There are specific criteria used to determine whether a project will be funded by bond referendum or by Charter Bonds, or subject-to-appropriation financing. The City issues bonds for capital improvements with a cost in excess of \$250,000, or which cannot be financed from current revenues. Debt management policies are presented in the following section.

RESOURCE MANAGEMENT, CAPITAL FINANCING AND DEBT MANAGEMENT

The City begins its budgeting process each year with a presentation of the Five Year Forecast in November, which projects revenue and expenses out over the next five years and highlights important issues that may impact the upcoming budget. An extensive budgeting process includes the development of budget targets for each department based on available revenues and known financial commitments (e.g. debt service); town hall meetings where city staff and City Council receive input from citizens; various internal processes providing the opportunity for input from departments, and finally the Management Leadership Team (the City Manager and the four Deputy City Managers) that finalizes the proposed budget. After presentation of the proposed budget to City Council, Council holds budget workshops and two public hearings before voting on the final budget.

The FY2018-2023 Capital Improvement Program (CIP), which was approved by City Council on May 9, 2017, set forth a program totaling \$3.25 billion. Of this amount, \$1.66 billion was appropriated through FY2017, \$300.1 million was appropriated in FY2018 and \$1.29 billion was programmed from FY2019 through FY2023. Funding for the CIP will be provided from local, state, federal, and private sources, with local debt comprising 55.8% of the financing for the six-year plan. The six-year plan provides phased funding for critical public works infrastructure needs and upgrades that will help ensure compliance with increasingly strict environmental requirements, funding for roads, storm water drainage issues, water and sewer system rehabilitation, building replacements and renovations, and public schools. In addition,

the CIP includes funding for economic incentives to attract new or retain existing businesses to the City to expand and diversify the tax base; and to acquire property or easements to stop or roll-back incompatible development around and in the flight path of Naval Air Station Oceana in order to retain the naval base in the City. And, the CIP provides funding for development and rehabilitation of recreational amenities, and facilities providing cultural and leisure programs that enhances the quality of life for the citizens and visitors of Virginia Beach.

During FY2017, the City continued to acquire development rights in designated areas within the southern portion of the City for the Agricultural Reserve Program (ARP). These rights were acquired through the issuance of installment purchase agreements, which are considered valid contractual obligations of the City. Six agreements were completed in FY2017 at a total purchase price of \$3,728,464 with 405.9 acres acquired. For the total program at June 30, 2017, 97 agreements totaling 9,583.71 acres at a total purchase price of \$46,102,662 have been executed. In the FY2018 Budget, City Council returned to the ARP funding from the real estate dedication previously moved for funding light rail project, restoring the dedication to the ARP to nine tenths of a cent (\$0.009) from fifty-six hundredths of a cent (\$0.0056). The additional funds are to be dedicated for preservation of property in the Transition Area of the city and other ARP costs.

The City has developed a series of Debt Management Policies to provide a functional tool for debt management and capital planning. The policies reiterate the City's commitment to rapid principal retirement, maintaining sufficient working capital to avoid the use of short-term borrowing for operating purposes, and the use of self-supporting or revenue-supported debt where appropriate. The policies also establish target levels for key debt ratios as shown below. All debt affordability indicators were within the established guidelines for FY2017.

| Debt Indicator—Ratio Description | Established Standard | FY 2017 | FY 2016 |
|---|-------------------------|---------|---------|
| Annual Debt Service to General Governmental Expenditures | No greater than 10.0% | 8.3% | 8.6% |
| Overall Net Debt to Estimated Full Value | No greater than 3.5% | 1.7% | 1.9% |
| Overall Net Debt Per Capita | No greater than \$3,000 | \$2,034 | \$2,195 |
| Overall Net Debt Per Capita to Per Capita Personal Income | No greater than 6.5% | 3.8% | 4.2% |

The City issued \$21.2 million in Public Facility Revenue Bonds (PFRB) in FY2017. Also, it issued \$7.88 million in refunding PFRBs, which reduced total debt service payments over a 12-year period by \$1.24 million and will result in an economic gain of \$1.14 million.

For the eighth consecutive year, all three major rating agencies, Standard & Poor's, Moody's and Fitch Ratings, affirmed the City's triple-A ratings on its General Obligation bonds. As of June 30, 2017, the City had \$927 million of tax supported debt outstanding.

AWARDS AND RECOGNITION

The City of Virginia Beach received a number of awards and was recognized by a variety of organizations. Among these awards and recognitions received during July 2016 through November 2017 are:

- ♦ **Ranked #1 - “2017 Digital Cities Survey Award—The Most Technologically Advanced City of its Size in America”**, The Center for Digital Government, November 2017
- ♦ **Ranked 7th out of 150 cities - “2017’s Best & Worst Places to Raise a Family”**, WalletHub, September 2017
- ♦ **Ranked 3rd out of 50 metro cities - “Safest Metro City in America”**, SafeWise, August 2017
- ♦ **Ranked 17th overall (4th in quality of services and 43rd in budget per capita) out of 150 cities - “2017’s Best & Worst Run Cities in America”**, WalletHub, August 2017
- ♦ **Ranked #1 - “2017’s America’s Best Big City to Live in”** WalletHub, July 2017
- ♦ **Ranked #1 out of 60 cities - “America’s Best City to Live in and Save Money”**, GoBankingRates, May 2017
- ♦ **One of the “25 Most Romantic Cities in America for 2016”**, OpenTable, February 2017
- ♦ **Ranked 8th out of 10 cities - “Top 10 Happiest Cities in America”**, Zippia, January 2017
- ♦ **Ranked 12th out of 15 cities - “America’s Favorite Cities for Christmas Lights 2016”**, Travel + Leisure, January 2017
- ♦ **Ranked 10th - “10 Best Cities in America to Achieve Work-Life Balance”**, Zippia, December 2016
- ♦ **Virginia Beach Oceanfront - “What’s the Most Instagrammed Place in Every State”**, USA Today, December 2016
- ♦ **Ranked 3rd out of 100 cities - “2016’s Most Caring City in America”**, WalletHub, December 2016
- ♦ **Ranked 13th - “Top 20 Meeting Cities for 2016”**, SmartAsset, December 2016
- ♦ **Ranked 22nd - “America’s 50 Best Cities to Live”**, 24/7 Wall St., October 2016
- ♦ **Ranked 2nd out of 76 large cities - “Best for Vets: Places to Live 2016 ”**, MilitaryTimes.com, September 2016
- ♦ **Ranked 13th out of 20 metro areas - “Best Mid-Sized Metro Areas for Job Seekers”**, American Institute for Economic Research, July 2016
- ♦ **Ranked 14th out of 100 cities - “America’s Best Cities for Driving”**, WalletHub, July 2016
- ♦ **Ranked 9th out of 50 cities - “Top Ten Most Mobile-Friendly Cities in America”**, NerdWallet, July 2016

INDEPENDENT AUDIT

An independent audit of the City's finances is required each fiscal year by Section 8.06 of the City Charter by either the Virginia Auditor of Public Accounts or by a firm of independent certified public accountants. Accordingly, the records have been audited by CliftonLarsonAllen LLP and its reports on the general purpose financial statements, internal controls, and compliance are included herein.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, and the Distinguished Budget Presentation Award for the FY2017 Resource Management Plan.

ACKNOWLEDGMENTS

During the year, the staff of the Finance Department rendered professional and knowledgeable services to the City. We are most appreciative of these efforts and take this opportunity to recognize these outstanding public servants. They maintain the accounting records of the City on a current and timely basis and deserve special consideration.

The City Council's oversight of the financial affairs of the City has resulted in this strong financial report and Council is commended for the policies and practices which have made it so.

Respectively,



David L. Hansen
City Manager



Patricia A. Phillips
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Virginia Beach
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Enew". The signature is written in a cursive, flowing style.

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council of
City of Virginia Beach, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Virginia Beach, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Virginia Beach Community Development Corporation, a discretely presented component unit, which represents 3.4 percent of the assets, -12.3 percent of the net position, and 0.1 percent of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Virginia Beach Community Development Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Accountants of the Commonwealth of Virginia (Specifications). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Virginia Beach as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, the budgetary comparison schedules, notes to the budgetary comparison schedules, and the Public Employee Retirement System-Primary Government schedules, as identified in the accompanying 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 City of Virginia Beach's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The introductory section and statistical tables, as listed in accompanying table of contents, has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the City of Virginia Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Virginia Beach's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Arlington, Virginia
November 30, 2017

VB

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2017. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

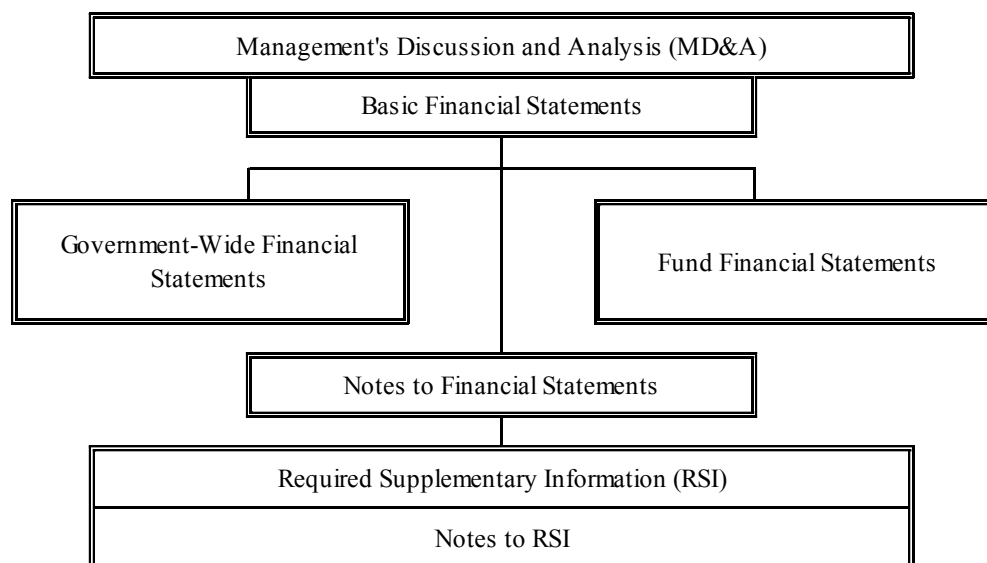
- ◆ For the fiscal year 2017, the City maintained its strong financial position for both its governmental and business-type funds. The City's strong financial management and conservative budgeting practices allow the City to continue its commitment to the citizens of Virginia Beach.
- ◆ At the end of the fiscal year 2017, the total net position of the City on a government-wide basis was \$3.7 billion. This amount represents an increase of \$104.0 million, or 2.9%, over prior year. The net position for the governmental activities was \$2.6 billion, an increase of \$61.3 million over prior year. The business-type activities net position was \$1.1 billion, an increase of \$42.7 million over prior year.
- ◆ At the close of fiscal year 2017, the City's governmental funds reported combined ending fund balances of \$606.9 million.
 - \$10.6 million, or 1.8%, is considered nonspendable (inventories and loans receivable)
 - \$51.6 million, or 8.5%, is restricted by outside agencies
 - \$354.2 million, or 58.3%, is committed for construction projects, education, parks and recreation, agriculture, tourism, and other smaller projects
 - \$72.1 million, or 11.9%, is assigned for specific purposes as identified by the City
 - \$118.4 million, or 19.5%, is unassigned in the general fund and is available for spending at the City's discretion
- ◆ Property tax rates remain the same as in the prior year, real estate tax at \$0.99 per \$100 of assessed valuation and personal property tax at \$4.00 per \$100 of assessed valuation. Real Estate assessed values increased by 3.5% and Personal Property assessed values increased by 2.4% from the prior year.
- ◆ At the end of the fiscal year, the total unassigned fund balance for the City's general fund was \$118.4 million, an increase of \$11.3 million from the prior year.
- ◆ For the eighth consecutive year, all three major rating agencies, Standard & Poor's, Moody's Investor Service and Fitch Ratings, affirmed the City's triple-A ratings on its General Obligation bonds.
- ◆ During the fiscal year, the City issued appropriation-backed Public Facility Revenue Bonds (PFRB) consisting of \$21.2 million of new money bonds and \$7.9 million refunding bonds to achieve debt service savings of \$1.24 million over the next 12 years.
- ◆ The City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of four sections: introductory, financial, statistical, and single audit. The financial section is illustrated in the following Figure 1. This section of the report has three components: Management's Discussion and Analysis (this section), the basic financial statements (which includes the notes), and the required supplementary information.

Up until 2002, the primary focus of local government financial statements was the presentation of summarized fund-type information on a current financial resource basis. This approach has been modified and now the statements presented in the CAFR focus on the City as a whole (government-wide) as well as the major individual funds. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual parts of the City government, reporting the operations of the City in more detail than the government-wide statements. Both perspectives (government-wide and individual fund) allow the reader to address relevant questions, broaden the basis for comparison (year-to-year or government to government), and enhance the City's accountability.

Figure 1: Components of the Financial Section



Government-Wide Financial Statements

The government-wide financial statements report information about the City as a whole, using accounting methods similar to those used by private sector companies. The two government-wide statements, statement of net position and statement of activities, report the City's net position and how it has changed. The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources compared to liabilities and deferred inflows of resources, with the difference between them reported as *net position*. The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. It accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.

Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or deteriorating. To assess the overall health of the City, one needs to consider other nonfinancial factors such as changes in the City's property tax base and condition of the City's infrastructure.

The government-wide financial statements of the City are divided into three categories:

Governmental Activities - Most of the City's basic services are included here, such as police, fire and other public safety services, parks and recreation, public works, and general administration. Property and sales taxes, charges for services, and state and federal grants finance most of these activities.

Business-type Activities - The City's water and sewer, storm water, waste management, economic development, and parking operations are reported here. Fees charged to customers help cover the costs of providing these services.

Component units - The City includes three other entities in its report - the City of Virginia Beach School Board (Schools), the Development Authority and the Community Development Corporation (CDC). Although legally separate, these "component units" are important because the City is financially accountable for them, providing operating and capital funding. The Development Authority is presented as a blended component unit and included in the City's reporting entity. The School Board and CDC are presented as discretely component units and reported in separate columns of the entity-wide statements.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds and will be more familiar to traditional readers of government financial statements. The fund financial statements focus on major funds rather than fund types.

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as general statutes or the City's budget ordinances. The City's funds are divided into the following categories:

Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) how readily *cash and other financial assets* can be converted to cash flow in and out and (2) year-end balances that are available for spending. Consequently, the governmental funds statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explain the relationship (or differences) between them. Governmental funds include the General Fund, Debt Service Fund, Capital Projects Fund, and special revenue funds (such as Parks and Recreation and the Tourism Investment Program).

Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long-term and short-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flows. The City utilizes enterprise funds to account for its water and sewer, storm water, waste management, economic development, and parking operations. The Development Authority is presented as a blended component unit and its proprietary fund is included in the City's reporting entity as a major enterprise fund. The City uses internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. The City's internal service funds are used for providing city garage and fuel services, risk management, landscaping, and technology services.

Fiduciary funds - Used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary funds include agency funds (Special Welfare and Escheat Property), and trust funds (Sheriff's Pension and Postemployment Benefits). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These fiduciary activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS WHOLE

Net Position

The *Statement of Net Position* serves as a useful indicator of a government's financial position. At the end of the fiscal year, the City's total net position was \$3.7 billion. This amount represents an increase of \$104.0 million, or 2.9%, over the prior year (Table 1). The net position for governmental activities increased by \$61.3 million and the business-type activities net position increased by \$42.7 million.

The City's total assets were \$5.6 billion. This amount includes \$4.5 billion of capital assets, net of accumulated depreciation, which include roads, bridges, parks, utilities (water, sewer and storm water) infrastructure, land, other long-lived assets, and projects in the construction in progress program. Under the "tenancy in common" with the School Board, the City has included \$292.5 million of net book value of School Board property equal to the total outstanding principal balance of the "on behalf" debt at June 30, 2017.

The largest component of the City's net position (\$3.1 billion or 85.3%) is the investment in capital assets (e.g., land, buildings, machinery, and equipment), net of any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets for business-type activities represents, for the most part, the capital assets of the water, sewer, and storm water utilities.

At June 30, 2017, the City reported a deficit of \$50.9 million in the unrestricted category of its net position. This is a significant improvement over last year's deficit of \$91.4 million. The unrestricted category includes fund balances of the general fund and special revenue funds that have been committed or assigned at the fund level.

Table 1
Statement of Net Position
(in Millions)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|----------------------------------|----------------------------|------------|-----------------------------|------------|-----------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and Other Assets | \$ 758.7 | \$ 728.5 | \$ 345.5 | \$ 359.0 | \$ 1,104.2 | \$ 1,087.5 |
| Capital Assets | 3,317.0 | 3,347.2 | 1,158.7 | 1,122.8 | 4,475.7 | 4,470.0 |
| Total Assets | 4,075.7 | 4,075.7 | 1,504.2 | 1,481.8 | 5,579.9 | 5,557.5 |
| Deferred Outflows of Resources | 81.6 | 49.3 | 8.3 | 6.0 | 89.9 | 55.3 |
| Long-Term Debt Outstanding | 1,474.3 | 1,462.3 | 385.9 | 402.5 | 1,860.2 | 1,864.8 |
| Other Liabilities | 69.9 | 69.7 | 30.5 | 27.0 | 100.4 | 96.7 |
| Total Liabilities | 1,544.2 | 1,532.0 | 416.4 | 429.5 | 1,960.6 | 1,961.5 |
| Deferred Inflows of Resources | 25.5 | 66.7 | 2.4 | 7.3 | 27.9 | 74.0 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 2,324.7 | 2,286.1 | 813.7 | 760.0 | 3,138.4 | 3,046.1 |
| Restricted | 347.4 | 362.9 | 246.4 | 259.7 | 593.8 | 622.6 |
| Unrestricted (Deficit) | (84.5) | (122.7) | 33.6 | 31.3 | (50.9) | (91.4) |
| Total Net Position | \$ 2,587.6 | \$ 2,526.3 | \$ 1,093.7 | \$ 1,051.0 | \$ 3,681.3 | \$ 3,577.3 |

(continued)

Changes in Net Position (Statement of Activities)

The following comparative statement of activities presents the revenues, expenses and transfers of the governmental and business-type activities.

Table 2
Changes in Net Position
(in Millions)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--------------------------------------|------------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 88.7 | \$ 86.3 | \$ 208.8 | \$ 210.5 | \$ 297.5 | \$ 296.8 |
| Operating Grants & Contributions | 180.8 | 176.6 | 0.3 | - | 181.1 | 176.6 |
| Capital Grants & Contributions | 30.3 | 49.3 | 6.6 | 8.2 | 36.9 | 57.5 |
| General Revenues: | | | | | | |
| Property Taxes | 646.0 | 622.4 | - | - | 646.0 | 622.4 |
| Other Taxes | 312.6 | 290.4 | - | - | 312.6 | 290.4 |
| Other | 73.1 | 75.0 | 2.7 | 0.8 | 75.8 | 75.8 |
| Total Revenues | <u>1,331.5</u> | <u>1,300.0</u> | <u>218.4</u> | <u>219.5</u> | <u>1,549.9</u> | <u>1,519.5</u> |
| Expenses: | | | | | | |
| Legislative | 1.2 | 1.2 | - | - | 1.2 | 1.2 |
| Executive | 4.2 | 3.8 | - | - | 4.2 | 3.8 |
| Law | 4.0 | 3.8 | - | - | 4.0 | 3.8 |
| Finance | 18.3 | 17.1 | - | - | 18.3 | 17.1 |
| Human Resources | 11.3 | 11.8 | - | - | 11.3 | 11.8 |
| Judicial | 61.6 | 56.3 | - | - | 61.6 | 56.3 |
| Health | 3.4 | 3.2 | - | - | 3.4 | 3.2 |
| Police | 101.6 | 94.0 | - | - | 101.6 | 94.0 |
| Human Services | 116.4 | 109.2 | - | - | 116.4 | 109.2 |
| Public Works | 173.6 | 175.5 | - | - | 173.6 | 175.5 |
| Parks & Recreation | 47.5 | 45.1 | - | - | 47.5 | 45.1 |
| Library | 18.4 | 17.0 | - | - | 18.4 | 17.0 |
| Planning | 11.2 | 10.4 | - | - | 11.2 | 10.4 |
| Agriculture | 4.6 | 1.4 | - | - | 4.6 | 1.4 |
| Economic Development | 1.6 | 2.1 | - | - | 1.6 | 2.1 |
| Convention & Visitor Bureau | 28.8 | 25.8 | - | - | 28.8 | 25.8 |
| Information Technology | 39.0 | 33.6 | - | - | 39.0 | 33.6 |
| Emergency Communication & Citizen | 9.0 | 8.1 | - | - | 9.0 | 8.1 |
| Boards and Commissions | 34.7 | 30.2 | - | - | 34.7 | 30.2 |
| Fire | 57.1 | 50.3 | - | - | 57.1 | 50.3 |
| Management Services | 1.4 | 1.4 | - | - | 1.4 | 1.4 |
| Education | 396.3 | 398.1 | - | - | 396.3 | 398.1 |
| Housing & Neighborhood Preservation | 28.3 | 26.3 | - | - | 28.3 | 26.3 |
| Museums | 11.1 | 10.8 | - | - | 11.1 | 10.8 |
| Emergency Medical Services | 12.5 | 10.2 | - | - | 12.5 | 10.2 |
| General Government | 20.9 | 1.8 | - | - | 20.9 | 1.8 |
| Water & Sewer | - | - | 107.9 | 109.2 | 107.9 | 109.2 |
| Storm Water | - | - | 34.7 | 23.3 | 34.7 | 23.3 |
| Development Authority | - | - | 12.6 | 9.9 | 12.6 | 9.9 |
| Waste Management | - | - | 39.7 | 40.0 | 39.7 | 40.0 |
| Parking | - | - | 3.4 | 3.8 | 3.4 | 3.8 |
| Interest on Long-Term Debt | 29.6 | 33.6 | - | - | 29.6 | 33.6 |
| Total Expenses | <u>1,247.6</u> | <u>1,182.1</u> | <u>198.3</u> | <u>186.2</u> | <u>1,445.9</u> | <u>1,368.3</u> |
| Excess (Deficiency) Before Transfers | 83.9 | 117.9 | 20.1 | 33.3 | 104.0 | 151.2 |
| Transfers | (22.6) | (15.9) | 22.6 | 15.9 | - | - |
| Change in Net Position | 61.3 | 102.0 | 42.7 | 49.2 | 104.0 | 151.2 |
| Net Position – Beginning | 2,526.3 | 2,424.3 | 1,051.0 | 1,001.8 | 3,577.3 | 3,426.1 |
| Net Position – Ending | <u>\$ 2,587.6</u> | <u>\$ 2,526.3</u> | <u>\$ 1,093.7</u> | <u>\$ 1,051.0</u> | <u>\$ 3,681.3</u> | <u>\$ 3,577.3</u> |

(continued)

Revenues

The City's total revenues were \$1.55 billion, an increase of \$30.4 million over the revenues from prior year. These revenues consist of Program and General revenues. Program Revenues are derived from the program itself and reduce the cost of the function of the City; these include charges for services, operating and capital grants and contributions. General revenues are all other revenues and include property and other taxes, and interest earnings.

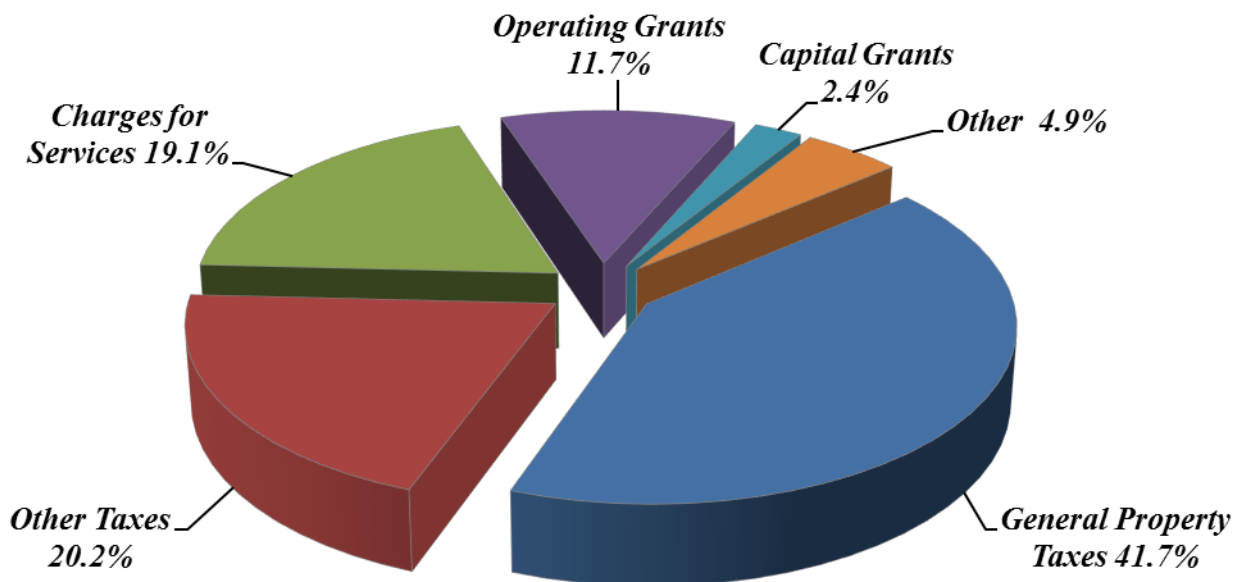
As shown in Figure 2, the largest revenue sources for the City are property taxes at 41.7%, other taxes (e.g. sales, utility, business license, meal, and lodging) at 20.2%, charges for services at 19.2% and operating grants and contributions at 11.7%.

For Governmental Activities, program revenues totaled \$299.8 million, a 4.0% decrease from the prior year primarily due to reduced receipts from the Commonwealth for support towards roads construction projects and no receipts for the acquisition of land in the Oceana & Interfacility Traffic Area Conformity & Acquisition program (BRAC).

General revenues totaled \$1,031.7 million. This represents an increase of \$43.9 million over the prior year due to higher revenues in property and other local taxes, \$23.6 million and \$22.2 million respectively.

Business-type Activities generated program and general revenues of \$218.4 million, primarily from charges for services (\$208.8 million), a 0.5% decrease from prior year.

Figure 2: Revenues by Source - Primary Government as of June 30, 2017



Expenses

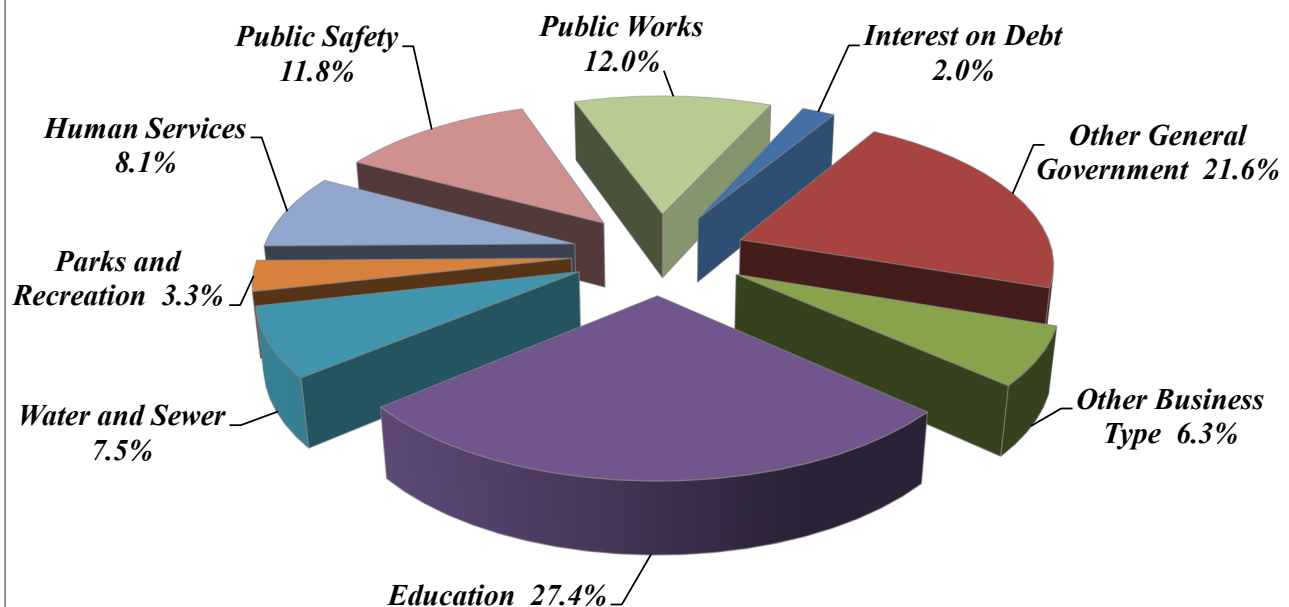
The total cost of all programs and services was \$1.45 billion, a \$77.6 million, or 5.7%, increase over expenses from the prior year. Figure 3 shows the breakdown of major expenses by function.

Expenses for *Governmental Activities* totaled \$1,247.6 million, an increase of \$65.5 million over the prior year. The current year expenses include a repayment of \$20.0 million to the Commonwealth for reimbursement of proceeds received towards the construction of the light rail extension into Town Center and approximately \$10.5 million in expenditures related to Hurricane Matthew. The expenses also reflect salary increases of 3.34%, and additional 93.34 full time positions in support of public safety, judicial, parks and recreation, and planning functions.

Education continues to be one of the City's highest priorities and commitments. The City's funding for education totaled \$396.3 million (net of the adjustment to account for the tenancy in common legislation) and it represents 49.9% (versus 48.8% in prior year) of the total revenues for the Schools (exhibit 45).

Expenses for the *Business-type Activities* include those related to water, sewer, storm water, and waste management utility services as well as parking operations and economic development. For the current fiscal year these totaled \$198.3 million, a \$12.1 million increase, in part due to expenditures in the Storm Water and Waste Management funds related to Hurricane Matthew, and increased staffing (20 positions) in the Storm Water fund for the mosquito control division.

Figure 3: Expenses - Primary Government as of June 30, 2017



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the total fund balance for the City's governmental funds was \$606.9 million, a small increase of \$7.6 million or 1.3% over the prior fiscal year. This change is a combination of increases in fund balances of \$32.7 million in the general fund offset by decreases in fund balances for capital projects and other governmental funds of \$16.0 million and \$9.0 million, respectively.

At the end of the fiscal year, the classification of total governmental fund balances was as follows:

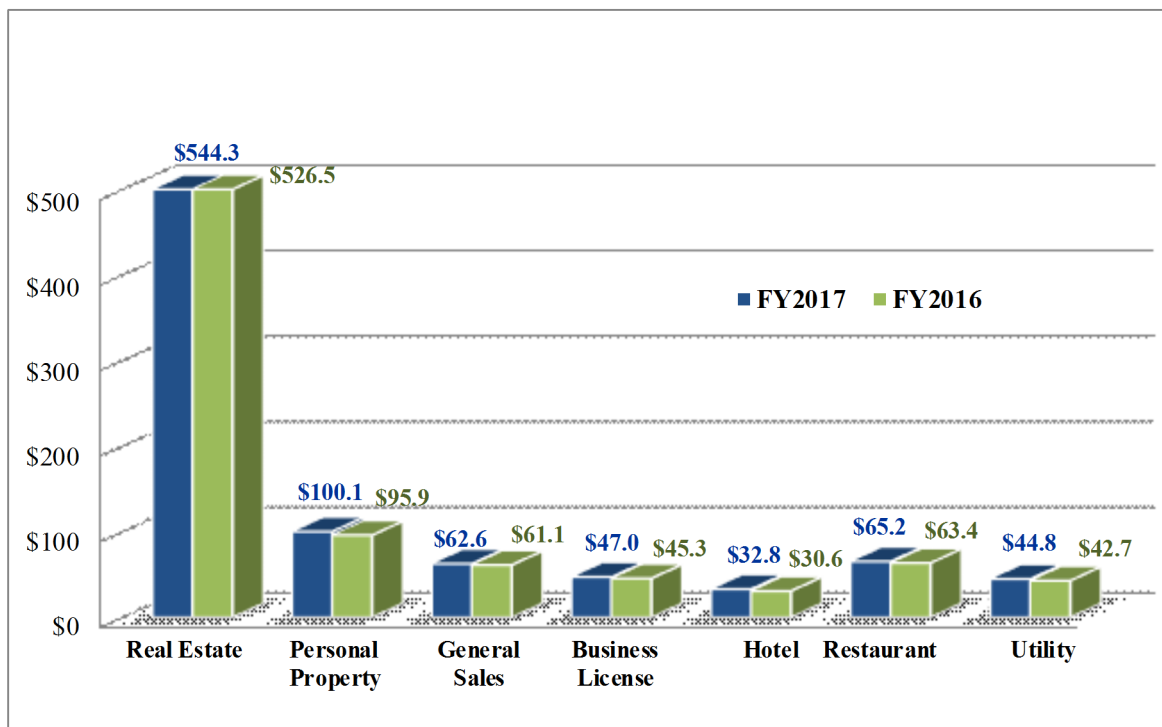
- ◆ \$10.6 million or 1.8% is nonspendable consisting in the City's loans receivable and investment in inventories.
- ◆ \$51.6 million or 8.5% is restricted, which can be spent only for the specific purposes stipulated by external providers, such as grantors or restricted through legislation. This amount includes debt service costs (\$33.8 million); federal and state grants in housing programs (\$7.6 million), public safety initiatives (\$4.7 million), seized forfeited assets (\$0.7 million), human services (\$2.1 million); and special service districts (\$2.7 million).
- ◆ \$354.2 million or 58.3% is committed, which can only be used only for the specific purposes imposed by the formal action of City Council. Included in committed fund balance is the funding for the capital improvement program (\$285.1 million), education (\$17.3 million), convention and visitor development (\$15.2 million), agriculture reserve program activities (\$12.6 million), tax increment financing (\$7.0 million), parks and recreation activities (\$15.1 million) and other smaller amounts in the nonmajor special revenue funds.
- ◆ \$72.1 million or 11.9% is assigned, which applies to amounts that are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. The assigned amounts include money to offset increases in Waste Management expenditures due to the expiration of the SPSA contract (\$5.7 million), next year's capital program (\$23.3 million), education (\$24.1 million), which includes from FY17 \$17.0 million of unexpended funding and \$3.1 million of true-up funds, FY17 encumbrances (\$10.2 million) and other smaller amount in the general fund and nonmajor special revenue funds.
- ◆ \$118.4 million or 19.5% is unassigned, which is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

Items to be noted include:

- ◆ Real estate taxes of \$544.3 million increased \$17.9 million from prior year. Real estate revenues are the City's single largest revenue source and comprised 41.6% of total revenues received for the year. This is mainly due to an increase of 3.5% in taxable assessed values which increased by \$1.9 billion. As mentioned earlier, the tax rate remained the same at \$0.99 per \$100 of assessed value.
- ◆ Revenues recorded for personal property taxes of \$100.1 million were higher than prior year by \$4.1 million. The City continues to receive PPTRA (personal property tax relief program) reimbursements from the State of \$53.4 million, which are reported as state revenues.

- ◆ Other Taxes revenue category, which includes taxes on general sales, utility purchases, cigarettes, hotel rooms, restaurant meal, amusement, business licenses, deeds, wills, and automobile licenses totaled \$298.5 million. This represents an \$8.9 million increase over the previous year mainly due to improved performance in sales, utility, cigarette, meals, and hotel taxes.
- ◆ Federal and state funding of \$260.6 million, 19.9% of total revenues received, decreased \$13.1 million from prior year mainly due to less support towards roadway projects such as the Lesner Bridge Replacement project.
- ◆ City employees received a 3.34% pay increase (1% merit raise for full-time city employees, 1.34% general pay raise to full-time and part-time employees, and the 1% increase required by the state to offset retirement costs).
- ◆ City expenditures include the repayment of \$20 million to the Commonwealth for reimbursement of proceeds received towards purchasing land for the light rail extension into Town Center and approximately \$11.0 million in expenditures related to Hurricane Matthew,
- ◆ The capital projects fund reported \$118.9 million in expenditures. Revenues received in this fund from the federal and state governments were \$1.8 million and \$24.5 million, respectively, which were mostly in support of transportation projects. Public Facility Revenue bonds and premiums totaling \$24.0 million were issued in support of general government capital projects. The capital projects fund received cash funding totaling \$48.2 million from

Figure 4: Selected Tax Revenues by Source - FY 2017 Compared to FY 2016 (in Millions)



the general fund and other special revenue funds.

Proprietary funds

The City's proprietary fund statements offer short and long-term financial information about the activities that the government operates as a business, such as the water and sewer system, storm water, waste management, parking, and development authority funds. These statements provide the same type of information found in the government-wide financial statements, but in more detail. The ending net position for the proprietary funds totals \$1.1 billion.

Notable items are as follows:

- ◆ The Water and Sewer fund's net position increased by \$25.7 million, continuing to reflect strong financial management and the continuing acquisition and construction of capital assets to help address continued compliance with federal consent order on sanitary sewer overflows.
- ◆ The net position for the Storm Water fund increased by \$8.0 million, which provides funding to continue addressing backlogs in the areas of flood control and water quality over the next several years.
- ◆ The net position for the Development Authority, which is the City's blended component unit, increased by \$3.0 million.
- ◆ The net position for the Waste Management fund, increased by \$6.0 million. In the current fiscal year, the monthly fee for waste collection increased 7.7% to \$23.00 per month. The fund accounts for the annual operating expenses of the waste management functions, including recycling activities, waste collection, and disposal at the landfill.
- ◆ The Parking business activity reported an increase of \$0.1 million in net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following is a brief review of the budgetary changes from the original to the final budget (See budget to actual comparison in Exhibit 5):

- ◆ Compared to the prior year, most of the general fund revenues trended favorably, especially property tax revenues (\$19.8 million) and other local taxes (\$6.4 million).
- ◆ General fund departments continue to manage their budgets and expended \$53.7 million less than appropriated. At year-end, encumbrances totaled \$10.5 million. Significant encumbrances were for Public Works (\$2.8 million) for paving contracts, Information Technology (\$1.4 million) for contracts with software vendors, and the Cultural Affairs Office (\$1.7 million) for contracts related to the Sandler Center for the Performing Arts.
- ◆ Significant positive variances were the result of the following:
 - ⇒ Human Services (\$6.4 million or 5.6%) - due to lower expenditures in personnel charges (\$6.2 million).
 - ⇒ Public Works (\$5.9 million or 7.4%) - due to savings in personnel charges (\$1.6 million) and timing of pavement maintenance projects that were not completed during the fiscal year (\$3.4 million).
 - ⇒ Education (\$17.1 million or 4.5%) - unexpended funding received from the City's general fund which was returned at year-end. This amount will be re-appropriated by City Council in the next fiscal year to the Schools' funds.
- ◆ Final budget amounts were often greater than original amounts due to the re-appropriation of prior year encumbrances which were completed in the current fiscal year. During the fiscal year, City Council approved various modifications to the original adopted budget. Major budget adjustments include:
 - ⇒ \$8.9 million to cover Hurricane Matthew expenditures.
 - ⇒ \$6.7 million to cover the purchase of buses, employee raises, and technology projects for the Schools.
- ◆ At the end of the fiscal year, unassigned fund balance for the general fund was \$118.4 million or 10.49% of next fiscal year's revenues, and is within City Council policy.

CAPITAL ASSETS

During the current fiscal year, the City's investment in capital assets increased by \$5.8 million, or less than 1.0%, to a total of \$4.5 billion (Table 3). This investment includes a broad range of capital assets (e.g. land, equipment, buildings, park facilities, roads, bridges, water and sewer lines, and construction in progress).

Major capital projects completed and placed in service during the year included:

- ◆ Pacific Avenue Improvements (\$17.3 million) – This project provided for the improvements to Pacific Avenue between 17th and 22nd Street with the existing ROW, to include undergrounding of the existing overhead utilities and public utility upgrades. In addition, new LED street lighting and traffic signal mast arms were installed.
- ◆ Seaboard Road (\$7.8 million) – This project was for the construction of a three-lane undivided highway, within a 66-foot right-of-way from Princess Anne Road to Nimmo Parkway, a distance of approximately 3,200 feet. This project included an upgrade to the intersection of Princess Anne Road and Seaboard Road to include a new traffic signal.
- ◆ Various Buildings Rehabilitation and Renewal Phase II (\$14.8 million) – This project provided for rehabilitation and renewal of interior and exterior systems for city owned buildings/facilities. It included rehabilitation and replacement of the fire training center's existing facility and libraries. Some of the larger plans of programmed work included installation of building fire protection systems, various roof repairs, and lighting upgrades.
- ◆ Kempsville Recreation Center (\$32 million) – This project funded the design and construction cost of replacing the existing Kempsville Recreation Center building on the current site. The goal of this initiative was to construct a recreation center facility that maximized recreational programming and activities.
- ◆ Storm Water Infrastructure Rehabilitation & Improvements (\$20.7 million) – This project provided for inspection, design, evaluation and rehabilitation of the storm water infrastructure throughout the city and specifically in neighborhoods which have reported storm water system needs.
- ◆ Sanitary Sewer Capacity Program (\$6.7 million) – This project provided funding for the engineering study design, construction services and program development for the sanitary sewer consent order compliance. Specific tasks and activities included replacement of existing sanitary gravity sewer, force mains, or pump stations that had capacity limitations.
- ◆ Prosperity Road Water Improvements (\$2.3 million) – This project provided funding for design and construction of approximately 1.3 miles of 8-inch and 10-inch water mains to provide water service and fire protection to 20 properties along Prosperity Road, including the new Camp Grom Facility.

Construction in progress expenditures for the fiscal year totaled \$118.9 million for general government, \$37.0 million for water/sewer and \$26.8 million for storm water projects. Major current year expenditures include funding for the replacement of the current Lesner Bridge with a facility that is capable of handling six lanes of traffic in the future (\$21.3 million), construction costs of \$8.0 million for the construction of the Housing Resource Center (a new facility that will provide shelter and services to homeless persons and those at risk of homelessness), Witchduck Road project to improve capacity (\$4.6 million), the construction of the Kempsville Recreation Center (\$11.5 million), and the construction of a 28,500 square foot building and a 4,000 square foot storage building (totaling 32,500 square feet) to replace the current buildings for the parks and recreation department (\$6.4 million).

Table 3
Capital Assets
(in Millions)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--------------------------------|------------------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Non-Depreciable Assets: | | | | | | |
| Land | \$ 1,007.2 | \$ 1,005.1 | \$ 165.1 | \$ 165.1 | \$ 1,172.3 | \$ 1,170.2 |
| Agriculture Reserve Program | 46.1 | 42.4 | - | - | 46.1 | 42.4 |
| Construction in Progress | 175.2 | 230.7 | 67.7 | 38.7 | 242.9 | 269.4 |
| Other Capital Assets: | | | | | | |
| Infrastructure | 2,259.0 | 2,169.8 | - | - | 2,259.0 | 2,169.8 |
| Buildings | 1,087.4 | 1,099.7 | 138.3 | 139.3 | 1,225.7 | 1,239.0 |
| Machinery and Equipment | 299.5 | 283.2 | 55.8 | 52.1 | 355.3 | 335.3 |
| Utility System | - | - | 1,326.2 | 1,286.9 | 1,326.2 | 1,286.9 |
| Improvements | 306.3 | 295.6 | 1.1 | 1.1 | 307.4 | 296.7 |
| Less: Accumulated Depreciation | (1,863.7) | (1,779.3) | (595.5) | (560.5) | (2,459.2) | (2,339.8) |
| Totals | <u>\$ 3,317.0</u> | <u>\$ 3,347.2</u> | <u>\$ 1,158.7</u> | <u>\$ 1,122.7</u> | <u>\$ 4,475.7</u> | <u>\$ 4,469.9</u> |

For detailed information on the City's capital asset activity, please refer to note 5 to the financial statements.

LONG TERM DEBT

At the end of the fiscal year 2017, the City had \$1,227.8 million in bonds and notes outstanding and \$632.5 million in other liabilities for a total of \$1,860.2 million in long term liabilities (Table 4).

The state constitution limits the amount of general obligation debt a governmental entity may issue to 10% of the total assessed value of real property. At the end of the fiscal year, the City's assessed value of real property was \$54.8 billion, which makes the City's debt less than the current debt limitation of \$5.5 billion.

For the eighth consecutive year, all three major rating agencies, Standard & Poor's, Moody's Investor Service and Fitch Ratings, affirmed the City's AAA ratings on its General Obligation bonds.

On November 3, 2016, the City issued appropriation backed Public Facility Revenue Bonds (PFRB) consisting of \$21.2 million of new money bonds and \$7.9 million refunding bonds to achieve debt service savings of \$1.24 million over the next 12 years. As part of the ratings review, both Fitch Ratings and Moody's Investor Service upgraded the City's PFRBs to AA+ and Aa1 respectively, and Standard & Poor's affirmed a AA+ rating, all one notch below AAA. Proceeds were used to fund several capital improvement projects such as the modernization of the John B. Dey Elementary School, improvements to Pacific Avenue, improvements to the intersection of First Colonial Rd. and Virginia Beach Blvd., and the Housing Resource Center.

Estimated claims and judgments reflect estimated unpaid losses and ALAE (allocated loss adjustment expenses) as of the end of the year. The projected liability by line of business consists of 91.9% for workers compensation, 5.9% for general liability, and 2.2% for automobile liability.

Landfill closure and post-closure care liability increased \$0.2 million to \$25.9 million during the current fiscal year due to inflation.

Table 4
Long Term Liabilities
(in Millions)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--------------------------------------|--------------------------------|-------------------|---------------------------------|-----------------|---------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| General Obligation Bond | \$ 593.8 | \$ 652.9 | \$ - | \$ - | \$ 593.8 | \$ 652.9 |
| State Literary Fund Loans | 1.9 | 2.3 | - | - | 1.9 | 2.3 |
| Public Facility Revenue Bonds | - | - | 254.6 | 264.1 | 254.6 | 264.1 |
| Revenue Bonds | 261.3 | 263.3 | 70.0 | 77.1 | 331.3 | 340.4 |
| Agriculture Reserve Program | 46.1 | 42.4 | - | - | 46.1 | 42.4 |
| Sub-total | 903.1 | 960.9 | 324.6 | 341.2 | 1,227.7 | 1,302.1 |
| Other Long-Term Liabilities: | | | | | | |
| Landfill Closure & Post-closure Care | 25.9 | 25.5 | - | - | 25.9 | 25.5 |
| Premium/Discount on Bonds Sold | 89.4 | 99.5 | 20.0 | 21.1 | 109.4 | 120.6 |
| Net Pension Liability | 374.8 | 302.1 | 36.3 | 35.3 | 411.1 | 337.4 |
| Accrued Compensated Leave | 43.4 | 43.3 | 5.0 | 5.0 | 48.4 | 48.3 |
| Estimated Claims & Judgments | 37.7 | 31.1 | - | - | 37.7 | 31.1 |
| | 571.2 | 501.5 | 61.3 | 61.4 | 632.5 | 562.9 |
| Totals | <u>\$ 1,474.3</u> | <u>\$ 1,462.4</u> | <u>\$ 385.9</u> | <u>\$ 402.6</u> | <u>\$ 1,860.2</u> | <u>\$ 1,865.0</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's strong financial management and conservative budgeting practices allow the City to continue its commitment to the citizens of Virginia Beach. The Virginia Beach economy continues to improve as real estate assessments continue to increase, and consumer-driven revenues such as general sales, hotel tax, meals tax and amusement tax are performing well.

The above indicators were taken into account when adopting the budget for fiscal year 2018. The adopted budget includes the following highlights:

- ◆ The combined operating budgets for the City and Schools total \$1.97 billion, represent a 3.0% overall increase over the adjusted budget for fiscal year 2017. The total budget supports \$1,075.2 million in City programs and \$894.5 million in Schools programs. The funding provided by the City to the Schools totals \$399.3 million which includes \$28.4 million of dedicated real estate tax. The City allocates funding to the Schools via a revenue sharing formula.
- ◆ Real estate tax revenues are budgeted at \$566.3 million, an increase of 4.4% over prior year. This increase is attributable to projected growth in assessed values of 2.7% and new development. The real estate tax rate increased by \$0.0125 from \$0.99 to \$1.0025 to provide \$6.75 million in additional funding to the Schools to phase-in the expansion of pre-kindergarten and full-day kindergarten.
- ◆ Personal property tax revenues increased 6.1% to \$156.0 million. There was no change in the personal property tax rate of \$4.00 per \$100 of assessed value.

(continued)

- ◆ Hotel tax budgeted revenues total \$34.9 million, an increase of 10.7% over the prior year. There are two components making up this revenue: the 8% hotel tax rate and the flat tax, which generates an additional \$2 per room night.
- ◆ Storm Water fees increased to \$0.458 cents per day in the Equivalent Residential Unit rate, an increase of 5.8%. This increase is part of a series of rate increases of 2.5 cents each year, through fiscal year 2022. The increases are critical to the City's financing plan established to support storm water mandates and flood control initiatives.
- ◆ Various small increases in fees for the services provided by several departments such as Aquarium and Parks and Recreation.
- ◆ The fiscal year 2018-2023 Adopted Capital Improvement Program (CIP) established a six-year programmed funding totaling \$3.3 billion. Only year one is appropriated. The six-year program provides scheduled funding for the construction of projects for utilities (\$892.9 million), Schools (\$493.8 million), roadways (\$777.9 million), and other projects.

REQUEST FOR INFORMATION

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, City of Virginia Beach, Municipal Center, Virginia Beach, Virginia 23456, telephone 757-385-4302, or visit the City's web site at www.vbgov.com.

BASIC FINANCIAL STATEMENTS

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2017

| | Primary Government | | | Component Units | |
|--|-------------------------|--------------------------|------------------|-----------------|-----------------------------------|
| | Governmental Activities | Business-type Activities | Total | School Board | Community Development Corporation |
| ASSETS | | | | | |
| Cash and Investments | \$ 229,826,802 | \$ 171,854,841 | \$ 401,681,643 | \$ 137,931,396 | \$ 975,937 |
| Restricted Cash & Cash Equivalents | 363,941,255 | 102,745,428 | 466,686,683 | - | - |
| Receivables (net) | 78,872,090 | 38,944,867 | 117,816,957 | 1,416,000 | 3,807,068 |
| Due from Other Governments | 87,480,767 | 87,598 | 87,568,365 | 19,571,313 | - |
| Internal Balances | (6,970,544) | 6,970,544 | - | - | - |
| Inventories | 5,396,439 | 2,522,528 | 7,918,967 | 518,261 | - |
| Other Assets | 107,378 | - | 107,378 | 1,214,530 | - |
| Land Held for Resale | - | 22,362,431 | 22,362,431 | - | 685,553 |
| Capital assets (net of accumulated depreciation): | | | | | |
| Land and Improvements | 1,053,282,439 | 165,104,117 | 1,218,386,556 | 39,048,224 | 8,863,960 |
| Buildings and Improvements | 796,803,619 | 92,301,705 | 889,105,324 | 433,265,509 | 19,209,737 |
| Improvements other than Buildings | 208,414,295 | 791,171 | 209,205,466 | 23,274,646 | - |
| Machinery and Equipment | 77,405,990 | 16,414,847 | 93,820,837 | 32,414,428 | 17,909 |
| Infrastructure | 1,005,850,818 | 816,365,254 | 1,822,216,072 | - | - |
| Construction in Progress | 175,219,792 | 67,725,018 | 242,944,810 | 4,434,661 | - |
| Total Capital Assets | \$ 3,316,976,953 | \$ 1,158,702,112 | \$ 4,475,679,065 | \$ 532,437,468 | \$ 28,091,606 |
| Total Assets | \$ 4,075,631,140 | \$ 1,504,190,349 | \$ 5,579,821,489 | \$ 693,088,968 | \$ 33,560,164 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Employer Contributions Subsequent to the Measurement Date | \$ 40,045,696 | \$ 3,873,690 | \$ 43,919,386 | \$ 60,655,000 | \$ - |
| Difference between Expected and Actual Experience | 2,511,355 | 242,928 | 2,754,283 | - | - |
| Net Difference between Projected and Actual Earnings on Plan Investments | 34,724,860 | 3,358,996 | 38,083,856 | 46,023,000 | - |
| Debt Refundings Resulting in Loss Transactions | 4,305,108 | 862,121 | 5,167,229 | - | - |
| Total Deferred Outflows of Resources | \$ 81,587,019 | \$ 8,337,735 | \$ 89,924,754 | \$ 106,678,000 | \$ - |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 52,514,421 | \$ 26,203,833 | \$ 78,718,254 | \$ 18,076,250 | \$ 71,523 |
| Accrued Liabilities | 16,474,856 | 4,345,586 | 20,820,442 | 67,548,584 | 153,559 |
| Due to Other Governments | 902,758 | - | 902,758 | 87,914 | - |
| Long-term Liabilities: | | | | | |
| Due Within One Year | 123,419,396 | 22,437,692 | 145,857,088 | 19,556,089 | 1,565,465 |
| Due in More Than One Year | 1,350,860,902 | 363,478,968 | 1,714,339,870 | 756,565,872 | 19,744,961 |
| Total Liabilities | \$ 1,544,172,333 | \$ 416,466,079 | \$ 1,960,638,412 | \$ 861,834,709 | \$ 21,535,508 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Difference between Expected and Actual Experience | \$ 12,805,088 | \$ 1,238,658 | \$ 14,043,746 | \$ 36,076,000 | \$ - |
| Property Taxes Levied for Subsequent Year | 7,968,226 | - | 7,968,226 | - | - |
| Unavailable Revenue for Housing Loans | 493,950 | - | 493,950 | - | - |
| Debt Refundings Resulting in Gain Transactions | 4,194,312 | 1,203,216 | 5,397,528 | - | - |
| Total Deferred Inflows of Resources | \$ 25,461,576 | \$ 2,441,874 | \$ 27,903,450 | \$ 36,076,000 | \$ - |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | \$ 2,324,672,499 | \$ 813,703,550 | \$ 3,138,376,049 | \$ 532,437,468 | \$ 6,781,180 |
| Restricted for: | | | | | |
| Capital Projects | 285,119,545 | 61,472,939 | 346,592,484 | - | - |
| Future Debt Service | 33,802,079 | 24,223,316 | 58,025,395 | - | - |
| Special Projects | 28,461,024 | - | 28,461,024 | 17,365,019 | - |
| Water and Sewer Fund Operations | - | 129,279,701 | 129,279,701 | - | - |
| Storm Water Fund Operations | - | 28,848,074 | 28,848,074 | - | - |
| Waste Management Operations | - | 2,540,616 | 2,540,616 | - | - |
| Unrestricted (Deficit) | (84,470,897) | 33,551,935 | (50,918,962) | (647,946,228) | 5,243,476 |
| Total Net Position | \$ 2,587,584,250 | \$ 1,093,620,131 | \$ 3,681,204,381 | \$ (98,143,741) | \$ 12,024,656 |

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

**CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| | Expenses | Program Revenues | | |
|--|-------------------------|-----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Legislative | \$ 1,181,030 | \$ - | \$ - | \$ - |
| Executive | 4,185,699 | 5,560 | - | - |
| Law | 3,978,553 | 1,513 | - | - |
| Finance | 18,382,696 | 1,692,271 | 1,469,473 | - |
| Human Resources | 11,264,020 | - | - | - |
| Judicial | 61,622,028 | 4,907,694 | 23,386,151 | - |
| Health | 3,391,817 | - | 116,754 | - |
| Police | 101,644,605 | 3,308,747 | 625,907 | - |
| Human Services | 116,434,440 | 25,167,062 | 60,563,222 | - |
| Public Works | 173,634,278 | 4,058,165 | 42,278,659 | 3,980,666 |
| Parks & Recreation | 47,512,722 | 15,021,272 | 5,308,455 | - |
| Library | 18,354,780 | 695,152 | 237,301 | - |
| Planning | 11,162,446 | 5,097,944 | - | - |
| Agriculture | 4,605,108 | 86,449 | 505,845 | - |
| Economic Development | 1,562,948 | - | - | - |
| Convention & Visitor Development | 28,761,957 | 6,620,853 | - | - |
| Information Technology | 38,964,868 | 1,922,777 | - | - |
| Emergency Communications and Citizen Services | 8,970,142 | 250 | - | - |
| Boards and Commissions | 34,738,707 | 34,336 | 82,561 | - |
| Fire | 57,104,376 | 665,923 | 2,983,960 | - |
| Management Services | 1,365,506 | - | - | - |
| Education | 396,304,003 | - | - | - |
| Housing & Neighborhood Preservation | 28,325,394 | 2,841,867 | 22,900,717 | - |
| Museums | 11,113,741 | 9,679,208 | 1,195,740 | - |
| Emergency Medical Services | 12,532,240 | 69,437 | 486,899 | - |
| General Government | 20,905,051 | 6,795,827 | 18,651,026 | 26,344,497 |
| Interest and Fiscal Charges | 29,622,762 | - | - | - |
| Total Governmental Activities | <u>1,247,625,917</u> | <u>88,672,307</u> | <u>180,792,670</u> | <u>30,325,163</u> |
| Business-type Activities: | | | | |
| Water and Sewer | 107,922,521 | 125,124,505 | - | 6,248,128 |
| Storm Water | 34,666,545 | 40,164,454 | 275,938 | 363,254 |
| Development Authority | 12,582,903 | 2,859,707 | - | - |
| Waste Management | 39,724,605 | 35,390,065 | 43,950 | - |
| Parking | 3,383,691 | 5,235,807 | - | - |
| Total Business-type Activities | <u>198,280,265</u> | <u>208,774,538</u> | <u>319,888</u> | <u>6,611,382</u> |
| Total Primary Government | <u>\$ 1,445,906,182</u> | <u>\$ 297,446,845</u> | <u>\$ 181,112,558</u> | <u>\$ 36,936,545</u> |
| Component Units: | | | | |
| Virginia Beach Community Development Corporation | \$ 6,297,645 | \$ 2,976,353 | \$ 1,860,777 | \$ - |
| Virginia Beach School Board | 774,221,739 | 14,417,518 | 146,611,635 | - |
| Total Component Units | <u>\$ 780,519,384</u> | <u>\$ 17,393,871</u> | <u>\$ 148,472,412</u> | <u>\$ -</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Real Estate Property Taxes | | | | |
| Personal Property Taxes | | | | |
| Sales | | | | |
| Utility | | | | |
| Business Licenses | | | | |
| Meal | | | | |
| City Tax on Deeds and Wills | | | | |
| Cigarette | | | | |
| Automobile Licenses | | | | |
| Amusement | | | | |
| Lodging | | | | |
| Franchise, Bank Stock and Transient Occupancy | | | | |
| Total City Taxes | | | | |
| Payment from City of Virginia Beach | | | | |
| Grants and contributions not restricted to specific programs | | | | |
| Investment earnings | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total General Revenues and Transfers | | | | |
| Change in Net Position | | | | |
| Net Position - Beginning | | | | |
| Net Position - Ending | | | | |

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

**CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| Net (Expenses) Revenues and Changes in Net Position | | | | | |
|--|-----------------------------|-------------------------|-------------------------|---|--|
| Primary Government | | | Component Units | | |
| Governmental Activities | Business-type Activities | Total | School Board | Community Development Corporation | |
| \$ (1,181,030) | \$ - | \$ (1,181,030) | \$ - | \$ - | |
| (4,180,139) | - | (4,180,139) | - | - | |
| (3,977,040) | - | (3,977,040) | - | - | |
| (15,220,952) | - | (15,220,952) | - | - | |
| (11,264,020) | - | (11,264,020) | - | - | |
| (33,328,183) | - | (33,328,183) | - | - | |
| (3,275,063) | - | (3,275,063) | - | - | |
| (97,709,951) | - | (97,709,951) | - | - | |
| (30,704,156) | - | (30,704,156) | - | - | |
| (123,316,788) | - | (123,316,788) | - | - | |
| (27,182,995) | - | (27,182,995) | - | - | |
| (17,422,327) | - | (17,422,327) | - | - | |
| (6,064,502) | - | (6,064,502) | - | - | |
| (4,012,814) | - | (4,012,814) | - | - | |
| (1,562,948) | - | (1,562,948) | - | - | |
| (22,141,104) | - | (22,141,104) | - | - | |
| (37,042,091) | - | (37,042,091) | - | - | |
| (8,969,892) | - | (8,969,892) | - | - | |
| (34,621,810) | - | (34,621,810) | - | - | |
| (53,454,493) | - | (53,454,493) | - | - | |
| (1,365,506) | - | (1,365,506) | - | - | |
| (396,304,003) | - | (396,304,003) | - | - | |
| (2,582,810) | - | (2,582,810) | - | - | |
| (238,793) | - | (238,793) | - | - | |
| (11,975,904) | - | (11,975,904) | - | - | |
| 30,886,299 | - | 30,886,299 | - | - | |
| (29,622,762) | - | (29,622,762) | - | - | |
| <u>(947,835,777)</u> | <u>-</u> | <u>(947,835,777)</u> | <u>-</u> | <u>-</u> | |
| - | 23,450,112 | 23,450,112 | - | - | |
| - | 6,137,101 | 6,137,101 | - | - | |
| - | (9,723,196) | (9,723,196) | - | - | |
| - | (4,290,590) | (4,290,590) | - | - | |
| - | 1,852,116 | 1,852,116 | - | - | |
| - | <u>17,425,543</u> | <u>17,425,543</u> | <u>-</u> | <u>-</u> | |
| <u>\$ (947,835,777)</u> | <u>\$ 17,425,543</u> | <u>\$ (930,410,234)</u> | <u>\$ -</u> | <u>\$ -</u> | |
| \$ - | \$ - | \$ - | \$ - | \$ (1,460,515) | |
| - | - | - | (613,192,586) | - | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (613,192,586)</u> | <u>\$ (1,460,515)</u> | |
| \$ 544,302,460 | \$ - | \$ 544,302,460 | \$ - | \$ - | |
| 101,670,001 | - | 101,670,001 | - | - | |
| 66,292,790 | - | 66,292,790 | - | - | |
| 48,275,048 | - | 48,275,048 | - | - | |
| 47,143,398 | - | 47,143,398 | - | - | |
| 68,900,065 | - | 68,900,065 | - | - | |
| 7,858,406 | - | 7,858,406 | - | - | |
| 12,060,433 | - | 12,060,433 | - | - | |
| 11,762,967 | - | 11,762,967 | - | - | |
| 7,032,632 | - | 7,032,632 | - | - | |
| 32,385,074 | - | 32,385,074 | - | - | |
| 10,937,880 | - | 10,937,880 | - | - | |
| <u>958,621,154</u> | <u>-</u> | <u>958,621,154</u> | <u>-</u> | <u>-</u> | |
| - | - | - | 369,406,287 | - | |
| 53,412,868 | - | 53,412,868 | 263,258,829 | - | |
| 2,255,088 | 2,573,657 | 4,828,745 | 245,828 | 352,829 | |
| 17,446,147 | - | 17,446,147 | 450,772 | 25,082 | |
| (22,611,189) | 22,611,189 | - | - | - | |
| <u>1,009,124,068</u> | <u>25,184,846</u> | <u>1,034,308,914</u> | <u>633,361,716</u> | <u>377,911</u> | |
| 61,288,291 | 42,610,389 | 103,898,680 | 20,169,130 | (1,082,604) | |
| 2,526,295,959 | 1,051,009,742 | 3,577,305,701 | (118,312,871) | 13,107,260 | |
| <u>\$ 2,587,584,250</u> | <u>\$ 1,093,620,131</u> | <u>\$ 3,681,204,381</u> | <u>\$ (98,143,741)</u> | <u>\$ 12,024,656</u> | |

**CITY OF VIRGINIA BEACH, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------|-----------------------|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | | | |
| Cash and Investments | \$ 151,096,494 | \$ - | \$ 49,334,178 | \$ 200,430,672 |
| Cash and Investments - Restricted | 17,299,308 | 295,979,869 | 50,662,078 | 363,941,255 |
| Cash Advances | 107,378 | - | - | 107,378 |
| Receivables (net of allowance for uncollectibles, where applicable): | | | | |
| Property Tax | 41,886,065 | - | - | 41,886,065 |
| Accounts | 1,615,854 | - | 218,240 | 1,834,094 |
| Loans | 6,027,214 | - | 6,090,575 | 12,117,789 |
| Due from: | | | | |
| Other Governments | 70,288,453 | 13,790,135 | 3,402,179 | 87,480,767 |
| Inventories | 4,620,297 | - | - | 4,620,297 |
| Total Assets | <u>\$ 292,941,063</u> | <u>\$ 309,770,004</u> | <u>\$ 109,707,250</u> | <u>\$ 712,418,317</u> |
| <u>LIABILITIES</u> | | | | |
| Vouchers and Accounts Payable | \$ 28,650,399 | \$ 17,051,662 | \$ 5,618,721 | \$ 51,320,782 |
| Deposits Payable | 3,762,582 | - | - | 3,762,582 |
| Due to Other Funds | - | 7,515,732 | - | 7,515,732 |
| Intergovernmental Payables | 819,693 | 83,065 | - | 902,758 |
| Unearned Revenue | 848,910 | - | - | 848,910 |
| Total Liabilities | <u>\$ 34,081,584</u> | <u>\$ 24,650,459</u> | <u>\$ 5,618,721</u> | <u>\$ 64,350,764</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Unavailable Revenue - Housing Loans | \$ - | \$ - | \$ 493,950 | \$ 493,950 |
| Unavailable Revenue - Property Taxes | 40,675,254 | - | - | 40,675,254 |
| Total Deferred Inflows of Resources | <u>\$ 40,675,254</u> | <u>\$ -</u> | <u>\$ 493,950</u> | <u>\$ 41,169,204</u> |
| <u>FUND BALANCES</u> | | | | |
| Nonspendable: | | | | |
| Inventories | \$ 4,620,297 | \$ - | \$ - | \$ 4,620,297 |
| Loans Receivable | 6,027,214 | - | - | 6,027,214 |
| Restricted for: | | | | |
| Special Revenue Funds | - | - | 15,765,762 | 15,765,762 |
| Debt Service | - | - | 33,802,079 | 33,802,079 |
| Community Services Board | 2,047,751 | - | - | 2,047,751 |
| Committed to: | | | | |
| Education | 17,299,308 | - | - | 17,299,308 |
| Special Revenue Funds | - | - | 51,753,558 | 51,753,558 |
| Capital Improvement Program: | | | | |
| Engineering and Highways | - | 74,899,311 | - | 74,899,311 |
| Buildings | - | 34,595,587 | - | 34,595,587 |
| Parks and Recreation | - | 4,964,798 | - | 4,964,798 |
| Coastal | - | 1,100,809 | - | 1,100,809 |
| Economic and Tourism | - | 45,481,642 | - | 45,481,642 |
| General Government | - | 124,077,398 | - | 124,077,398 |
| Assigned to: | | | | |
| Education | 24,129,855 | - | - | 24,129,855 |
| General Government | 15,649,915 | - | - | 15,649,915 |
| Waste Management | 5,712,041 | - | - | 5,712,041 |
| Capital Improvement Program - General | 23,301,544 | - | - | 23,301,544 |
| Risk Management | 1,000,000 | - | - | 1,000,000 |
| Special Revenue Funds | - | - | 2,273,180 | 2,273,180 |
| Unassigned | 118,396,300 | - | - | 118,396,300 |
| Total Fund Balances | <u>\$ 218,184,225</u> | <u>\$ 285,119,545</u> | <u>\$ 103,594,579</u> | <u>\$ 606,898,349</u> |
| Total Liabilities, Deferred Inflows, and Fund Balances | <u>\$ 292,941,063</u> | <u>\$ 309,770,004</u> | <u>\$ 109,707,250</u> | <u>\$ 712,418,317</u> |

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

**CITY OF VIRGINIA BEACH, VIRGINIA
RECONCILIATION OF BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

| | | |
|--|----|-------------|
| Total Fund Balances - Governmental funds (Exhibit 3) | \$ | 606,898,349 |
|--|----|-------------|

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

| | | |
|--|--|---------------|
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. | | 3,315,923,838 |
|--|--|---------------|

| | | |
|---|--|------------|
| Other long-term assets are not available to pay for current period expenditures and therefore are offset by unearned revenue in the governmental funds. | | 65,137,183 |
|---|--|------------|

| | | |
|--|--|---------|
| Deferred Inflows and Outflows of Resources used to reflect deferred gains and losses on debt refunding bonds are not reported in the governmental funds. | | 110,796 |
|--|--|---------|

| | | |
|---|---------------|------------|
| Deferred Inflows and Outflows of Resources used to reflect differences between expected and actual earnings on pension plan investments are not reported in the governmental funds. | | |
| Employer contributions subsequent to measurement date pension | \$ 39,224,404 | |
| Difference between expected and actual experience | (10,082,620) | |
| Net difference between projected and actual earnings on plan investments | 34,012,692 | 63,154,476 |

| | | |
|---|--|-------------|
| Deferred Inflows of Resources used to reflect Property Taxes Levied in current year for subsequent year | | (7,968,226) |
|---|--|-------------|

| | | |
|--|--|--------------|
| Internal Service Funds are used by management to charge the costs of printing services, risk management, information technology, and city garage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. (Exhibit 1) | | (14,864,065) |
|--|--|--------------|

| | | |
|---|--|--------|
| Services provided by the general government to business-type activities are not included in the entity-wide statements. The elimination decreases net position. | | 88,608 |
|---|--|--------|

| | | |
|---|--|-----------|
| Internal service fund amounts payable to the general government are eliminated from the Statement of Net Position. However, the amount due from business-type activities for the Internal Service Funds loss charge back is included. | | (545,188) |
|---|--|-----------|

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

| | | |
|--|------------------|-----------------|
| General Obligation Bonds | \$ (593,771,664) | |
| Net Pension Liability | (367,151,678) | |
| State Literary Fund Loans | (1,875,000) | |
| Accrued Interest on Bonds Sold | (12,720,315) | |
| Agriculture Reserve Strips | (46,102,662) | |
| Public Facility Revenue Bonds | (261,335,212) | |
| Premium on Bonds Sold | (89,330,712) | |
| Compensated Absences (annual and sick leave) | (42,646,158) | |
| Landfill Closure and Post-Closure Care | (25,874,700) | (1,440,808,101) |

| | | |
|--|----|---------------|
| Total Net Position - Governmental Activities (Exhibit 1) | \$ | 2,587,584,250 |
|--|----|---------------|

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

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|------------------------|--------------------------------|--------------------------------|
| <u>REVENUES</u> | | | | |
| General Property Taxes: | | | | |
| Real Estate property taxes | \$ 482,031,789 | \$ - | \$ 62,270,671 | \$ 544,302,460 |
| Personal property taxes | 100,075,205 | - | - | 100,075,205 |
| Other Local Taxes | 239,546,816 | - | 58,951,517 | 298,498,333 |
| Fines and Forfeitures | 4,967,458 | - | 539,857 | 5,507,315 |
| Permits, Privilege Fees, and Regulatory Licenses | 5,250,146 | - | - | 5,250,146 |
| From Use of Money and Property | 7,857,291 | 197,763 | 855,269 | 8,910,323 |
| Charges for Services | 53,792,395 | - | 18,008,491 | 71,800,886 |
| Miscellaneous | 5,474,431 | 4,062,763 | 4,185,911 | 13,723,105 |
| From Commonwealth | 157,279,575 | 24,546,136 | 22,676,727 | 204,502,438 |
| From Federal Government | 22,105,929 | 1,798,361 | 32,214,883 | 56,119,173 |
| Total Revenues | <u>\$ 1,078,381,035</u> | <u>\$ 30,605,023</u> | <u>\$ 199,703,326</u> | <u>\$ 1,308,689,384</u> |
| <u>EXPENDITURES</u> | | | | |
| Current Operating: | | | | |
| Legislative | \$ 1,173,001 | \$ - | \$ - | \$ 1,173,001 |
| Executive | 4,093,880 | - | - | 4,093,880 |
| Law | 3,969,488 | - | - | 3,969,488 |
| Finance | 18,207,252 | - | - | 18,207,252 |
| Human Resources | 11,245,572 | - | - | 11,245,572 |
| Judicial | 14,517,635 | - | 46,670,068 | 61,187,703 |
| Health | 3,271,550 | - | 105,211 | 3,376,761 |
| Police | 96,478,965 | - | 1,071,894 | 97,550,859 |
| Human Services | 107,574,303 | - | 7,619,554 | 115,193,857 |
| Public Works | 73,223,061 | - | 145,637 | 73,368,698 |
| Parks and Recreation | 13,940,534 | - | 29,827,859 | 43,768,393 |
| Library | 17,333,746 | - | 282,162 | 17,615,908 |
| Planning | 10,993,105 | - | - | 10,993,105 |
| Agriculture | 749,171 | - | 3,858,479 | 4,607,650 |
| Economic Development | 3,749,275 | - | - | 3,749,275 |
| Convention and Visitor Development | 8,162,856 | - | 18,887,535 | 27,050,391 |
| Information Technology | 22,132,288 | - | - | 22,132,288 |
| Emergency Communications and Citizen Services | 8,859,237 | - | - | 8,859,237 |
| Boards and Commissions | 32,288,724 | - | 8,425,956 | 40,714,680 |
| Fire | 52,161,178 | - | 2,956,110 | 55,117,288 |
| Management Services | 1,409,775 | - | - | 1,409,775 |
| Development Authority | - | - | 55,008.00 | 55,008 |
| Education | 364,265,143 | 43,283,515 | - | 407,548,658 |
| Housing and Neighborhood Preservation | 1,813,255 | - | 26,433,271 | 28,246,526 |
| Museums | 10,961,337 | - | - | 10,961,337 |
| General Government | - | - | 22,331,474 | 22,331,474 |
| Emergency Medical Services | 10,991,301 | - | 414,433 | 11,405,734 |
| Capital Outlay | - | 75,596,098 | - | 75,596,098 |
| Debt Service: | | | | |
| Principal Retirement | 31,752,735 | - | 56,857,125 | 88,609,860 |
| Interest and Fiscal Charges | 17,952,699 | - | 28,545,579 | 46,498,278 |
| Total Expenditures | <u>\$ 943,271,066</u> | <u>\$ 118,879,613</u> | <u>\$ 254,487,355</u> | <u>\$ 1,316,638,034</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>\$ 135,109,969</u> | <u>\$ (88,274,590)</u> | <u>\$ (54,784,029)</u> | <u>\$ (7,948,650)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | \$ 20,160,315 | \$ 48,203,464 | \$ 85,442,215 | \$ 153,805,994 |
| Transfers Out | (122,709,725) | - | (43,385,629) | (166,095,354) |
| Issuance of Debt | - | 21,225,000 | - | 21,225,000 |
| Premium on Bonds Sold | 106,224 | 2,815,863 | - | 2,922,087 |
| Agriculture Reserve Agreement | - | - | 3,728,464 | 3,728,464 |
| Total Other Financing Sources (Uses) | <u>\$ (102,443,186)</u> | <u>\$ 72,244,327</u> | <u>\$ 45,785,050</u> | <u>\$ 15,586,191</u> |
| Net Change in Fund Balance | 32,666,783 | (16,030,263) | (8,998,979) | 7,637,541 |
| Fund Balance at Beginning of Year | 185,517,442 | 301,149,808 | 112,593,558 | 599,260,808 |
| Fund Balance at End of Year | <u>\$ 218,184,225</u> | <u>\$ 285,119,545</u> | <u>\$ 103,594,579</u> | <u>\$ 606,898,349</u> |

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

**CITY OF VIRGINIA BEACH, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| | | |
|---|----|-----------|
| Net Change in fund balance - total governmental funds (Exhibit 4) | \$ | 7,637,541 |
|---|----|-----------|

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

| | | | |
|--|----|---------------|--------------|
| General Government Capital Outlay Expenditures | \$ | 75,596,098 | |
| General Government Expenditures | | 17,776,482 | |
| Non-Capitalizable Capital Outlay Expenditures | | (7,129,802) | |
| Depreciation on General Government Assets | | (106,554,811) | |
| Contribution of Assets to General Government | | 3,013,511 | |
| Loss on Disposition of Assets | | (5,298,191) | (22,596,713) |

| | | |
|--|--|------------|
| Revenues in the fund statements which were subject to accrual in the prior year are additions to beginning net position and, therefore, are not reported as revenues in the Statement of Activities. | | 15,615,043 |
|--|--|------------|

| | | |
|--|--|------------|
| The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | 60,687,062 |
|--|--|------------|

Certain net expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | | |
|----------------------|--|-------------|--|
| Compensated Absences | | (96,660) | |
| Pension Expense | | (2,712,097) | |

| | | |
|--|--|-----------|
| Internal Service Funds are used by management to charge the costs of fleet management and management systems to individual funds and customers. Losses arising from the internal customers are added as expenditures on the Statement of Activities as charge backs. Revenues and expenditures with outside customers are included also, as are non-operating revenues and expenses. This amount is the effect of reporting internal service funds with governmental activities. | | 2,754,115 |
|--|--|-----------|

| | | |
|---|----|------------|
| Change in net position of governmental activities (Exhibit 2) | \$ | 61,288,291 |
|---|----|------------|

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

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|---|-------------------------|-------------------------|-------------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| General Property Taxes: | | | | |
| Real Estate property taxes | \$ 479,990,793 | \$ 479,990,793 | \$ 482,031,789 | \$ 2,040,996 |
| Personal property taxes | 93,566,788 | 93,566,788 | 100,075,205 | 6,508,417 |
| Other Local Taxes | 238,681,575 | 238,681,575 | 239,546,816 | 865,241 |
| Permits, Privilege Fees, and Regulatory Licenses | 5,377,037 | 5,377,037 | 5,250,146 | (126,891) |
| Fines and Forfeitures | 6,538,394 | 6,538,394 | 4,967,458 | (1,570,936) |
| From Use of Money and Property | 5,447,985 | 5,447,985 | 7,857,291 | 2,409,306 |
| Charges for Services | 54,314,414 | 54,757,304 | 53,792,395 | (964,909) |
| Miscellaneous | 5,079,758 | 5,345,511 | 5,474,431 | 128,920 |
| From Commonwealth | 152,873,407 | 157,069,108 | 157,279,575 | 210,467 |
| From Federal Government | 19,739,278 | 19,776,298 | 22,105,929 | 2,329,631 |
| Total Revenues | <u>\$ 1,061,609,429</u> | <u>\$ 1,066,550,793</u> | <u>\$ 1,078,381,035</u> | <u>\$ 11,830,242</u> |
| EXPENDITURES | | | | |
| Legislative | \$ 1,145,535 | \$ 1,224,978 | \$ 1,173,001 | \$ 51,977 |
| Executive | 4,157,600 | 4,382,782 | 4,093,880 | 288,902 |
| Law | 4,067,393 | 4,205,905 | 3,969,488 | 236,417 |
| Finance | 18,416,279 | 18,872,407 | 18,207,252 | 665,155 |
| Human Resources | 12,942,561 | 13,111,525 | 11,245,572 | 1,865,953 |
| Judicial | 14,742,412 | 15,573,766 | 14,517,635 | 1,056,131 |
| Health | 3,191,017 | 3,309,162 | 3,271,550 | 37,612 |
| Police | 98,800,096 | 99,532,131 | 96,478,965 | 3,053,166 |
| Human Services | 110,868,695 | 113,972,326 | 107,574,303 | 6,398,023 |
| Public Works | 65,118,700 | 79,085,937 | 73,223,061 | 5,862,876 |
| Parks and Recreation | 14,108,883 | 14,814,734 | 13,940,534 | 874,200 |
| Library | 17,526,401 | 18,398,467 | 17,333,746 | 1,064,721 |
| Planning | 12,053,064 | 12,672,583 | 10,993,105 | 1,679,478 |
| Agriculture | 835,667 | 850,255 | 749,171 | 101,084 |
| Economic Development | 3,929,051 | 4,002,637 | 3,749,275 | 253,362 |
| Convention and Visitor Development | 9,010,480 | 9,187,002 | 8,162,856 | 1,024,146 |
| Information Technology | 23,724,536 | 25,203,207 | 22,132,288 | 3,070,919 |
| Emergency Communications and Citizen Services | 10,503,102 | 10,640,545 | 8,859,237 | 1,781,308 |
| Boards and Commissions | 30,342,363 | 36,548,417 | 32,288,724 | 4,259,693 |
| Fire | 50,828,272 | 52,628,261 | 52,161,178 | 467,083 |
| Management Services | 1,600,325 | 1,521,095 | 1,409,775 | 111,320 |
| Education | 374,574,390 | 381,329,033 | 364,265,143 | 17,063,890 |
| Housing and Neighborhood Preservation | 1,814,986 | 1,909,240 | 1,813,255 | 95,985 |
| Museums | 11,558,683 | 12,189,767 | 10,961,337 | 1,228,430 |
| Emergency Medical Services | 10,727,408 | 11,311,079 | 10,991,301 | 319,778 |
| Debt Service: | | | | |
| Principal Retirement | 32,407,735 | 32,407,735 | 31,752,735 | 655,000 |
| Interest and Fiscal Charges | 18,078,436 | 18,078,436 | 17,952,699 | 125,737 |
| Total Expenditures | <u>\$ 957,074,070</u> | <u>\$ 996,963,412</u> | <u>\$ 943,271,066</u> | <u>\$ 53,692,346</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>\$ 104,535,359</u> | <u>\$ 69,587,381</u> | <u>\$ 135,109,969</u> | <u>\$ 65,522,588</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | \$ 2,187,308 | \$ 20,117,572 | \$ 20,160,315 | \$ 42,743 |
| Transfers Out | (118,678,258) | (122,723,265) | (122,709,725) | 13,540 |
| Premium on Refunding Bonds Sold | - | - | 106,224 | 106,224 |
| Total Other Financing Sources (Uses) | <u>\$ (116,490,950)</u> | <u>\$ (102,605,693)</u> | <u>\$ (102,443,186)</u> | <u>\$ 162,507</u> |
| Net Change in Fund Balance | (11,955,591) | (33,018,312) | 32,666,783 | 65,685,095 |
| Fund Balance at Beginning of Year | 143,357,456 | 143,357,456 | 185,517,442 | 42,159,986 |
| Fund Balance at End of Year | <u>\$ 131,401,865</u> | <u>\$ 110,339,144</u> | <u>\$ 218,184,225</u> | <u>\$ 107,845,081</u> |

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

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CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

| | Business-Type Activities - Enterprise Funds | |
|---|--|-----------------------|
| | Water and Sewer | Storm Water |
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Investments | \$ 123,372,664 | \$ 31,771,846 |
| Accounts Receivable - Net | 21,761,379 | 7,387,972 |
| Intergovernmental Receivables | 87,598 | - |
| Inventory | 2,522,528 | - |
| Total Current Assets | <u>\$ 147,744,169</u> | <u>\$ 39,159,818</u> |
| Noncurrent Assets: | | |
| Cash and Investments - Restricted | 81,090,435 | 19,626,498 |
| Due From Other Funds | - | - |
| Land Held for Resale | - | - |
| Capital Assets: | | |
| Land | 12,981,079 | 131,665,778 |
| Site Improvements | - | - |
| Buildings | 18,940,552 | - |
| Utility System | 1,092,790,301 | 233,272,190 |
| Construction in Progress | 31,278,461 | 36,446,557 |
| Machinery and Equipment | 29,351,238 | 15,300,317 |
| Less: Accumulated Depreciation | (488,514,676) | (68,395,681) |
| Total Capital Assets | <u>\$ 696,826,955</u> | <u>\$ 348,289,161</u> |
| Total Noncurrent Assets | <u>\$ 777,917,390</u> | <u>\$ 367,915,659</u> |
| Total Assets | <u>\$ 925,661,559</u> | <u>\$ 407,075,477</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Debt Refundings Resulting in Loss Transactions | \$ - | \$ - |
| Difference between Expected and Actual Experience | 141,570 | 62,798 |
| Net Difference between Projected and Actual Earnings on Plan Investments | 1,957,510 | 868,312 |
| Employer Contributions Subsequent to Measurement Date | 2,257,456 | 1,001,362 |
| Total Deferred Outflows of Resources | <u>\$ 4,356,536</u> | <u>\$ 1,932,472</u> |
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| Vouchers and Accounts Payable | \$ 3,783,226 | \$ 1,087,827 |
| Deposits Payable | 147,557 | - |
| Accrued Interest Payable | 2,308,423 | 208,853 |
| Construction Contracts Payable | 5,578,499 | 3,628,312 |
| Due to Other Funds | - | - |
| Advances from General Fund | - | - |
| Unearned Revenue | 656,304 | - |
| Current Portion of Long-term Liabilities | 11,863,504 | 2,511,402 |
| Total Current Liabilities | <u>\$ 24,337,513</u> | <u>\$ 7,436,394</u> |
| Long-term Liabilities (less current portion) | 240,196,433 | 52,688,291 |
| Total Liabilities | <u>\$ 264,533,946</u> | <u>\$ 60,124,685</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Debt Refundings Resulting in Gain Transactions | \$ - | \$ - |
| Difference between Expected and Actual Experience | 721,849 | 320,197 |
| Total Deferred Inflows of Resources | <u>\$ 721,849</u> | <u>\$ 320,197</u> |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | \$ 468,652,175 | \$ 303,704,740 |
| Restricted for: | | |
| Capital Projects | 48,851,129 | 12,621,810 |
| Future Debt Service | 17,979,295 | 3,388,443 |
| Operations | 129,279,701 | 28,848,074 |
| Unrestricted (Deficit) | - | - |
| Total Net Position | <u>\$ 664,762,300</u> | <u>\$ 348,563,067</u> |
| Reconciling Items: | | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | |
| Total Net Position of Business-type activities (Exhibit I) | | |

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

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

| Business-Type Activities - Enterprise Funds | | | | | Governmental Activities |
|---|-----------------------|---------------------|-------------------------|------------------------|-------------------------|
| Waste Management | Development Authority | Nonmajor Parking | Totals | Internal Service Funds | |
| \$ 3,073,237 | \$ 9,302,712 | \$ 4,334,382 | \$ 171,854,841 | \$ 29,396,130 | |
| 6,886,010 | 2,909,506 | - | 38,944,867 | - | |
| - | - | - | 87,598 | 105 | |
| - | - | - | 2,522,528 | 776,142 | |
| <u>\$ 9,959,247</u> | <u>\$ 12,212,218</u> | <u>\$ 4,334,382</u> | <u>\$ 213,409,834</u> | <u>\$ 30,172,377</u> | |
| - | 2,028,495 | - | 102,745,428 | - | |
| - | 7,515,732 | - | 7,515,732 | - | |
| - | 22,362,431 | - | 22,362,431 | - | |
| - | 20,457,260 | - | 165,104,117 | - | |
| 366,891 | - | 779,517 | 1,146,408 | 265,782 | |
| - | 119,368,147 | - | 138,308,699 | - | |
| - | - | - | 1,326,062,491 | - | |
| - | - | - | 67,725,018 | - | |
| 10,541,594 | 565,065 | 91,456 | 55,849,670 | 6,507,098 | |
| (4,566,262) | (33,633,877) | (383,795) | (595,494,291) | (5,719,765) | |
| <u>\$ 6,342,223</u> | <u>\$ 106,756,595</u> | <u>\$ 487,178</u> | <u>\$ 1,158,702,112</u> | <u>\$ 1,053,115</u> | |
| <u>\$ 6,342,223</u> | <u>\$ 138,663,253</u> | <u>\$ 487,178</u> | <u>\$ 1,291,325,703</u> | <u>\$ 1,053,115</u> | |
| <u>\$ 16,301,470</u> | <u>\$ 150,875,471</u> | <u>\$ 4,821,560</u> | <u>\$ 1,504,735,537</u> | <u>\$ 31,225,492</u> | |
| \$ - | \$ 862,121 | \$ - | \$ 862,121 | \$ - | |
| 36,357 | - | 2,203 | 242,928 | 51,505 | |
| 502,707 | - | 30,467 | 3,358,996 | 712,168 | |
| 579,736 | - | 35,136 | 3,873,690 | 821,292 | |
| <u>\$ 1,118,800</u> | <u>\$ 862,121</u> | <u>\$ 67,806</u> | <u>\$ 8,337,735</u> | <u>\$ 1,584,965</u> | |
| \$ 1,952,074 | \$ 9,725,432 | \$ 448,463 | \$ 16,997,022 | \$ 1,219,392 | |
| - | - | - | 147,557 | - | |
| - | 1,024,449 | - | 3,541,725 | - | |
| - | - | - | 9,206,811 | - | |
| - | - | - | - | - | |
| - | - | - | - | - | |
| - | - | - | 656,304 | - | |
| 626,444 | 7,413,840 | 22,502 | 22,437,692 | 7,459,046 | |
| <u>\$ 2,578,518</u> | <u>\$ 18,163,721</u> | <u>\$ 470,965</u> | <u>\$ 52,987,111</u> | <u>\$ 8,678,438</u> | |
| <u>\$ 5,773,536</u> | <u>\$ 64,484,426</u> | <u>\$ 336,282</u> | <u>\$ 363,478,968</u> | <u>\$ 38,733,466</u> | |
| <u>\$ 8,352,054</u> | <u>\$ 82,648,147</u> | <u>\$ 807,247</u> | <u>\$ 416,466,079</u> | <u>\$ 47,411,904</u> | |
| \$ - | \$ 1,203,216 | \$ - | \$ 1,203,216 | \$ - | |
| 185,377 | - | 11,235 | 1,238,658 | 262,618 | |
| <u>\$ 185,377</u> | <u>\$ 1,203,216</u> | <u>\$ 11,235</u> | <u>\$ 2,441,874</u> | <u>\$ 262,618</u> | |
| \$ 6,342,223 | \$ 34,517,234 | \$ 487,178 | \$ 813,703,550 | \$ 1,053,115 | |
| - | - | - | 61,472,939 | - | |
| - | 2,855,578 | - | 24,223,316 | - | |
| 2,540,616 | - | - | 160,668,391 | - | |
| - | 30,513,417 | 3,583,706 | 34,097,123 | (15,917,180) | |
| <u>\$ 8,882,839</u> | <u>\$ 67,886,229</u> | <u>\$ 4,070,884</u> | <u>\$ 1,094,165,319</u> | <u>\$ (14,864,065)</u> | |
| | | | (545,188) | | |
| | | | <u>\$ 1,093,620,131</u> | | |

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Business-Type Activities - Enterprise Funds | |
|--|--|------------------------------|
| | Water and Sewer | Storm Water |
| <u>OPERATING REVENUES</u> | | |
| Charges for Services | \$ 123,815,095 | \$ 40,039,411 |
| Insurance Recovery | - | - |
| Miscellaneous | 663,485 | - |
| Total Operating Revenues | <u>\$ 124,478,580</u> | <u>\$ 40,039,411</u> |
| <u>OPERATING EXPENSES</u> | | |
| Cost of Goods Sold | \$ 24,721,565 | \$ - |
| Personal Services | 25,570,731 | 13,963,910 |
| Contractual Services | 6,025,659 | 7,024,212 |
| Internal Services | 2,936,453 | 1,501,771 |
| Other Charges | 17,559,808 | 5,143,505 |
| Leases and Rentals | - | - |
| Land Structure Maintenance | - | 23,191 |
| Depreciation | 27,552,400 | 5,466,520 |
| Total Operating Expenses | <u>\$ 104,366,616</u> | <u>\$ 33,123,109</u> |
| <u>OPERATING INCOME (LOSS)</u> | <u>\$ 20,111,964</u> | <u>\$ 6,916,302</u> |
| <u>NONOPERATING REVENUES (EXPENSES)</u> | | |
| From Commonwealth | \$ - | \$ 275,938 |
| Interest Income | 2,081,618 | 431,694 |
| Gain (Loss) From Sale of Assets | 62,048 | 117,479 |
| Payment Under Support Agreement | - | - |
| Interest and Fiscal Agent Fees | (2,824,808) | (1,460,580) |
| Total Nonoperating Revenues (Expenses) | <u>\$ (681,142)</u> | <u>\$ (635,469)</u> |
| <u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u> | <u>\$ 19,430,822</u> | <u>\$ 6,280,833</u> |
| Capital Contributions | 6,248,128 | 363,254 |
| Transfers In | - | 1,339,873 |
| Transfers Out | - | - |
| <u>CHANGE IN NET POSITION</u> | <u>\$ 25,678,950</u> | <u>\$ 7,983,960</u> |
| Total Net Position at Beginning of Year | 639,083,350 | 340,579,107 |
| Total Net Position at End of Year | <u><u>\$ 664,762,300</u></u> | <u><u>\$ 348,563,067</u></u> |

Reconciling Items:

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in Net Position of Business-type activities (Exhibit 2)

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

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| Business-Type Activities - Enterprise Funds | | | | | Governmental Activities |
|---|-----------------------|---------------------|-----------------------|------------------------|-------------------------|
| Waste Management | Development Authority | Nonmajor Parking | Totals | Internal Service Funds | |
| \$ 34,308,543 | \$ 3,500,031 | \$ 5,222,681 | \$ 206,885,761 | \$ 45,315,404 | |
| - | - | 1,375 | 1,375 | 1,600,548 | |
| 1,076,913 | 149,976 | 11,751 | 1,902,125 | 100 | |
| <u>\$ 35,385,456</u> | <u>\$ 3,650,007</u> | <u>\$ 5,235,807</u> | <u>\$ 208,789,261</u> | <u>\$ 46,916,052</u> | |
| | | | | | |
| \$ - | \$ - | \$ - | \$ 24,721,565 | \$ 9,397,867 | |
| 6,809,721 | - | 354,316 | 46,698,678 | 9,120,652 | |
| 23,634,257 | 2,015,014 | 2,397,658 | 41,096,800 | 2,946,424 | |
| 4,668,717 | - | 43,967 | 9,150,908 | 943,258 | |
| 3,490,267 | 4,509,093 | 379,469 | 31,082,142 | 23,906,631 | |
| - | - | 184,363 | 184,363 | - | |
| - | - | - | 23,191 | - | |
| 898,710 | 3,129,219 | 21,651 | 37,068,500 | 397,307 | |
| <u>\$ 39,501,672</u> | <u>\$ 9,653,326</u> | <u>\$ 3,381,424</u> | <u>\$ 190,026,147</u> | <u>\$ 46,712,139</u> | |
| | | | | | |
| \$ (4,116,216) | \$ (6,003,319) | \$ 1,854,383 | \$ 18,763,114 | \$ 203,913 | |
| | | | | | |
| \$ 43,950 | \$ - | \$ - | \$ 319,888 | \$ - | |
| 2,970 | 33,711 | 23,664 | 2,573,657 | 211,600 | |
| 15,744 | - | - | 195,271 | 82,022 | |
| - | 11,911,816 | (385,000) | 11,526,816 | - | |
| - | (2,929,577) | (197,554) | (7,412,519) | - | |
| <u>\$ 62,664</u> | <u>\$ 9,015,950</u> | <u>\$ (558,890)</u> | <u>\$ 7,203,113</u> | <u>\$ 293,622</u> | |
| | | | | | |
| \$ (4,053,552) | \$ 3,012,631 | \$ 1,295,493 | \$ 25,966,227 | \$ 497,535 | |
| - | - | - | 6,611,382 | - | |
| 10,062,505 | - | 41,679 | 11,444,057 | 1,800,000 | |
| - | - | (954,697) | (954,697) | - | |
| <u>\$ 6,008,953</u> | <u>\$ 3,012,631</u> | <u>\$ 382,475</u> | <u>\$ 43,066,969</u> | <u>\$ 2,297,535</u> | |
| 2,873,886 | 64,873,598 | 3,688,409 | | (17,161,600) | |
| <u>\$ 8,882,839</u> | <u>\$ 67,886,229</u> | <u>\$ 4,070,884</u> | | <u>\$ (14,864,065)</u> | |
| | | | (456,580) | | |
| | | | <u>\$ 42,610,389</u> | | |

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Business-Type Activities - Enterprise Funds | |
|---|--|-----------------------------|
| | Water and Sewer | Storm Water |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | |
| Receipts from Customers and Users | \$ 119,233,482 | \$ 39,084,094 |
| Receipts from (Payments for) Interfund Services Provided | 2,345,235 | - |
| Other Operating Cash Receipts | 632,286 | - |
| Cash Payments to Suppliers of Goods and Services | (51,478,107) | (13,290,275) |
| Cash Payments to Employees for Services | (29,771,738) | (13,359,869) |
| Net Cash Provided (Used) By Operating Activities | <u>\$ 40,961,158</u> | <u>\$ 12,433,950</u> |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u> | | |
| Intergovernmental Receipts | \$ - | \$ 275,938 |
| Receipts from Other Funds | - | 1,339,873 |
| Payments Under Support Agreement | - | - |
| Payments to Other Funds | - | - |
| Net Cash Provided (Used) By Noncapital Financing Activities | <u>\$ -</u> | <u>\$ 1,615,811</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | |
| Capital Contributions | \$ 4,791,322 | \$ 363,254 |
| Net Interest on Long-term Debt | (9,453,017) | (1,708,803) |
| Acquisition and Construction of Capital Assets | (34,889,811) | (27,159,580) |
| Proceeds from Sale of Salvage | 62,048 | 117,479 |
| Principal Paid on Capital Debt | (7,812,707) | (1,700,000) |
| Net Cash Provided (Used) By Capital and Related Financing Activities | <u>\$ (47,302,165)</u> | <u>\$ (30,087,650)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Interest and Dividends Received | <u>\$ 2,081,618</u> | <u>\$ 431,694</u> |
| Net Increase (Decrease) in Cash and Investments | (4,259,389) | (15,606,195) |
| Cash and Investments, July 1 | 208,722,488 | 67,004,539 |
| Cash and Investments, June 30 | <u><u>\$ 204,463,099</u></u> | <u><u>\$ 51,398,344</u></u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u> | | |
| <u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u> | | |
| Operating Income (Loss) | \$ 20,111,964 | \$ 6,916,302 |
| Adjustments to Reconcile Operating Income (Loss) to | | |
| Net Cash Provided By Operating Activities: | | |
| Depreciation and Amortization Expense | 27,552,400 | 5,466,520 |
| Changes in assets and liabilities: | | |
| Accounts Receivable | (3,115,717) | (955,317) |
| Intergovernmental Receivables | 848,140 | - |
| Inventory | (46,926) | - |
| Deferred Outflow of Resources | 473,733 | (308,110) |
| Vouchers and Accounts Payable | (226,813) | 402,404 |
| Deposits Payable | (1,187) | - |
| Unearned Revenue | 40,304 | - |
| Deferred Inflow of Resources | (4,570,152) | (1,459,440) |
| Estimated Claims and Judgments | - | - |
| Accrued Compensated Leave | (76,388) | 113,954 |
| Net Pension Liability | (28,200) | 2,257,637 |
| Net Cash Provided (Used) By Operating Activities | <u><u>\$ 40,961,158</u></u> | <u><u>\$ 12,433,950</u></u> |
| <u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u> | | |
| Capital Contributions of Capital Assets | <u><u>\$ 1,456,806</u></u> | <u><u>\$ -</u></u> |

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

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| Business-Type Activities - Enterprise Funds | | | | | Governmental Activities |
|--|------------------------------|-------------------------|------------------------|-------------------------------|--------------------------------|
| Waste Management | Development Authority | Nonmajor Parking | Totals | Internal Service Funds | |
| \$ 33,003,203 | \$ 3,628,535 | \$ 5,494,636 | \$ 200,443,950 | \$ 46,954,180 | |
| - | (189,323) | - | 2,155,912 | - | |
| 1,076,913 | 18,101 | 13,126 | 1,740,426 | 44,019 | |
| (31,839,308) | (6,067,352) | (3,206,519) | (105,881,561) | (31,057,146) | |
| (9,104,653) | - | (433,084) | (52,669,344) | (10,177,902) | |
| <u>\$ (6,863,845)</u> | <u>\$ (2,610,039)</u> | <u>\$ 1,868,159</u> | <u>\$ 45,789,383</u> | <u>\$ 5,763,151</u> | |
| | | | | | |
| \$ 43,950 | \$ - | \$ - | \$ 319,888 | \$ - | |
| 10,062,505 | - | 41,679 | 11,444,057 | 1,800,000 | |
| - | - | (954,697) | (954,697) | - | |
| - | - | (582,554) | (582,554) | - | |
| <u>\$ 10,106,455</u> | <u>\$ -</u> | <u>\$ (1,495,572)</u> | <u>\$ 10,226,694</u> | <u>\$ 1,800,000</u> | |
| | | | | | |
| \$ - | \$ 12,661,817 | \$ - | \$ 17,816,393 | \$ - | |
| - | (3,420,455) | - | (14,582,275) | - | |
| (2,222,900) | - | (21,632) | (64,293,923) | (264,388) | |
| - | - | - | 179,527 | 82,022 | |
| - | (6,951,280) | - | (16,463,987) | - | |
| <u>\$ (2,222,900)</u> | <u>\$ 2,290,082</u> | <u>\$ (21,632)</u> | <u>\$ (77,344,265)</u> | <u>\$ (182,366)</u> | |
| | | | | | |
| \$ 2,970 | \$ 33,711 | \$ 23,664 | \$ 2,573,657 | \$ 211,600 | |
| 1,022,680 | (286,246) | 374,619 | (18,754,531) | 7,592,385 | |
| 2,050,557 | 11,617,453 | 3,959,763 | 293,354,800 | 21,803,745 | |
| <u>\$ 3,073,237</u> | <u>\$ 11,331,207</u> | <u>\$ 4,334,382</u> | <u>\$ 274,600,269</u> | <u>\$ 29,396,130</u> | |
| | | | | | |
| \$ (4,116,216) | \$ (6,003,319) | \$ 1,819,247 | \$ 18,727,978 | \$ 220,862 | |
| 898,710 | 3,225,071 | 21,651 | 37,164,352 | 397,307 | |
| (1,305,340) | - | 271,955 | (5,104,419) | (83) | |
| - | 996,629 | - | 1,844,769 | - | |
| - | (167,741) | - | (214,667) | (110,068) | |
| 394,521 | - | 47,760 | 607,904 | 285,691 | |
| (46,067) | (660,679) | (200,855) | (732,010) | (574,817) | |
| - | - | - | (1,187) | - | |
| - | - | - | 40,304 | - | |
| (1,472,604) | - | (76,883) | (7,579,079) | (1,554,746) | |
| - | - | - | - | 6,632,290 | |
| (14,352) | - | 1,317 | 24,531 | 45,420 | |
| <u>(1,202,497)</u> | <u>-</u> | <u>(16,033)</u> | <u>1,010,907</u> | <u>421,295</u> | |
| <u>\$ (6,863,845)</u> | <u>\$ (2,610,039)</u> | <u>\$ 1,868,159</u> | <u>\$ 45,789,383</u> | <u>\$ 5,763,151</u> | |
| | | | | | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,456,806</u> | <u>\$ -</u> | |

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

| | <u>Trust Funds</u> | <u>Agency Funds</u> |
|-------------------------------|-----------------------------|-----------------------------|
| <u>ASSETS</u> | | |
| Cash and Investments | \$ 41,986,015 | \$ 359,776 |
| | <u> </u> | <u> </u> |
| <u>LIABILITIES</u> | | |
| Vouchers and Accounts Payable | \$ - | \$ 359,776 |
| | <u> </u> | <u> </u> |
| <u>NET POSITION</u> | | |
| Restricted | \$ 41,986,015 | |
| | <u> </u> | |

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

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Trust Funds</u> |
|--|-----------------------------|
| <u>ADDITIONS</u> | |
| Contributions From Primary Government | \$ 6,079,679 |
| Investment Income (Loss): | |
| Increase (Decrease) in the Fair Value of Investments | 4,346,131 |
| Interest and Dividends | 88,282 |
| Total Investment Income (Loss) | <u>\$ 4,434,413</u> |
| Total Additions | <u>\$ 10,514,092</u> |
| <u>DEDUCTIONS</u> | |
| Benefits | \$ 6,395,374 |
| Administrative Expenses | 38,674 |
| Total Deductions | <u>\$ 6,434,048</u> |
| Net Increase (Decrease) in Net Position | 4,080,044 |
| <u>RESTRICTED NET POSITION:</u> | |
| Beginning of Year - Restated | 37,905,971 |
| End of Year | <u><u>\$ 41,986,015</u></u> |

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

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The present City of Virginia Beach, Virginia (the City), was formed on January 1, 1963, by the merger of Princess Anne County and the former smaller City of Virginia Beach. This merger created one of the largest cities in the Commonwealth of Virginia with an area of 310 square miles and an estimated population of 455,856.

The City operates under the Council-Manager form of government. The elected eleven-member City Council, vested with the legislative powers, appoints the City Manager who is the executive and administrative head of the City government.

The City provides a full range of services for its citizens. These services include police and fire protection, collection and disposal of refuse, water and sewer services, storm water management, parks and recreation facilities, museums, libraries, and maintenance of streets and highways. Other services provided include public education in grades kindergarten through twelfth, public health and social services, certain technical and special education services, mental health assistance, agriculture services, housing services, and judicial activities.

The following is a summary of the significant accounting policies of the City of Virginia Beach:

A. The Financial Reporting Entity

1. Component Units

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government (City of Virginia Beach), as well as its component units that are legally separate organizations for which the City Council is financially accountable.

The accompanying financial statements present the City of Virginia Beach and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City of Virginia Beach.

The Virginia Beach Development Authority (Authority), although legally separate, in substance, is presented as a blended component unit and part of the City's reporting entity. The City has responsibility through support agreements for debt payments on outstanding Public Facility Revenue Bonds which are recorded on the Authority's financial records. Therefore, the Authority's outstanding bonds are expected to be repaid entirely from resources (support agreements) from the City. The support agreements are for a majority of the outstanding debt of the Authority which necessitates this treatment as a blended component unit.

The Development Authority was established for the specific purpose of attracting new industries and the expansion of existing industries. The Authority's Commissioners are appointed by the City Council. The Authority is authorized to issue industrial development bonds after approval by the City Council and to purchase land to improve and sell for development. In addition, the Authority facilitates economic development projects as needed by City Council. Complete financial statements of the Authority may be obtained by writing to the Virginia Beach Development Authority, 4525 Main Street, Suite 700, Virginia Beach, VA 23462.

Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the City. All component units have a June 30, 2017 year-end.

- a. School Board - The School Board is a legally separate entity that is responsible for elementary and secondary education within the City. The members of the School Board are elected by the voters; however, the School Board is fiscally dependent upon the City because the City Council annually approves its budget, levies the necessary taxes to finance operations and approves the borrowing of money and issuance of bonds. Separate financial statements including statistical information of the School Board may be obtained by writing to the Virginia Beach School Board, 2512 George Mason Drive, Virginia Beach, Virginia 23456.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. The Financial Reporting Entity (continued)

1. Component Units (continued)

- b. Virginia Beach Community Development Corporation - The Community Development Corporation was organized in September 1985 for the purpose of expanding and improving opportunities for low and moderate income households in Virginia Beach, Virginia. The Board of Directors for the Community Development Corporation is appointed by City Council. Funding received by the Community Development Corporation from the City is in the form of grants. Complete financial statements of the Virginia Beach Community Development Corporation may be obtained by writing to Virginia Beach Community Development Corporation, 2700 International Parkway, Suite 300, Virginia Beach, VA 23452.

2. Contributions to Certain Other Entities

Annually, the City contributes to various organizations on behalf of the citizens of Virginia Beach. These organizations are not considered entities qualifying for inclusion in this report. The reasons for not including the subject organizations in this report are due to the level of control the City exercises over these entities and the lack of a financial benefit or burden relationship. Contributions during the year-ended June 30, 2017 were as follows:

| | |
|--|----------------------|
| American Water Works Association Research | \$ 28,243 |
| Arts and Humanities Commission | 528,314 |
| Atlantic Wildfowl Museum | 52,131 |
| Boardwalk Arts Festival | 50,500 |
| Contemporary Art Center | 275,000 |
| Eastern Virginia Medical School | 441,694 |
| Hampton Roads Economic Development Alliance | 400,000 |
| Hampton Roads Planning District Commission | 478,485 |
| Safe Drinking Water Act | 160,000 |
| Southeastern Tidewater Regional Participation | 27,603 |
| Tidewater Community College | 5,100 |
| Transportation District of Hampton Roads | 8,425,956 |
| Virginia Aquarium and Marine Science Center Foundation | 55,995 |
| Virginia Beach Maritime Historical Museum | 59,630 |
| Virginia Beach SPCA | 30,000 |
| Hampton Roads Innovation Collaborative | 50,000 |
| Virginia Dare Soil and Water Conservation District | 8,000 |
| USO Wounded Warrior Week | 20,000 |
| African American Cultural Center | 75,000 |
| Volunteer Fire Squads | 13,480 |
| Volunteer Rescue Squads | 359,222 |
| WHRO TV | 135,780 |
| Total | <u>\$ 11,680,133</u> |

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based upon the City as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds on a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements).

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either Governmental or Business-Type. In the government-wide Statement of Net Position, both the Governmental and Business-Type Activities columns are presented on a consolidated basis by column and are reflected on a full accrual, and economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

The program revenues must be directly associated with the function (public safety, public works, etc.) 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City 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.

Fund financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds. By definition, the assets of the Fiduciary Funds are being held for the benefit of a third-party and cannot be used to address activities or obligations of the government; therefore, these funds are excluded from the government-wide statements. Major individual Governmental Funds and major Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major Governmental Funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the City of Virginia Beach School Board.

The **Capital Projects Fund** is used to account for the financial resources for the acquisition or construction of major capital facilities within the City.

The City reports the following major Proprietary Funds:

The **Water and Sewer Fund** provides water service and sanitary sewer waste collection and transmission services to Virginia Beach citizens and accounts for operations that are financed in a manner similar to private business enterprises.

The **Storm Water Fund** accounts for the activities of the Storm Water Utility which charges a fee for operational and capital needs for Storm Water management in the City.

The **Waste Management Fund** provides service to our residents for collection, management and disposal of solid waste, recyclable materials and other refuse. In addition, the fund is responsible for the operation of the City's landfill.

The **Development Authority Fund** was established for the purpose of attracting new industries and the expansion of existing industries. These services are financed through fees for Industrial Revenue Bonds and other sources.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

Additionally, the City reports the following fund types:

Internal Service Funds account for the financing of goods and services provided to other departments and agencies of the City or to other governmental units on a cost reimbursement basis. The City utilizes Internal Service Funds for its City Garage, Risk Management, School Site Landscaping, Telecommunications, and Subscriptions.

Special Revenue Funds account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities.

Law Library - accounts for the revenues and expenditures of providing legal information and research. Revenues are raised through a set charge per civil court case and donations, which are used for library operations.

Sandbridge Tax Increment Financing - accounts for the incremental growth in real estate tax revenues within the district. These incremental revenues are generated by assessment growth beyond the base year, and are used to support beach and shoreline restoration in the Sandbridge district as established by City Council.

Housing and Neighborhood Preservation - accounts for the combined activities of the Federal Community Development Block Grant (CDBG), Federal Housing Assistance Grant, Workforce Housing Revolving and Community Development Loan and programs. This fund supports the administration of both capital improvement projects in target neighborhoods and various other housing programs. The uses of fund balance are restricted to the federal and state programs that generated the funds.

Development Authority - accounts for financial resources dedicated to the economic development of the City.

Town Center Special Service District - established to provide for the maintenance of public parking facilities and other infrastructure in conjunction with realizing a long-term City Council goal of developing a town center which is supported by revenues from an additional real estate tax rate applied to each property owner in the Central Business District (CBD) within the Pembroke area of the City.

Forfeited Assets - accounts for the City's share of Federal revenues derived from any Federal agency where money or assets are seized. If the Commonwealth's Attorney is involved in the case, the department too gets a portion of the funds. All State seizures are divided with the Commonwealth's Attorney receiving 25% and the Police Department receiving 75%. All real estate seized is split 50%/50% between the Commonwealth's Attorney and the Police Department. Fund balance must be used in compliance with Federal and State regulations to fund Police or Commonwealth's Attorney projects.

Federal Section Eight Program - accounts for funds received from the Federal Department of Housing and Urban Development to provide rental assistance to low and moderate income families. A separate fund is required by the Federal government and fund balance must be used for rental assistance.

Sheriff's Department - accounts for the cost of the care and custody of persons placed in the Virginia Beach Correctional Center by the courts and for the operation of the Sheriff's Department, as established by City Council.

Parks and Recreation - accounts for revenues raised through Parks and Recreation programs. This fund also receives dedicated funding from a portion of the real estate taxes to support and maintain the City's recreation centers.

Tourism Investment Program - accounts for the revenue streams to fund tourism related capital projects and expenditures for oceanfront programs and events, maintenance, operating costs, and debt service of tourism-related projects, as established by City Council. This fund receives dedicated funding from a percentage of the following local taxes: amusement, hotel room, and restaurant meal tax receipts.

Central Business District South Tax Increment Financing - accounts for incremental growth in real estate tax revenues and debt service funding of public parking and other public improvements in this business district. Fund balance is maintained to meet planned construction and debt service costs for improvements in this district as approved by City Council.

Sandbridge Special Service District - accounts for the revenues raised by the additional real estate tax, hotel tax and other Sandbridge related revenue. The Virginia Beach code restricts the uses of fund balance to Capital Improvement Program projects associated with beach and shoreline restoration and maintenance within the Sandbridge District.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

Tourism Advertising Program - accounts for revenue and expenses related to tourism advertising. This fund receives dedicated funding from a percentage of the hotel room tax and restaurant meal tax. There is a City Council appointed committee that oversees the use of these funds.

Agriculture Reserve Program - accounts for revenue and expenses to promote and encourage the preservation of farmland in the rural southern portion of the City, in which agricultural uses predominate. This is a voluntary purchase of development rights rather than regulatory, as established by City Council. Fund balance will be used for payments of future interest costs of U.S Treasury Securities and the maturing interest on each agreement.

Emergency FEMA - accounts for receipts from the Federal Emergency Management Agency (FEMA), and for the cost of providing urban search and rescue services in support of disaster declarations as well as reimbursements to the City for the cost of local disasters. The level of fund balance is subject to final audit by the Inspector General.

Open Space - accounts for the acquisition and preservation of land in the City of Virginia Beach. This fund receives dedicated revenues from a percentage of the restaurant meal tax.

Combined Area Dredging Projects - established to provide for neighborhood channel dredging of creeks and rivers. Support for the dredging operations is provided by additional real estate taxes assessed on residents of this special service district.

Wetlands Board Mitigation - accounts for the fines assessed for the destruction of wetlands and are to be used for the purchase of land and re-creation of wetlands.

Multimodal Transportation - collects and remits revenue dedications from local funding sources to support transportation initiatives across the City. This fund also receives dedicated funding from a portion of the real estate taxes and other sources to support and maintain the City's transportation system.

Grants Consolidated - accounts for certain Commonwealth of Virginia and Federal Grants (with matching local funds, if required).

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. The Fiduciary Funds are Agency Funds (Special Welfare, Escheat Property Agency Funds), the Pension Trust Fund and the Other Postemployment Trust Fund. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Other Postemployment Benefit and Pension Trust Funds account for the assets in essentially the same manner as a Proprietary Fund using the economic resources measurement focus.

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements with the exception of Agency Funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by provider have been met.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The term available is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are recorded as unearned. Expenditures are recorded when the related fund liability is incurred, if measurable (except for unmatured interest on general long-term debt which is recognized when due and paid). Interest on general long-term debt is recognized as expenditures to the extent they

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The following is a list of the major revenue sources that meet the "susceptible to accrual" criteria:

| | |
|------------------------|---------------------------------|
| General Property Taxes | Interest on Deposits |
| General Sales Taxes | Revenue from Commonwealth |
| Utility Taxes | Revenue from Federal Government |
| Hotel Taxes | Amusement Taxes |
| Restaurant Taxes | |

Other Post Employment Benefits Plan financial statements are prepared using the accrual basis of accounting. City and School Board retiree's contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and both the City and School Board have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Unearned revenues also arise when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Unbilled Water and Sewer and Storm Water Enterprise Funds accounts receivable for services provided through June 30 are included in the financial statements.

As a general rule the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's Water and Sewer Function and Storm Water Function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions. Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and the City's Internal Service Funds are charges to customers for sales and service. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, personnel, contractual services, land structures and improvements, other charges, internal service charges and depreciation. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, curbs and gutters, sidewalks, drainage systems) are reported in the applicable Governmental or Business-Type Activities columns in the government-wide financial statements.

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and are recorded as expenditures in the Governmental Funds and as assets in the government-wide financial statements. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

| | | |
|------------------------------|--------------------------|-------|
| Building and Improvements | 40 | years |
| Site Improvements | 40 | years |
| Equipment | 5-10 | years |
| Roadway Network | 40 | years |
| Bridge Network | 50 | years |
| Hurricane Protection Network | 50 | years |
| Landfill Network | Percentage of Completion | |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Capital Assets (continued)

Depreciation of exhaustible capital assets used by City Proprietary Funds and the blended Development Authority are recorded as an expense against their operations and accumulated depreciation is reported on the Proprietary Funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The utility system in the Water and Sewer Enterprise Fund has been recorded at cost since July 1, 1976 and contributed capital asset additions have been recorded at their estimated fair market value in the year contributed as determined by the City's utility engineers. Prior to that date, the utility system was recorded at "estimated historical cost depreciated" as determined by independent professional engineers.

Depreciation on the utility system, based on costs described above, and other capital assets of the City Proprietary Funds have been charged to operations and was computed as follows:

| | |
|---|--------------|
| Utility System Water (exclusive of machinery and equipment) | |
| Less: estimated salvage value of 20% of costs | 20-100 years |
| Utility System Storm Water | 5-50 years |
| Buildings and Improvements | 40 years |
| Site Improvements | 40 years |
| Machinery and Equipment | 5-10 years |

Interest incurred during the construction phase of capital assets of Business-Type Activities is included as part of the capitalized value of the assets constructed.

All capital assets are reported at cost or estimated historical cost, if actual cost was not available. The value of historical buildings is included in assets. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

E. Operating Budget Process

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager is required by the City Charter to present a proposed operating budget at least 90 days before the beginning of each fiscal year which begins July 1. The proposed operating budget must be balanced with projected expenditures equal to estimated revenues and/or the required financing from the proper undesignated fund balances. The necessary budget ordinances are also submitted at this time.
2. The City Council is required by the City Charter to hold a public hearing on the budget at which time all interested persons are given an opportunity to comment. The notice of the time and place must be published at least seven days prior to the hearing. In addition, City Council holds budget workshops with the City Manager that are open to the media and public.
3. If the proposed operating budget is not legally adopted by the City Council upon one reading of the budget ordinances by June 1, the operating budget is automatically adopted as proposed.
4. The City Manager or the Director of Management Services is hereby authorized to approve transfers of appropriations in an amount up to \$100,000 between any Appropriation Units included in this ordinance. The City Manager shall make a monthly report to the City Council of all transfers between \$25,000 and \$100,000. In addition, the City Manager may transfer, in amounts necessary, appropriations from all Reserves for Contingencies except Reserve for Contingencies - Regular, within the intent of the Reserve as approved by City Council. Additional appropriations require one reading of the ordinance for approval and must be offset by additional estimated revenues and/or a transfer from the proper undesignated fund balances. Additional appropriations that exceed 1% of the total estimated revenues shown in the adopted budget require one reading by City Council for approval after a public hearing.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Operating Budget Process (continued)

5. Annual budgets are adopted for the General Fund, the Debt Service Fund, Enterprise Funds and all Special Revenue Funds except for Wetlands Board Mitigation, Development Authority and the Grants Consolidated Fund. The Grants Consolidated Fund's budget is adopted on a project-length basis along with the City Capital Projects Fund. The budget for these funds is adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
6. The accounting system is employed as a budgetary management control device to monitor the individual departments or bureaus/divisions within departments. The legal level of budgetary control is at the organizational unit level as noted in the separately issued budget report. Additional controls are exercised administratively on some budget units, personnel positions and capital outlay items and the appropriations related thereto. A budget unit is an activity (e.g. Waste Collection) of an organizational unit (e.g. Public Works Department). Department Directors are authorized to make spending adjustments within non-controlled accounts (operating support accounts including contractual services, internal service charges, other charges and supplies) that do not exceed the scope or intent of the department's approved budget. The non-controlled accounts for the appropriation unit must balance in total, but do not have to balance individually. The City Manager or the Director of Budget and Management Services is authorized to transfer appropriations up to a maximum of \$100,000 through the accrual period. See Note 1E4 above.
7. The City Manager or the Director of Budget and Management Services is authorized to change the Estimated Revenues included in the annual Budget Ordinance to reflect expected collections. If the Estimated Revenue in support of an Operating Appropriation Unit declines, the City Manager or the Director of Budget and Management Services is authorized to reduce, subject to any other provision of law, those appropriations to equal the decline in Estimated Revenue. The City Manager shall give prior notice to the City Council of any reduction to total appropriations exceeding \$100,000. The notice to City Council shall identify the basis and amount of the appropriation reduction and the Appropriation Units affected.
8. Unexpended appropriations lapse (except for the City Capital Projects and Grants Funds) and are closed to the proper fund balances at the end of each fiscal year (June 30). (However, appropriations for the subsequent fiscal year are increased in the amount necessary to satisfy the outstanding encumbrances at June 30.) The current operating budget ordinance approved by City Council stipulated that an undesignated General Fund Balance of 8% to 12% of the following year's budgeted revenues for contingency and emergency situations, not to be used to support appropriations already approved, except upon subsequent authorization by City Council.
9. Capital Projects for the City are budgeted separately from the Operating Budget. Since the City has over 321 projects in its Capital Improvements Program and an annual limitation (without a referendum) on the amount of bonds that may be issued, allocations for capital projects represent funding by phases of a number of projects based upon their anticipated execution of contractual obligations. The appropriations for Capital Projects require one reading of the ordinance for approval after public hearings on the City's Capital Improvement Program. The accounting, encumbering, and controlling of the funds are based upon the project length of each individual project which may be over several years. Therefore, budgetary comparisons are not presented for Capital Projects in this report. Appropriations reallocated to new or existing capital projects require one reading of the ordinance by City Council for approval.
10. The federal and state grants in the Grants Consolidated Fund are budgeted separately from the Operating Budget and do not parallel the City's fiscal year. Expenditures are restricted by the grantor agency and are subject to financial and compliance audits (Note 9B). Annual revenues and expenditures are reported within the applicable Special Revenue Funds.

There were supplemental amendments to the Operating Budget, other than for encumbrances (Note 1E8), of approximately \$54,763,115 during the 2017 Fiscal Year. The amendments were primarily funded through increases in estimated revenue and the General Fund balance.

11. All expenditures were within existing appropriations for the governmental major funds.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventories

All inventories, except in the Water and Sewer Enterprise Fund, Development Authority, the General Fund's Virginia Aquarium and Marine Science Center and the City Garage Internal Service Fund, are reported at cost using the first-in, first-out inventory method.

Reported inventories are accounted for under the consumption method (i.e., recorded as expenditures when used) in the remaining Governmental Funds, except for General Fund Public Works inventory. This inventory utilizes the Purchase Method (i.e., recorded as expenditures when purchased).

The Water and Sewer Enterprise Fund and the General Fund's Virginia Aquarium and Marine Science Center and the City Garage Internal Service Fund inventories are reported at cost using the moving weighted average cost inventory method. The Development Authority Enterprise Fund inventories are reported at net realizable value.

G. Land and Building Inventory Held For Resale

Land and building inventory for Development Authority is stated at the lower of net realizable value or original purchase price plus capitalized interest, if applicable, and development cost.

H. Accrued Compensated Leave

Annual leave, according to a graduated scale based on years of employment, is credited to each employee as it accrues. A permanent City employee, not participating in the VRS Hybrid Plan, may carry-forward a maximum of 50 days. All full-time employees hired on or after January 1, 2014, except hazardous duty employees, and those hired before this date, which make the irrevocable decision to participate in the Hybrid Plan shall accrue and use Paid Time Off. Those participating in the Hybrid Plan may carry-forward a maximum of 24 days.

City employees not participating in the Hybrid Plan are granted one sick leave day per month and may accumulate an unlimited number of sick leave days; however, no payment is made by the City on the unused portion upon employment termination (except on the condition of retirement). In accordance with Governmental Accounting Standards Board Statement (GASB) Number 16, an accrual has been made in the financial statements for these payments.

Compensated leave for the City (current and non-current) is recorded in the government-wide financial statements. For Proprietary Funds the current and long-term accrued compensated leave liabilities are recorded in the appropriate fund. The current portion of compensated leave is based upon the estimated leave usage in the subsequent year increased by cost of living salary increase.

I. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable 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.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Balances (continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable.

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. It also includes the long-term amount of loans approved by City Council.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council, the City Manager or by a City official delegated that authority by appropriate action.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classification. 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.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. Fund Balance Policy

It is the City Council's policy that there shall be retained in the General Fund an unassigned fund balance of 8% to 12% of the following year's projected revenues. It is desired that a goal of 10% be maintained. This level equates to approximately one month of operating expenses.

L. Miscellaneous

1. Cash and Investments

Cash invested at June 30 is included in the various cash accounts reflected in the financial statements. Investments are stated at amortized cost or at their fair value (Note 8). Interest earnings on investments are allocated to the appropriate funds based upon the average monthly cash balance of each fund. Qualified investments in State Treasurer's LGIP, Virginia Investment Pool and SNAP are reported at amortized cost. All others are reported at fair value (Note 8).

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Miscellaneous (continued)

1. Cash and Investments (continued)

Other Post Employment Benefit investments are reported at fair value, which for the City and School Board is determined by the most recent bid and asking prices as obtained from markets of such investments. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith by the custodian under the direction of the Board of Trustees of the Virginia Pooled OPEB Trust Fund. A valuation service may be engaged to assist in the determination of fair value.

2. Proprietary Funds' Other Charges

This category mainly consists of General Fund charges (e.g., data processing, buildings and grounds maintenance, indirect costs) to the Water and Sewer, Storm Water, Waste Management and Resort Parking Enterprise Funds as well as Internal Service Funds except Risk Management, and the Development Authority. For Risk Management it represents premiums and claims payments (including current estimated claims and judgments). The Development Authority other charges consist of selling, lease and lease hold improvements, professional services and other general expenses.

3. Statement of Cash Flows

For purposes of the statements of cash flows, all highly liquid debt instruments and certificates of deposit, with a maturity of three months or less, are grouped into cash and temporary investments. Proprietary Funds participate in a centralized cash and investment pool and therefore, separate information on cash equivalents (i.e., investments with maturities of three months or less upon acquisition) for the funds is not applicable.

4. Bond Premiums and Discounts

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds are reported net of the applicable bond premium or discount.

5. Internal Balances

The amount reported in the Statement of Net Position for internal balances represents support payments to the blended component unit Development Authority during the fiscal year just ended and the amounts charged back to the business type activities.

M. Net Position

The difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources in the government-wide statement of net position must be labeled as *net position*. GAAP further requires that net position be subdivided into three categories: net investment in capital assets, restricted net position; and unrestricted net position.

N. Long-Term Obligations

In the government-wide financial statements, and Proprietary Fund types in the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or Proprietary Fund type statement of net position. Bond premiums and deferred loss on refunding bonds are deferred over the life of the bonds using a straight-line method. Issuance costs are reported as debt service expenditures in the year occurred.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Long-Term Obligations (continued)

reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

O. Restricted Assets - Cash and Investments

Certain proceeds of the Primary Government's revenue bond issuance have been set aside in separate bank accounts as a reserve for future debt service payments. In addition, inclusive in this category are option deposits, funds held for capital projects and improvements and grant awards.

P. Unrestricted Net Position - Governmental Activities

Inclusive in Governmental Activities unrestricted net position are ending committed fund balances of certain Special Revenue Funds which have been earmarked for specific purposes by City Council. These funds include, but are not limited to, Agriculture Reserve Fund, Tax Increment Financing Funds, Open Space Fund, Parks and Recreation, Tourism Investment Program, and Tourism Advertising Program Fund.

Q. Restricted Net Position

Some primary government and component unit net position amounts are subject to various restrictions. Bond resolutions restrict the net position of the Water and Sewer, Storm Water and Debt Service Funds for operations. The Master Water and Sewer Resolution restricts net position of the Water and Sewer Enterprise Fund for the cost of operation, maintenance and debt service costs. The agreement of Trust, dated January 1, 2000, restricts the net position of the Storm Water Enterprise Fund in a similar manner. The ending fund balance of the Debt Service Fund is restricted for future debt costs. The Waste Management Enterprise Fund ending net position is restricted for fund operations.

Certain amounts in the General Fund, Special Revenue Funds, and component units are restricted through other enabling legislation.

R. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City's deferred outflows of resources consist of the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt and pension contributions subsequent to the measurement date. The deferred outflow related to debt is being amortized over the remaining life of the refunded debt.

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then. The City's deferred inflows of resources consist of the amount by which the net carrying amount of refunded debt exceed the principal and premium of a refunding bond, the property tax levy recorded in the current fiscal year pertaining to Fiscal Year 2017 and pension activity that will be recognized in pension expense over a four to five year period. The deferred inflow is being amortized over the remaining life of the refunded debt. Under the modified accrual basis of accounting, the City has revenues which are applicable to a future period, and will not be recognized until the period they become available. These amounts are recorded on the governmental funds balance sheet as a deferred inflow of resources.

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS).

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Pensions (continued)

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.

2. FUND BALANCES – GENERAL FUND AND NONMAJOR GOVERNMENTAL FUNDS

General Fund and Nonmajor governmental fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned (Note 1.I) based primarily on the extent to which the City is bound to observe constraints imposed upon the use of these resources. The constraints placed on fund balances for the General Fund and Nonmajor governmental funds are presented below:

GENERAL FUND:

Nonspendable:

| | |
|-----------------------|----------------------|
| Inventories | \$ 4,620,297 |
| Housing and EMS Loans | 6,027,214 |
| Total Nonspendable | <u>\$ 10,647,511</u> |

Restricted:

| | |
|--------------------------|---------------------|
| Community Services Board | <u>\$ 2,047,751</u> |
|--------------------------|---------------------|

Committed:

| | |
|-----------|----------------------|
| Education | <u>\$ 17,299,308</u> |
|-----------|----------------------|

Assigned:

| | |
|---------------------------------------|----------------------|
| Community Programs | \$ 133,004 |
| Judicial | 645,550 |
| Library | 56,078 |
| Living Shorelines Program | 10,722 |
| Maritime Forest Program | 43,512 |
| Oyster Heritage Program | 12,917 |
| Public Safety | 23,378 |
| Other General Programs | 125,325 |
| Total Special Programs | \$ 1,050,486 |
| Education | 24,129,855 |
| General Government | 14,599,429 |
| Waste Management | 5,712,041 |
| Capital Improvement Program - General | 23,301,544 |
| Risk Management | 1,000,000 |
| Total Assigned | <u>\$ 69,793,355</u> |

Unassigned:

| | |
|--------------------|-----------------------|
| General Government | <u>\$ 118,396,300</u> |
|--------------------|-----------------------|

| | |
|---------------------------|------------------------------|
| Total Fund Balance | <u>\$ 218,184,225</u> |
|---------------------------|------------------------------|

NONMAJOR GOVERNMENTAL FUNDS:

Restricted:

| | |
|-----------------------------------|----------------------|
| Federal and State Grants | \$ 2,795,646 |
| Housing and Community Development | 7,641,813 |
| Forfeited Assets - Judicial | 676,028 |
| Forfeited Assets - Police | 1,625,173 |
| Special Service Districts | 2,680,604 |
| Emergency FEMA | 346,498 |
| Total Special Revenue Funds | \$ 15,765,762 |
| Future Debt Service | 33,802,079 |
| Total Restricted | <u>\$ 49,567,841</u> |

Committed:

| | |
|---------------------------------|----------------------|
| Sandbridge TIF Programs | \$ 5,298,845 |
| Central Business District TIF | 1,688,330 |
| Parks and Recreation Activities | 14,427,814 |
| Wetlands Board Mitigation | 307,535 |
| Open Space Program | 317,382 |
| Educational | 277,901 |
| Tourism | 15,236,723 |
| Agriculture Program | 12,559,388 |
| Judicial | 1,639,640 |
| Total Committed | <u>\$ 51,753,558</u> |

Assigned:

| | |
|-----------------------------------|---------------------|
| Housing and Community Development | \$ 756,013 |
| Central Business District TIF | 354,245 |
| Educational | 39,000 |
| Forfeited Assets - Judicial | 100,000 |
| Forfeited Assets - Police | 285,915 |
| Dredging Programs | 12,299 |
| Parks and Recreation Activities | 725,708 |
| Total Assigned | <u>\$ 2,273,180</u> |

| | |
|---------------------------|------------------------------|
| Total Fund Balance | <u>\$ 103,594,579</u> |
|---------------------------|------------------------------|

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. RECEIVABLES AND ACCRUED LIABILITIES

A. Receivables

Receivables at June 30, 2017 consist of the following:

Primary Government

| | Governmental Activities | Business-Type Activities | Total |
|------------------------------------|------------------------------------|-------------------------------------|-----------------------|
| Real Estate Taxes | \$ 16,169,577 | \$ - | \$ 16,169,577 |
| Personal Property Taxes | 43,297,116 | - | 43,297,116 |
| Loans | 12,117,789 | - | 12,117,789 |
| Due from Other Government | 87,480,767 | 87,598 | 87,568,365 |
| Accounts | 34,833,359 | 41,893,811 | 76,727,170 |
| Gross Receivables | \$ 193,898,608 | \$ 41,981,409 | \$ 235,880,017 |
| Less: Allowance for Uncollectibles | (27,545,751) | (2,948,944) | (30,494,695) |
| Net Receivables - Entity Wide | <u>\$ 166,352,857</u> | <u>\$ 39,032,465</u> | <u>\$ 205,385,322</u> |

Major Funds – Governmental

| | General Fund | Capital Projects | Total |
|------------------------------------|-----------------------|-------------------------|-----------------------|
| Real Estate Taxes | \$ 16,169,577 | \$ - | \$ 16,169,577 |
| Personal Property Taxes | 43,297,116 | - | 43,297,116 |
| Accounts | 1,615,854 | - | 1,615,854 |
| Loans | 6,027,214 | - | 6,027,214 |
| Intergovernmental Accounts | 70,288,453 | 13,790,135 | 84,078,588 |
| Gross Receivables | \$ 137,398,214 | \$ 13,790,135 | \$ 151,188,349 |
| Less: Allowance for Uncollectibles | (17,580,628) | - | (17,580,628) |
| Net Receivables | <u>\$ 119,817,586</u> | <u>\$ 13,790,135</u> | <u>\$ 133,607,721</u> |

Major Funds – Proprietary

| | Water and Sewer | Storm Water | Waste Management | Virginia Beach Development Authority | Total |
|------------------------------------|----------------------------|---------------------|-----------------------------|---|----------------------|
| Accounts | \$ 24,665,308 | \$ 7,411,226 | \$ 6,907,771 | \$ 2,909,506 | \$ 41,893,811 |
| Intergovernmental Accounts | 87,598 | - | - | - | 87,598 |
| Gross Receivables | \$ 24,752,906 | \$ 7,411,226 | \$ 6,907,771 | \$ 2,909,506 | \$ 41,981,409 |
| Less: Allowance for Uncollectibles | (2,903,929) | (23,254) | (21,761) | - | (2,948,944) |
| Net Receivables | <u>\$ 21,848,977</u> | <u>\$ 7,387,972</u> | <u>\$ 6,886,010</u> | <u>\$ 2,909,506</u> | <u>\$ 39,032,465</u> |

The intergovernmental accounts receivable represents the amount due from the City of Chesapeake for their share of the cost of Lake Gaston water reserve.

Component Units

Receivables at June 30, 2017 consist of the following:

| | School Board | Community Development Corporation | Total |
|----------------------------|-------------------------|--|----------------------|
| Notes, Deed of Trust | \$ - | \$ 1,726,653 | \$ 1,726,653 |
| Accrued Interest | - | 930,210 | 930,210 |
| Intergovernmental Accounts | 19,571,313 | - | 19,571,313 |
| Due from Affiliate | - | 845,626 | 845,626 |
| Accounts | 1,416,000 | 304,579 | 1,720,579 |
| Net Receivables | <u>\$ 20,987,313</u> | <u>\$ 3,807,068</u> | <u>\$ 24,794,381</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. RECEIVABLES AND ACCRUED LIABILITIES (continued)

B. Property Taxes Receivable

An annual ad valorem tax is levied by the City on the assessed value of real and tangible personal property. These levies are made each year on July 1 and January 1 for real property and tangible personal property, respectively. Taxes levied on these dates become liens on the subject property on the date of levy. Real property taxes are payable in two installments on December 5 and June 5. Personal property taxes are payable on June 5, however, pro-rated bills on automobiles are also payable throughout the year on the portion of the year they are owned if not owned a full year. These taxes are considered delinquent when not paid by the due dates and subject to penalties and interest charges by the City Treasurer. City property tax revenues are recognized when levied and collected.

The City calculates its allowance for uncollectible taxes by using historical collection data. Furthermore, the taxes receivable amount uncollected 45 days after June 30 is recorded as unearned revenue for the fund financial statements.

During Fiscal Year 2017 the real property rate was \$0.99 per \$100 of assessed valuation (100% of fair market value except for public service corporation properties); an additional \$.06 per \$100 of assessed valuation is charged to those residents of Sandbridge; an additional \$.45 per \$100 of assessed valuation is charged to all real estate within Town Center Special Service District; an additional \$.184 per \$100 of assessed valuation is charged to all real estate within the Old Donation Special Service District; an additional \$.363 per \$100 of assessed valuation is charged to all real estate within the Bayville Creek Special Service District, not exempt from taxation; an additional \$.1594 per \$100 of assessed valuation is charged to all real estate within the Shadowlawn Special Service District; an additional \$.2913 per \$100 of assessed valuation is charged to all real estate within the Chesapeake Special Service District; an additional \$.079 of \$100 of assessed valuation is charged to all real estate within the Harbour Point Special Service District; an additional \$.063 per \$100 of assessed valuation is charged to all real estate within the Gills Cove Special Service District; an additional \$.438 per \$100 of assessed valuation is charged to all real estate within the Hurd's Cove Special Service District; taxes on all real estate that has been classified as an energy efficient building, not exempt from taxation, at a rate of \$0.84 on each \$100 of assessed valuation thereof; taxes on buildings that are individually listed on the Virginia Landmarks Register, not including the real estate or land on which the building is located, so long as the building is maintained in a condition such that it retains the characteristics for which it was listed on the Virginia Landmarks Register at a rate of \$0.52 on each \$100 of assessed valuation thereof. The personal property rate was \$4.00 per \$100 of assessed valuation (100% of fair market value). Other personal property tax rates exist for qualified equipment. There are no limits currently on the property tax rates which may be established by the City Council. In addition, City Council is the only governmental entity that has the local taxing authority.

C. Intergovernmental Receivables - Primary Government and School Board Component Unit – Entity Wide

1. The following revenues were due from the Commonwealth of Virginia at June 30, 2017:

Primary Government

| | Governmental Activities |
|---|----------------------------|
| General Sales Tax | \$ 12,854,450 |
| Telecommunications Tax | 2,000,508 |
| Personal Property Tax Relief Act | 53,412,868 |
| Other Grants, Entitlements, & Shared Revenues | 1,374,034 |
| Sheriff's Department | 1,302,222 |
| Other | 967,050 |
| Capital Projects | 13,049,146 |
| Total Due from Commonwealth | \$ 84,960,278 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. RECEIVABLES AND ACCRUED LIABILITIES (continued)

C. Intergovernmental Receivables - Primary Government and School Board Component Unit – Entity Wide
(continued)

School Board Component Unit

| | |
|--|----------------------|
| State Share Sales Tax | \$ 5,932,078 |
| Special Education-Regional Program | 4,571,774 |
| Technology Initiative | 117,317 |
| VA Learning Backpack Bayside | 218,800 |
| VA Learning Backpack Green Run | 193,600 |
| VA Learning Backpack Kempsville | 164,400 |
| Juvenile Detention Center | 253,741 |
| Dual Enrollment - TCC | 250,398 |
| Other Grants, Entitlements and Shared Revenues | 65,138 |
| Total Due from Commonwealth-Governmental Funds | <u>\$ 11,767,246</u> |

2. The following revenues were due from various Federal agencies at June 30, 2017:

Primary Government

| | Governmental Activities |
|-----------------------------------|------------------------------------|
| Public Assistance Grants | \$ 104,523 |
| Law Enforcement | 3,801 |
| Grants Consolidated | 623,015 |
| Housing Assistance | 12,535 |
| Capital Projects | 740,989 |
| Federal Home Grants | 1,008,563 |
| Total Due from Federal Government | <u>\$ 2,493,426</u> |

School Board Component Unit

| | |
|--|---------------------|
| Adult Basic Education | \$ 73,409 |
| Carl Perkins | 751,649 |
| DODEA MCASP | 169,665 |
| DODEA Special Education | 102,999 |
| McKinney Homeless | 2,493 |
| MTSS B Evaluation | 42,218 |
| National School Meal Program | 1,018,892 |
| Preschool Incentive | 47,161 |
| Title I | 3,723,643 |
| Title II | 418,058 |
| Title IV | 57,676 |
| Title VI-B | 1,345,681 |
| Other Grants, Entitlements and Shared Revenues | 50,523 |
| Total Due from Federal Government | <u>\$ 7,804,067</u> |

3. The following revenues were due from Other Local Governments at June 30, 2017:

The General Fund was due \$8,760 for the Virginia Aquarium Foundation and the Federal Section Eight Program Special Revenue Fund was due \$18,303 from various Regional Housing Authorities.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. RECEIVABLES AND ACCRUED LIABILITIES (continued)

D. Allowances For Uncollectible Accounts Receivable

Allowances for uncollectible accounts receivable are generally established using historical collection data, specific account analysis and subsequent cash receipts. The allowances at June 30, 2017 are as follows:

| | |
|-----------------------|----------------------|
| General Fund | \$ 17,580,628 |
| Water and Sewer Fund | 2,903,929 |
| Storm Water Fund | 23,254 |
| Waste Management Fund | 21,761 |
| Total | <u>\$ 20,529,572</u> |

E. The major components of Accrued Liabilities at June 30, 2017 consist of the following:

Primary Government

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------|------------------------------------|-------------------------------------|----------------------|
| Accrued Interest Payable | \$ 12,720,315 | \$ 3,541,725 | \$ 16,262,040 |
| Deposits Payable | 3,754,541 | 147,557 | 3,902,098 |
| Unearned Revenue | - | 656,304 | 656,304 |
| Total Accrued Liabilities | <u>\$ 16,474,856</u> | <u>\$ 4,345,586</u> | <u>\$ 20,820,442</u> |

Component Units

| | School Board | Community Development Corporation | Total |
|---------------------------|-------------------------|--|----------------------|
| Accrued Interest Payable | \$ - | \$ 58,882 | \$ 58,882 |
| Unearned Revenue | 9,537,252 | - | 9,537,252 |
| Deposits Payable | 75,000 | 94,677 | 169,677 |
| Accrued Salaries | 57,936,332 | - | 57,936,332 |
| Total Accrued Liabilities | <u>\$ 67,548,584</u> | <u>\$ 153,559</u> | <u>\$ 67,702,143</u> |

4. UNEARNED REVENUE

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the full accrual basis of accounting, such amounts are measurable, but are unearned.

Unearned revenue consists of the following as of June 30, 2017:

A. General Fund

| | |
|---|-------------------|
| Aquarium - Advance ticket receipts | \$ 186,510 |
| Human Services - Advance program receipts | 662,400 |
| Total General Fund | <u>\$ 848,910</u> |

B. Enterprise Funds

| | |
|---|-------------------|
| Water and Sewer - Customers and Developers tap and meter fees | <u>\$ 656,304</u> |
|---|-------------------|

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

4. UNEARNED REVENUE (continued)

D. School Board Component Unit

| | |
|---|---------------------|
| School Operating Fund - Summer School Tuition and Behind the Wheel VA Initiative At Risk Four Year Old, Assessment of Learning and other grants | \$ 530,058 |
| Other Governmental Funds - School Cafeterias - Charges for Services | 696,017 |
| Total Unearned Revenue - Governmental Funds | 458,823 |
| School Health Insurance Internal Service Fund - Prepayment of July health insurance premiums | \$ 1,684,898 |
| Total Unearned Revenue - Governmental Activities | 7,852,354 |
| | <u>\$ 9,537,252</u> |

5. CAPITAL ASSETS AND LAND HELD FOR RESALE

A. Land and Building Inventory Held for Resale – Development Authority

| | |
|--------------------------------|----------------------|
| Oceana West Corporate Park | \$ 1,555,548 |
| Corporate Landing Office Park | 9,710,889 |
| London Bridge Commerce Park | 1,624,500 |
| Town Center Beacon Building | 4,877,946 |
| Hunt Club 2 | 200,305 |
| Land for Potential Development | 4,393,243 |
| Total Land Held for Resale | <u>\$ 22,362,431</u> |

B. Governmental Activities

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2017:

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|---|---------------------------------|-----------------------|-----------------------|----------------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land and Improvements | \$ 1,005,103,757 | \$ 5,249,044 | \$ 3,173,024 | \$ 1,007,179,777 |
| Agriculture Reserve Program | 42,374,198 | 3,728,464 | - | 46,102,662 |
| Construction in Progress | 230,672,621 | 115,859,827 | 171,312,656 | 175,219,792 |
| Total Capital Assets Not Being Depreciated | <u>\$ 1,278,150,576</u> | <u>\$ 124,837,335</u> | <u>\$ 174,485,680</u> | <u>\$ 1,228,502,231</u> |
| Other Capital Assets: | | | | |
| Buildings and Improvements | \$ 734,058,583 | \$ 29,900,778 | \$ - | \$ 763,959,361 |
| School Buildings | 365,684,670 | 885,000 | 43,162,909 | 323,406,761 |
| Site Improvements | 295,345,036 | 10,663,454 | - | 306,008,490 |
| Site Improvements - ISF | 265,782 | - | - | 265,782 |
| Equipment | 276,732,565 | 28,978,135 | 12,678,437 | 293,032,263 |
| Equipment - ISF | 6,497,077 | 357,501 | 347,479 | 6,507,099 |
| Roadway Network | 1,972,492,142 | 31,474,849 | - | 2,003,966,991 |
| Landfill Network | 18,676,153 | 18,345 | - | 18,694,498 |
| Bridge Network | 80,950,452 | 57,704,904 | - | 138,655,356 |
| Hurricane Protection Network | 97,680,665 | - | - | 97,680,665 |
| Total Other Capital Assets at Historical Cost | <u>\$ 3,848,383,125</u> | <u>\$ 159,982,966</u> | <u>\$ 56,188,825</u> | <u>\$ 3,952,177,266</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 241,160,590 | \$ 18,488,466 | \$ - | \$ 259,649,056 |
| School Buildings | 42,158,102 | 5,961,575 | 17,206,230 | 30,913,447 |
| Site Improvements | 90,400,757 | 7,195,751 | - | 97,596,508 |
| Site Improvements - ISF | 263,234 | 235 | - | 263,469 |
| Equipment | 199,718,964 | 27,647,850 | 10,689,739 | 216,677,075 |
| Equipment - ISF | 5,313,591 | 397,649 | 254,943 | 5,456,297 |
| Roadway Network | 1,117,748,489 | 49,312,304 | - | 1,167,060,793 |
| Landfill Network | 18,676,153 | - | - | 18,676,153 |
| Bridge Network | 36,777,540 | 1,558,943 | - | 38,336,483 |
| Hurricane Protection Network | 27,119,650 | 1,953,613 | - | 29,073,263 |
| Total Accumulated Depreciation | <u>\$ 1,779,337,070</u> | <u>\$ 112,516,386</u> | <u>\$ 28,150,912</u> | <u>\$ 1,863,702,544</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 2,069,046,055</u> | <u>\$ 47,466,580</u> | <u>\$ 28,037,913</u> | <u>\$ 2,088,474,722</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 3,347,196,631</u> | <u>\$ 172,303,915</u> | <u>\$ 202,523,593</u> | <u>\$ 3,316,976,953</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

5. CAPITAL ASSETS AND LAND HELD FOR RESALE (continued)

B. Governmental Activities (continued)

Governmental Activities capital assets net of accumulated depreciation at June 30, 2017 are comprised of the following:

| | |
|---|-------------------------|
| General Government Capital Assets, Net | \$ 3,315,923,838 |
| Internal Service Fund Capital Assets, Net | 1,053,115 |
| Total | <u>\$ 3,316,976,953</u> |

Depreciation was charged to governmental functions as follows:

| | |
|-------------------------------------|-----------------------|
| Finance | \$ 56,141 |
| Executive | 26,708 |
| Judicial | 308,221 |
| Health | 11,274 |
| Police | 3,275,665 |
| Public Works | 78,060,745 |
| Parks and Recreation | 3,611,078 |
| Libraries | 358,387 |
| Planning | 451,500 |
| Economic Development | 13,957 |
| Convention & Visitors Bureau | 189,334 |
| Information Technology | 15,567,840 |
| Boards and Commissions | 257,235 |
| Emergency Communications | 60,360 |
| Fire | 1,961,028 |
| Human Services | 975,287 |
| Education and Transfer to School | 5,961,575 |
| Housing & Neighborhood Preservation | 57,885 |
| Museums | 73,510 |
| General Government | 266,164 |
| Emergency Medical Services | 972,492 |
| Total | <u>\$ 112,516,386</u> |

C. Component Unit - School Board

Capital Assets activity for the year ended June 30, 2017 was as follows:

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|--|---------------------------------|-----------------------|----------------------|----------------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 39,666,627 | \$ 28,559 | \$ 646,962 | \$ 39,048,224 |
| Construction in Progress | 53,245,854 | 14,742,304 | 63,553,497 | 4,434,661 |
| Total Capital Assets Not Being Depreciated | <u>\$ 92,912,481</u> | <u>\$ 14,770,863</u> | <u>\$ 64,200,459</u> | <u>\$ 43,482,885</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings | \$ 635,834,094 | \$ 109,016,825 | \$ 1,564,578 | \$ 743,286,341 |
| Improvement Other Than Buildings | 62,109,087 | 3,769,814 | - | 65,878,901 |
| Machinery and Equipment | 111,036,068 | 8,230,314 | 5,444,390 | 113,821,992 |
| Total Capital Assets Being Depreciated | <u>\$ 808,979,249</u> | <u>\$ 121,016,953</u> | <u>\$ 7,008,968</u> | <u>\$ 922,987,234</u> |
| Less Accumulated Depreciation For: * | | | | |
| Buildings | \$ 279,049,584 | \$ 31,913,883 | \$ 942,635 | \$ 310,020,832 |
| Improvement Other Than Buildings | 40,342,942 | 2,261,313 | - | 42,604,255 |
| Machinery and Equipment | 79,393,107 | 7,306,169 | 5,291,712 | 81,407,564 |
| Total Accumulated Depreciation | <u>\$ 398,785,633</u> | <u>\$ 41,481,365</u> | <u>\$ 6,234,347</u> | <u>\$ 434,032,651</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 410,193,616</u> | <u>\$ 79,535,588</u> | <u>\$ 774,621</u> | <u>\$ 488,954,583</u> |
| Component Unit School Board, Capital Assets, Net | <u>\$ 503,106,097</u> | <u>\$ 94,306,451</u> | <u>\$ 64,975,080</u> | <u>\$ 532,437,468</u> |

Depreciation was charged to the School Board Component Unit.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

5. CAPITAL ASSETS AND LAND HELD FOR RESALE (continued)

D. Business-Type Activities

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2017:

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|---|-------------------------|----------------------|----------------------|--------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land and Improvements | \$ 165,063,809 | \$ 346,133 | \$ 305,825 | \$ 165,104,117 |
| Construction in Progress | 38,724,525 | 69,501,166 | 40,500,673 | 67,725,018 |
| Total Capital Assets Not Being Depreciated | <u>\$ 203,788,334</u> | <u>\$ 69,847,299</u> | <u>\$ 40,806,498</u> | <u>\$ 232,829,135</u> |
| Other Capital Assets: | | | | |
| Buildings and Improvements | \$ 139,321,714 | \$ 328,985 | \$ 1,342,000 | \$ 138,308,699 |
| Site Improvements | 1,146,408 | - | - | 1,146,408 |
| Utility System | 1,286,919,998 | 39,142,493 | - | 1,326,062,491 |
| Machinery and Equipment | 52,123,887 | 4,412,348 | 686,564 | 55,849,671 |
| Total Other Capital Assets at Historical Cost | <u>\$ 1,479,512,007</u> | <u>\$ 43,883,826</u> | <u>\$ 2,028,564</u> | <u>\$ 1,521,367,269</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 42,942,161 | \$ 4,406,833 | \$ 1,342,000 | \$ 46,006,994 |
| Site Improvements | 326,577 | 28,660 | - | 355,237 |
| Utility System | 481,388,563 | 28,308,674 | - | 509,697,237 |
| Machinery and Equipment | 35,797,055 | 4,324,333 | 686,564 | 39,434,824 |
| Total Accumulated Depreciation | <u>\$ 560,454,356</u> | <u>\$ 37,068,500</u> | <u>\$ 2,028,564</u> | <u>\$ 595,494,292</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 919,057,651</u> | <u>\$ 6,815,326</u> | <u>\$ -</u> | <u>\$ 925,872,977</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 1,122,845,985</u> | <u>\$ 76,662,625</u> | <u>\$ 40,806,498</u> | <u>\$ 1,158,702,112</u> |

Depreciation expense was charged to Business-Type Activities as follows:

| | |
|-----------------------|----------------------|
| Water and Sewer | \$ 27,552,400 |
| Storm Water | 5,466,520 |
| Waste Management | 898,710 |
| Development Authority | 3,129,219 |
| Resort Parking | 21,651 |
| Total | <u>\$ 37,068,500</u> |

E. Major Fund - Water and Sewer Enterprise Fund

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|---|-------------------------|----------------------|----------------------|--------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land and Improvements | \$ 12,941,871 | \$ 44,533 | \$ 5,325 | \$ 12,981,079 |
| Construction in Progress | 27,686,222 | 42,056,067 | 38,463,828 | 31,278,461 |
| Total Capital Assets Not Being Depreciated | <u>\$ 40,628,093</u> | <u>\$ 42,100,600</u> | <u>\$ 38,469,153</u> | <u>\$ 44,259,540</u> |
| Other Capital Assets: | | | | |
| Buildings and Improvements | \$ 18,611,567 | \$ 328,985 | \$ - | \$ 18,940,552 |
| Utility System | 1,054,112,387 | 38,677,914 | - | 1,092,790,301 |
| Machinery and Equipment | 29,171,181 | 476,187 | 296,130 | 29,351,238 |
| Total Other Capital Assets at Historical Cost | <u>\$ 1,101,895,135</u> | <u>\$ 39,483,086</u> | <u>\$ 296,130</u> | <u>\$ 1,141,082,091</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 11,451,588 | \$ 1,300,300 | \$ - | \$ 12,751,888 |
| Utility System | 427,453,838 | 24,230,176 | - | 451,684,014 |
| Machinery and Equipment | 22,352,980 | 2,021,924 | 296,130 | 24,078,774 |
| Total Accumulated Depreciation | <u>\$ 461,258,406</u> | <u>\$ 27,552,400</u> | <u>\$ 296,130</u> | <u>\$ 488,514,676</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 640,636,729</u> | <u>\$ 11,930,686</u> | <u>\$ -</u> | <u>\$ 652,567,415</u> |
| Water and Sewer Capital Assets, Net | <u>\$ 681,264,822</u> | <u>\$ 54,031,286</u> | <u>\$ 38,469,153</u> | <u>\$ 696,826,955</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

5. CAPITAL ASSETS AND LAND HELD FOR RESALE (continued)

F. Major Fund – Storm Water Enterprise Fund

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|---|-------------------------|-----------------------|---------------------|--------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land and Improvements | \$ 131,664,678 | \$ 301,600 | \$ 300,500 | \$ 131,665,778 |
| Construction in Progress | 11,038,303 | 27,445,099 | 2,036,845 | 36,446,557 |
| Total Capital Assets Not Being Depreciated | <u>\$ 142,702,981</u> | <u>\$ 27,746,699</u> | <u>\$ 2,337,345</u> | <u>\$ 168,112,335</u> |
| Other Capital Assets: | | | | |
| Utility System | \$ 232,807,611 | \$ 464,579 | \$ - | \$ 233,272,190 |
| Machinery and Equipment | 13,983,084 | 1,675,885 | 358,652 | 15,300,317 |
| Total Other Capital Assets at Historical Cost | <u>\$ 246,790,695</u> | <u>\$ 2,140,464</u> | <u>\$ 358,652</u> | <u>\$ 248,572,507</u> |
| Less Accumulated Depreciation For: | | | | |
| Utility System | \$ 53,934,725 | \$ 4,078,498 | \$ - | \$ 58,013,223 |
| Machinery and Equipment | 9,353,088 | 1,388,022 | 358,652 | 10,382,458 |
| Total Accumulated Depreciation | <u>\$ 63,287,813</u> | <u>\$ 5,466,520</u> | <u>\$ 358,652</u> | <u>\$ 68,395,681</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 183,502,882</u> | <u>\$ (3,326,056)</u> | <u>\$ -</u> | <u>\$ 180,176,826</u> |
| Storm Water Capital Assets, Net | <u>\$ 326,205,863</u> | <u>\$ 24,420,643</u> | <u>\$ 2,337,345</u> | <u>\$ 348,289,161</u> |

G. Major Fund – Waste Management

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|---|-------------------------|---------------------|------------------|--------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land and Improvements | \$ - | \$ - | \$ - | \$ - |
| Construction in Progress | - | - | - | - |
| Total Capital Assets Not Being Depreciated | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Other Capital Assets: | | | | |
| Site Improvements | \$ 366,891 | \$ - | \$ - | \$ 366,891 |
| Machinery and Equipment | 8,334,732 | 2,238,644 | 31,782 | 10,541,594 |
| Total Other Capital Assets at Historical Cost | <u>\$ 8,701,623</u> | <u>\$ 2,238,644</u> | <u>\$ 31,782</u> | <u>\$ 10,908,485</u> |
| Less Accumulated Depreciation For: | | | | |
| Site Improvements | \$ 34,257 | \$ 9,172 | \$ - | \$ 43,429 |
| Machinery and Equipment | 3,665,077 | 889,538 | 31,782 | 4,522,833 |
| Total Accumulated Depreciation | <u>\$ 3,699,334</u> | <u>\$ 898,710</u> | <u>\$ 31,782</u> | <u>\$ 4,566,262</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 5,002,289</u> | <u>\$ 1,339,934</u> | <u>\$ -</u> | <u>\$ 6,342,223</u> |
| Waste Management Capital Assets, Net | <u>\$ 5,002,289</u> | <u>\$ 1,339,934</u> | <u>\$ -</u> | <u>\$ 6,342,223</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

5. CAPITAL ASSETS AND LAND HELD FOR RESALE (continued)

H. Major Fund - Virginia Beach Development Authority

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|---|-------------------------|----------------|--------------|--------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land and Improvements | \$ 20,457,260 | \$ - | \$ - | \$ 20,457,260 |
| Other Capital Assets: | | | | |
| Buildings and Improvements | \$ 120,710,147 | \$ - | \$ 1,342,000 | \$ 119,368,147 |
| Machinery and Equipment | 565,065 | - | - | 565,065 |
| Total Other Capital Assets at Historical Cost | \$ 121,275,212 | \$ - | \$ 1,342,000 | \$ 119,933,212 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | \$ 31,490,573 | \$ 3,106,533 | \$ 1,342,000 | \$ 33,255,106 |
| Machinery and Equipment | 356,085 | 22,686 | - | 378,771 |
| Total Accumulated Depreciation | \$ 31,846,658 | \$ 3,129,219 | \$ 1,342,000 | \$ 33,633,877 |
| Total Capital Assets Being Depreciated, Net | \$ 89,428,554 | \$ (3,129,219) | \$ - | \$ 86,299,335 |
| Development Authority Capital Assets, Net | \$ 109,885,814 | \$ (3,129,219) | \$ - | \$ 106,756,595 |

Depreciation was charged to the Virginia Beach Development Authority.

I. Component Unit - Virginia Beach Community Development Corporation

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|---|-------------------------|--------------|-----------|--------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land and Improvements | \$ 7,864,202 | \$ 999,758 | \$ - | \$ 8,863,960 |
| Other Capital Assets: | | | | |
| Buildings and Improvements | \$ 27,696,535 | \$ 4,043,237 | \$ - | \$ 31,739,772 |
| Vehicles | 67,809 | - | - | 67,809 |
| Total Other Capital Assets at Historical Cost | \$ 27,764,344 | \$ 4,043,237 | \$ - | \$ 31,807,581 |
| Less Accumulated Depreciation | \$ 11,602,724 | \$ 977,211 | - | \$ 12,579,935 |
| Component Unit-VA Beach Community Dev. | \$ 24,025,822 | \$ 4,065,784 | \$ - | \$ 28,091,606 |

J. Construction in Progress

1. Governmental Activities and School Board Component Unit

In accordance with the City's accounting policies, these projects will not be transferred from Construction in Progress until completion. Construction in progress is comprised of the following:

| | Expended through June 30, 2017 | Outstanding Commitments | Unobligated Balance |
|---|-----------------------------------|----------------------------|------------------------|
| <u>Government Activities</u> | | | |
| Engineering and Highways | \$ 90,312,043 | \$ 74,899,311 | \$ 199,293,450 |
| Buildings | 44,254,802 | 34,595,587 | 97,477,424 |
| Parks and Recreation | 28,321,113 | 4,964,798 | 32,407,100 |
| Virginia Beach Development Authority | 334,146 | - | - |
| Coastal | - | 1,100,809 | 55,673,254 |
| Economic and Tourism | 11,997,688 | 45,481,642 | 73,724,048 |
| Total Other Capital Assets at Historical Cost | \$ 175,219,792 | \$ 161,042,147 | \$ 458,575,276 |
| <u>School Board Component Unit</u> | | | |
| Buildings and Improvements Other than Buildings | \$ 4,434,661 | \$ 31,163,821 | \$ - |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

5. CAPITAL ASSETS AND LAND HELD FOR RESALE (continued)

J. Construction in Progress (continued)

2. Business-Type Activities

In accordance with the City's accounting policies, these projects will not be transferred from Construction in Progress into the various capital asset accounts until substantially completed. Construction in Progress for Business-Type Activities is comprised of the following at June 30, 2017:

| | Expended through June 30, 2017 | Outstanding Commitments | Unobligated Balance |
|--------------------------------|-----------------------------------|----------------------------|------------------------|
| Water & Sewer Utility Projects | \$ 31,278,461 | \$ 32,684,920 | \$ 60,338,633 |
| Storm Water Projects | 36,446,557 | 23,565,594 | 47,453,852 |
| Total Business-Type Activities | <u>\$ 67,725,018</u> | <u>\$ 56,250,514</u> | <u>\$ 107,792,485</u> |

6. LONG-TERM DEBT

A. A Summary of Changes in Long-Term Liabilities

1. Primary Government - Governmental Activities

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|--|-------------------------|-----------------------|-----------------------|--------------------------|-----------------------------------|
| General Obligation Bonds | \$ 652,896,524 | \$ - | \$ 59,124,860 | \$ 593,771,664 | \$ 55,978,194 |
| State Literary Fund Loans | 2,250,000 | - | 375,000 | 1,875,000 | 375,000 |
| Public Facility Revenue Bonds | 263,313,932 | 21,225,000 | 23,203,720 | 261,335,212 | 25,226,160 |
| Agriculture Reserve Program | 42,374,198 | 3,728,464 | - | 46,102,662 | - |
| Total Tax-Supported Debt | <u>\$ 960,834,654</u> | <u>\$ 24,953,464</u> | <u>\$ 82,703,580</u> | <u>\$ 903,084,538</u> | <u>\$ 81,579,354</u> |
| Other Debt: | | | | | |
| Landfill Closure & Post-Closure Care | \$ 25,542,645 | \$ 332,055 | \$ - | \$ 25,874,700 | \$ - |
| Premiums | 99,472,784 | 2,922,087 | 13,064,159 | 89,330,712 | 9,542,384 |
| Net Pension Liability | 302,116,988 | 72,755,794 | 33,571 | 374,839,211 | - |
| Accrued Compensation Leave | 43,277,044 | 26,260,782 | 26,119,189 | 43,418,637 | 25,323,095 |
| Estimated Claims & Judgements | 31,100,210 | 18,305,526 | 11,673,236 | 37,732,500 | 6,974,563 |
| Governmental Activities Long-Term Debt | <u>\$ 1,462,344,325</u> | <u>\$ 145,529,708</u> | <u>\$ 133,593,735</u> | <u>\$ 1,474,280,298</u> | <u>\$ 123,419,396</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

A. A Summary of Changes in Long-Term Liabilities (continued)

2. Primary Government - Business-Type Activities

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|---|-------------------------|---------------|---------------|--------------------------|-----------------------------------|
| Revenue Bonds | \$ 264,088,711 | \$ - | \$ 9,512,707 | \$ 254,576,004 | \$ 10,560,728 |
| Public Facility Revenue Bonds | 77,081,069 | 7,880,000 | 14,901,280 | 70,059,789 | 7,413,840 |
| Total Self/Tax Supported Debt | \$ 341,169,780 | \$ 7,880,000 | \$ 24,413,987 | \$ 324,635,793 | \$ 17,974,568 |
| Less/Add Deferred Amounts: | | | | | |
| For Issuance Premiums | 21,146,295 | 384,908 | 1,462,310 | 20,068,893 | 1,283,579 |
| Less Bond Discount | (12,256) | (48,068.00) | (13,105) | (47,219) | - |
| Total Bonds Payable | \$ 362,303,819 | \$ 8,216,840 | \$ 25,863,192 | \$ 344,657,467 | \$ 19,258,147 |
| Net Pension Liability | 35,255,346 | 2,257,637 | 1,254,135 | 36,258,848 | - |
| Accrued Compensated Leave | 4,968,412 | 3,116,245 | 3,084,312 | 5,000,345 | 3,179,545 |
| Business-Type Activities Long-Term Debt | \$ 402,527,577 | \$ 13,590,722 | \$ 30,201,639 | \$ 385,916,660 | \$ 22,437,692 |

3. Major Fund - Water and Sewer Enterprise Fund (Included in Business-Type Activities)

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|---------------------------------------|-------------------------|--------------|---------------|--------------------------|-----------------------------------|
| Revenue Bonds | \$ 218,868,711 | \$ - | \$ 7,812,707 | \$ 211,056,004 | \$ 8,820,728 |
| Add Deferred Amounts: | | | | | |
| For Issuance Premiums | 18,276,389 | - | 1,157,613 | 17,118,776 | 1,157,613 |
| Total Bonds Payable | \$ 237,145,100 | \$ - | \$ 8,970,320 | \$ 228,174,780 | \$ 9,978,341 |
| Net Pension Liability | 21,158,640 | - | 28,200 | 21,130,440 | - |
| Accrued Compensation Leave | 2,831,105 | 1,756,716 | 1,833,104 | 2,754,717 | 1,885,163 |
| Water and Sewer Long-Term Liabilities | \$ 261,134,845 | \$ 1,756,716 | \$ 10,831,624 | \$ 252,059,937 | \$ 11,863,504 |

4. Major Fund – Storm Water Enterprise Fund (Included in Business-Type Activities)

| | Balance July 1, 2016 | Additions | Reductions | Balance June 30, 2017 | Amounts Due Within One Year |
|-----------------------------------|-------------------------|--------------|--------------|--------------------------|-----------------------------------|
| Revenue Bonds | \$ 45,220,000 | \$ - | \$ 1,700,000 | \$ 43,520,000 | \$ 1,740,000 |
| Less/add Deferred Amounts: | | | | | |
| For Issuance Premiums | 1,190,387 | - | 125,966 | 1,064,421 | 125,966 |
| Total Bonds Payable | \$ 46,410,387 | \$ - | \$ 1,825,966 | \$ 44,584,421 | \$ 1,865,966 |
| Net Pension Liability | 7,115,399 | 2,257,637 | - | 9,373,036 | - |
| Accrued Compensation Leave | 1,128,285 | 741,563 | 627,612 | 1,242,236 | 645,436 |
| Storm Water Long-Term Liabilities | \$ 54,654,071 | \$ 2,999,200 | \$ 2,453,578 | \$ 55,199,693 | \$ 2,511,402 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

A. A Summary of Changes in Long-Term Liabilities (continued)

5. Major Fund – Waste Management Enterprise Fund (Included in Business-Type Activities)

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2017</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|--|---------------------------------------|-------------------|---------------------|--|--|
| Net Pension Liability | \$ 6,628,991 | \$ - | \$ 1,202,497 | \$ 5,426,494 | \$ - |
| Accrued Compensated Leave | 987,838 | 594,792 | 609,144 | 973,486 | 626,444 |
| Waste Management Long-Term Liabilities | <u>\$ 7,616,829</u> | <u>\$ 594,792</u> | <u>\$ 1,811,641</u> | <u>\$ 6,399,980</u> | <u>\$ 626,444</u> |

6. Major Fund - Development Authority Enterprise Fund (Included in Business-Type Activities)

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2017</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|--|---------------------------------------|---------------------|----------------------|--|--|
| Public Facility Revenue Bonds | \$ 77,081,069 | \$ 7,880,000 | \$ 14,901,280 | \$ 70,059,789 | \$ 7,413,840 |
| For Issuance Premiums | 1,679,519 | 384,908 | 178,731 | 1,885,696 | - |
| Less Bond Discount | (12,256) | (48,068) | (13,105) | (47,219) | - |
| Virginia Beach Development Authority Long-Term Debt | <u>\$ 78,748,332</u> | <u>\$ 8,216,840</u> | <u>\$ 15,066,906</u> | <u>\$ 71,898,266</u> | <u>\$ 7,413,840</u> |

7. Component Unit - School Board

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2017</u> | <u>Due Within</u> <u>One Year</u> |
|------------------------------------|---------------------------------------|-----------------------|-----------------------|--|--------------------------------------|
| Net Pension Liability | \$ 667,263,000 | \$ 183,084,000 | \$ 109,568,000 | \$ 740,779,000 | \$ - |
| Accrued Compensated Leave | 20,545,881 | 8,476,510 | 8,370,430 | 20,651,961 | 8,537,839 |
| Estimated Claims and Judgements | 15,093,000 | 138,431,394 | 138,833,394 | 14,691,000 | 11,018,250 |
| School Board Long-Term Liabilities | <u>\$ 702,901,881</u> | <u>\$ 329,991,904</u> | <u>\$ 256,771,824</u> | <u>\$ 776,121,961</u> | <u>\$ 19,556,089</u> |

8. Component Unit - Virginia Beach Community Development Corporation

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2017</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|---------------|---------------------------------------|------------------|-------------------|--|--|
| Notes Payable | \$ 15,697,275 | \$ 6,354,000 | \$ 740,849 | \$ 21,310,426 | \$ 1,565,465 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

B. Bonds, Notes and Loans Payable

| Bond Issue/Purpose | Dated | Issue Amount | True Interest | Proprietary Percentage | | | Outstanding Balance |
|--|------------|---------------|---------------|------------------------|----------------|-------|---------------------|
| | | | | Storm Water % | Water & Sewer% | VBDA% | |
| | | | | | | | CITY |
| General Obligation Bonds and Loans: | | | | | | | |
| 2016A PI | 2/9/2016 | \$ 61,255,000 | 2.437448 | - | - | - | \$ 58,200,000 |
| 2016B PI Refunding | 2/9/2016 | 50,430,000 | 1.771418 | - | - | - | 33,665,000 |
| 2015A PI | 4/21/2015 | 51,295,000 | 2.617345 | - | - | - | 46,170,000 |
| 2015B PI Refunding | 4/21/2015 | 56,530,000 | 1.989322 | - | - | - | 56,530,000 |
| 2014A PI | 4/22/2014 | 85,050,000 | 2.920553 | - | - | - | 73,050,000 |
| 2013A PI | 4/17/2013 | 22,885,000 | 2.587348 | - | - | - | 19,465,000 |
| 2013B PI Refunding | 4/17/2013 | 33,795,000 | 2.143873 | - | - | - | 22,865,000 |
| Pleasure House Point | 7/10/2012 | 6,000,000 | 0.25 | - | - | - | 3,491,031 |
| 2012A PI | 4/18/2012 | 65,000,000 | 2.849726 | - | - | - | 48,750,000 |
| 2012B PI Refunding | 4/18/2012 | 19,630,000 | 2.413515 | - | - | - | 19,630,000 |
| 2011A PI | 6/29/2010 | 90,000,000 | 3.212396 | - | - | - | 63,000,000 |
| 2010-1 QSCB | 7/8/2010 | 4,875,000 | 5.31 | - | - | - | 2,880,000 |
| 2010 Recovery Zone | 3/15/2010 | 5,995,000 | 3.038509 | - | - | - | 4,235,000 |
| 2010A PI | 5/25/2010 | 60,000,000 | 2.97032 | - | - | - | 39,000,000 |
| 2009 PI Refunding | 1/26/2010 | 20,755,000 | 3.041988 | - | - | - | 19,345,000 |
| 2009B PI Refunding | 1/26/2010 | 78,875,000 | 2.910179 | - | - | - | 67,790,000 |
| 2009 PI | 6/16/2009 | 72,000,000 | 3.655747 | - | - | - | 7,200,000 |
| 2008 PI | 3/25/2008 | 90,000,000 | 4.161171 | - | - | - | 4,500,000 |
| 2008 VPSA | 12/1/2008 | 6,350,705 | - | - | - | - | 4,005,633 |
| 2002 State Literary | 1/1/2002 | 7,500,000 | 3 | - | - | - | 1,875,000 |
| Total General Obligation Bonds and Loans | | | | | | | \$ 595,646,664 |
| Revenue Bond:* | | | | | | | |
| 2016 A W&S Revenue | 6/8/2016 | \$ 46,560,000 | 2.711344 | - | 100 | - | \$ 46,560,000 |
| 2016 B W&S Refunding | 6/8/2016 | 42,865,000 | 1.813975 | - | 100 | - | 40,610,000 |
| 2015 A Storm Water Revenue | 1/28/2015 | 23,500,000 | 2.829639 | 100 | - | - | 22,270,000 |
| 2013 W&S Revenue | 11/13/2013 | 44,845,000 | 3.641572 | - | 100 | - | 41,745,000 |
| 2010 A Storm Water Revenue | 11/16/2010 | 20,000,000 | 3.170505 | 100 | - | - | 16,720,000 |
| 2010 B Storm Water Refunding | 11/16/2010 | 7,380,000 | 2.607102 | 100 | - | - | 4,530,000 |
| 2010 A W&S Revenue | 6/29/2010 | 65,000,000 | 3.475462 | - | 100 | - | 55,280,000 |
| 2010 B W&S Refunding | 6/29/2010 | 8,410,000 | 3.02756 | - | 100 | - | 7,640,000 |
| 2010 C W&S Refunding | 6/29/2010 | 24,950,000 | 3.156061 | - | 100 | - | 18,110,000 |
| 1998 Taxable W&S Revenue | 8/28/1998 | 5,774,218 | 4.3 | - | 100 | - | 832,839 |
| 1997 Taxable W&S Revenue | 1/30/1997 | 7,190,048 | 4.75 | - | 100 | - | 278,165 |
| Total Revenue Bonds | | | | | | | \$ 254,576,004 |
| Public Facility Revenue Bonds: | | | | | | | |
| 2016A Public Facility Revenue | 11/3/2016 | \$ 21,225,000 | 2.458802 | - | - | - | \$ 21,225,000 |
| 2016B Public Facility Revenue | 11/3/2016 | 7,880,000 | 2.122443 | - | - | 100 | 7,385,000 |
| 2015A Public Facility Revenue | 6/25/2015 | 48,245,000 | 3.050953 | - | - | - | 42,380,000 |
| 2015B Public Facility Revenue | 6/25/2015 | 34,885,000 | 2.67798 | - | - | 27.05 | 34,885,001 |
| 2014A Public Facility Revenue | 6/18/2014 | 44,975,000 | 2.984041 | - | - | 41.76 | 37,775,000 |
| 2014B Public Facility Revenue | 6/18/2014 | 20,320,000 | 2.430979 | - | - | 25.62 | 16,150,000 |
| 2013A Public Facility Revenue | 6/19/2013 | 20,960,000 | 2.599602 | - | - | - | 16,865,000 |
| 2012A Public Facility Revenue | 4/18/2012 | 22,580,000 | 2.599602 | - | - | - | 17,705,000 |
| 2012B Public Facility Refunding | 4/18/2012 | 25,640,000 | 2.448956 | - | - | 21.12 | 22,540,000 |
| 2010A Public Facility Revenue | 5/25/2010 | 17,000,000 | 2.582319 | - | - | - | 5,100,000 |
| 2010B Public Facility Revenue | 5/25/2010 | 98,035,000 | 2.993556 | - | - | 24.84 | 66,245,000 |
| 2010C Public Facility Refunding | 5/25/2010 | 40,450,000 | 3.396935 | - | - | 31.31 | 35,360,000 |
| 2007A Public Facility Revenue | 6/26/2007 | 96,835,000 | 4.5444247 | - | - | 19.51 | 7,780,000 |
| Total Public Facility Revenue Bonds | | | | | | | \$ 331,395,001 |
| Other Long-Term Debt: | | | | | | | |
| Agricultural Reserve Program | Various | \$ 46,102,662 | Various | - | - | - | \$ 46,102,662 |
| Total Other Long-Term Debt | | | | | | | \$ 46,102,662 |
| Grand Total Bonds, Notes and Loans Payable | | | | | | | \$ 1,227,720,331 |

* Water and Sewer and Storm Water Enterprise Funds

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

B. Bonds, Notes and Loans Payable (continued)

Defeased Debt - In current and prior years, the City defeased certain general obligation, public improvement, and public utility bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and liabilities for the defeased debt are not included in the City's financial statements. At June 30, 2017, the outstanding balance of the defeased debt, including current year defeased debt, is \$140.9 million, and is considered in-substance defeased.

C. Summary of Recent Refundings

1. Advance Refunding of Public Facility Revenue Bonds, Series 2005B and 2007B

On November 3, 2016, the City issued \$7.88 million of Public Facility Revenue Bonds, Series 2016B to refund portions of 2005B and 2007B Series Public Facility Revenue Bonds. All of the bonds sold were to refund debt currently held by the Virginia Beach Development Authority. The refunding bonds combined with \$384,907.65 in premiums provided resources to purchase U.S. Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$10.37 million of Public Facility Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$70,000. The difference is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over a 12-year period by \$1.24 million and will result in an economic gain of \$1.14 million. The escrow agent has called the 2005B refunded bonds. Series 2007B bonds of \$2.8 million will be called by the escrow agent on July 15, 2017.

2. Current and Advance Refunding of General Obligation Public Improvement Bonds, Series 2004B and 2009

On February 9, 2016, the City issued \$50.430 million of General Obligation Public Improvement Refunding Bonds, Series 2016B to refund portions of the 2004B and 2009 Series General Obligation Public Improvement Bonds. The refunding bonds combined with \$5.25 million in premiums to provide resources to purchase U.S. Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$64.035 million of refunded General Obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$1.925 million. This difference is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$4.173 million and resulted in an economic gain of \$3.63 million. The escrow agent has called the 2004B refunded bonds, and will call the remaining \$14.4 million series 2009 refunded bonds on June 1, 2019.

3. Advance Refunding of Public Facility Revenue Bonds, Series 2007A

On June 25, 2015, the City issued \$34.885 million of Public Facility Refunding Revenue Bonds, Series 2015B to refund portions of the 2007A Series Public Facility Revenue Bonds. The refunding bonds combined with \$5.2 million in premiums to provide resources to purchase U.S. Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$52.02 million of refunded Public Facility Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$995,000. This difference is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$3.5 million and resulted in an economic gain of \$3.06 million. On July 1, 2017 the escrow agent will call the \$35,880,000 series 2007A refunded bonds.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

C. Summary of Recent Refundings (continued)

4. Advance Refunding of General Obligation Public Improvement Bonds, Series 2007, 2008, and 2009

On April 21, 2015, the City issued \$56.53 million of General Obligation Public Improvement Refunding Bonds, Series 2015B to refund portions of the 2007, 2008, and 2009 Series General Obligation Public Improvement Bonds. The refunding bonds combined with \$13.64 million in premium to provide resources to purchase U.S. Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$90.04 million of refunded General Obligation Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government activities column of the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$7.52 million. This difference is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by \$8.77 million and resulted in an economic gain of \$7.24 million. The escrow agent has called \$26,250,000 Series 2007 refunded bonds, and will call \$27,000,000 series 2008 refunded bonds on October 1, 2017, and \$10,800,000 series 2009 refunded bonds on June 1, 2019.

5. Advance Refunding of Public Facility Revenue Bonds Series 2002A, 2003A, 2005A and 2007A

On May 25, 2010, the City issued \$98.035 million of Public Facility Refunding Revenue Bonds, Series 2010B and \$40.45 million of Public Facility Refunding Revenue Bonds, Series 2010C, which refunded portions of the 2002A, 2003A, 2005A, and 2007A Series Public Facility Revenue Bonds. The refunding bonds combined with \$19.03 million in premiums to provide resources to purchase U.S. Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$137.5 million of Public Facility Revenue bonds. Included in the bonds sold were \$37.015 million in Public Facility Refunding Revenue Bonds to refund debt currently held by the Virginia Beach Development Authority. The remaining bonds were sold to refund debt currently outstanding for the City. As a result, the refunded bonds are considered to be defeased and the liabilities for the City and Virginia Beach Development Authority have been removed from the government activities and business-type activities columns of the statement of net position, respectively. The reacquisition price exceeded the net carrying amount of the old debt currently held by \$985,000. This difference was displayed as a deferred outflows of resources. The remaining life of the refunded debt is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$6.36 million and resulted in an economic gain of \$4.1 million. The refunded bonds escrow agent has called all of the 2002A, 2003A, and 2005A refunded bonds. Series 2007A bonds of \$10 million will be called by the escrow agent on July 15, 2017.

6. Advance Refunding of General Obligation Public Improvement Bonds, Series 2001, 2002, 2004A, 2005, 2007, 2008, and 2009

On January 26, 2010, the City issued \$20.755 million of General Obligation Public Improvement Refunding Bonds, Series 2009A and \$78.875 million of General Obligation Public Improvement Refunding Bonds, Series 2009B, which refunded all or portions of the 2001, 2002, 2004A, 2005, 2007, 2008, and 2009 Series General Obligation Public Improvement Bonds. The refunding bonds combined with \$12 million in premiums to provide resources to purchase U.S. Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$100 million of General Obligation Public Improvement Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt currently held by \$.37 million. This difference was displayed as deferred outflows of resources. The remaining life of the refunded debt is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$8.03 million and resulted in an economic gain of \$5.6 million. The refunded bonds escrow agent has called all of the 2001, 2002, 2004A, 2005, and 2007 refunded bonds. The remaining refunded bonds will be called as follows: \$18 million series 2008 on October 1, 2017, and \$10.8 million series 2009 bonds on June 1, 2019. Escrowed refunded bonds outstanding to be called total \$28.8 million.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

D. A Summary of Annual Requirements to Amortize All Bonds and Notes Payable

Annual Debt Service requirements to maturity for General Obligation Bonds are as follows:

| Year Ending June 30 | Governmental Activities | |
|--------------------------------|--------------------------------|-----------------------|
| | Principal | Interest |
| 2018 | \$ 56,353,194 | \$ 26,064,480 |
| 2019 | 53,814,035 | 23,180,423 |
| 2020 | 53,930,502 | 20,475,084 |
| 2021 | 49,502,635 | 18,207,966 |
| 2022 | 46,715,076 | 16,303,021 |
| 2023-2027 | 193,861,390 | 53,118,708 |
| 2028-2032 | 110,634,832 | 17,326,130 |
| 2033-2037 | 30,835,000 | 2,053,700 |
| | <u>\$ 595,646,664</u> | <u>\$ 176,729,512</u> |

Annual Debt Service requirements to maturity for Revenue Bonds are as follows:

| Year Ending June 30 | Business-Type Activities | |
|--------------------------------|---------------------------------|-----------------------|
| | Principal | Interest |
| 2018 | \$ 10,560,728 | \$ 10,725,500 |
| 2019 | 11,010,276 | 10,276,964 |
| 2020 | 11,480,000 | 9,796,029 |
| 2021 | 11,960,000 | 9,310,620 |
| 2022 | 12,465,000 | 8,804,901 |
| 2023-2027 | 67,825,000 | 34,929,284 |
| 2028-2032 | 57,035,000 | 20,609,865 |
| 2033-2037 | 49,965,000 | 8,709,746 |
| 2038-2043 | 22,275,000 | 1,395,678 |
| Totals | <u>\$ 254,576,004</u> | <u>\$ 114,558,587</u> |

Annual Debt Service requirements to maturity for Public Facility Revenue Bonds are as follows:

| Year Ending June 30 | Governmental Activities | | Business-Type Activities | |
|--------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 25,226,160 | \$ 11,356,025 | \$ 7,413,840 | \$ 3,007,281 |
| 2019 | 26,011,160 | 10,142,817 | 7,138,840 | 2,665,739 |
| 2020 | 26,735,881 | 8,966,243 | 7,299,119 | 2,353,289 |
| 2021 | 25,535,715 | 7,606,387 | 7,704,285 | 1,975,370 |
| 2022 | 25,818,500 | 6,339,806 | 8,296,500 | 1,592,350 |
| 2023-2027 | 84,175,376 | 16,338,369 | 23,824,625 | 3,739,487 |
| 2028-2032 | 33,410,100 | 5,595,236 | 6,474,900 | 915,290 |
| 2033-2037 | 14,422,320 | 945,404 | 1,907,680 | 106,115 |
| | <u>\$ 261,335,212</u> | <u>\$ 67,290,287</u> | <u>\$ 70,059,789</u> | <u>\$ 16,354,921</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

D. A Summary of Annual Requirements to Amortize All Bonds and Notes Payable (continued)

Debt service requirements for general obligation bonds are principally met by the General Fund. Also, for the Governmental Activities, Landfill Closure and Post-Closure Care, Federal Arbitrage Rebate (there are no set maturity dates for these liabilities) will be liquidated by the General Fund. Compensated absences (except School Board and most Proprietary Funds) will be liquidated by the General Fund. Internal Service Funds predominately serve the Governmental Funds. Accordingly, long-term liabilities for them are included as part of the above totals for Governmental Activities in Note 6A1. Claims and Judgments are liquidated by the Risk Management Fund.

Interest expense incurred on the above noted debt for the year ended June 30, 2017, was \$54,589,157. Of this amount, \$5,169,045 was capitalized in the Major Enterprise Funds and in the Business-Type Activities.

E. Agricultural Reserve Program

On May 9, 1995, City Council adopted an ordinance establishing the Agricultural Reserve Program (“ARP”). The primary purpose of the ordinance is to promote and encourage the preservation of farmland in the rural southern portion of the City. Through ARP, the City acquires development rights in designated areas within the southern portion of the City through the purchase of agricultural land preservation easements. Landowners who meet certain eligibility criteria may sell an easement to the City while holding fee simple title to the land and continuing to farm. The City acquires these development rights by executing installment purchase agreements with the landowners.

These agreements provide for the payment of the principal balance of the agreement in a single installment due approximately twenty-five years after execution of the agreement. Interest on the unpaid principal balance is payable semi-annually. On May 9, 1995, the City Council originally dedicated a one and one-half cent increase in the real estate tax to finance the program; on May 11, 2004, the City Council reduced this amount to one cent; on May 9, 2006 the City Council reduced the tax rate to nine tenths of one cent; and on May 12, 2015, the City Council reduced this amount to 56 one-hundredths of one cent; and on May 9, 2017, the City Council increased this amount to nine tenths of one cent to preserve property in the Transition Area of the City and other Agricultural Reserve Program costs.

These obligations constitute indebtedness within the meaning of Article VII, Section 10 of the Virginia Constitution and will be general obligations of the City, pledging the full faith and credit and unlimited taxing power of the City. By policy, interest and principal payments will be paid from a dedicated portion of real estate taxes. Principal payments will be made from maturing zero coupon Treasury securities purchased from the dedicated portion of real estate taxes.

As of June 30, 2017, 97 installment purchase agreements totaling 9,584 acres at a total purchase price of \$46,102,662 have been executed.

Annual Debt Service requirements to maturity for Agricultural Reserve Program:

| Year Ending June 30 | Principal | Interest |
|--------------------------------|----------------------|----------------------|
| 2018 | \$ - | \$ 2,374,569 |
| 2019 | - | 2,374,569 |
| 2020 | - | 2,374,569 |
| 2021 | - | 2,374,569 |
| 2022 | 2,211,066 | 2,356,507 |
| 2023-2027 | 16,238,086 | 8,124,205 |
| 2028-2032 | 6,092,414 | 5,206,975 |
| 2033-2037 | 14,258,278 | 2,790,816 |
| 2038-2043 | 7,302,818 | 671,991 |
| Totals | \$ 46,102,662 | \$ 28,648,770 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

F. Legal Debt Margin

The Legal Debt Margin is a charter requirement which sets the upper limit on the amount of debt Virginia Beach may issue. At June 30, 2017, the legal debt margin was \$4.8 billion. However, the City Council has adopted four affordability policies that restrict the amount of debt below the amount indicated by the "Legal Debt Margin", including a ceiling of \$3,000 debt per capita.

G. Water and Sewer Enterprise Revenue Bonds

Water and Sewer Revenue Bonds are obligations of the City, payable solely from pledged revenues of the System (Water and Sewer Fund), subject to the prior application thereof to the payment of Operating Expenses. The City has pledged future water and sewer revenues, net of specified operating expenses, to repay the following bond issues:

- \$7.2 million in Water and Sewer Revenue Bonds issued in January 1997. The bonds are payable solely from water and sewer customer net revenues and are payable through 2018. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$284,771.
- \$5.8 million in Water and Sewer Revenue Bonds issued in August 1998. The bonds are payable solely from water and sewer customer net revenues and are payable through 2019. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$878,080.
- \$65 million in Water and Sewer Revenue Bonds issued in June 2010. The bonds are payable solely from water and sewer customer net revenues and are payable through 2036. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$88,588,094.
- \$8.4 million in Water and Sewer Refunding Revenue Bonds issued in June 2010. The bonds are payable solely from water and sewer customer net revenues and are payable through 2022. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$8,370,500.
- \$24.9 million in Water and Sewer Refunding Revenue Bonds issued in June 2010. The bonds are payable solely from water and sewer customer net revenues and are payable through 2028. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$21,394,422.
- \$44.9 million in Water and Sewer Revenue Bonds issued in November 2013. The bonds are payable solely from water and sewer customer net revenues and are payable through 2039. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$63,191,300.
- \$46.7 million in Water and Sewer Revenue Bonds issued in June 2017. The bonds are payable solely from water and sewer customer net revenues and are payable through 2042. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$69,224,688.
- \$42.9 million in Water and Sewer Refunding Revenue Bonds issued in June 2017. The bonds are payable solely from water and sewer customer net revenues and are payable through 2031. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$54,627,638.

The aforementioned Water and Sewer Revenue Bonds were issued for rehabilitation of aging infrastructure, neighborhood improvement projects, system expansion, and roadway and storm water coordination projects adopted in the City's Capital Improvement Program. The total principal and interest remaining to be paid on the outstanding Water and Sewer Revenue Bonds is \$306,559,493. The City will fix, charge, collect and revise its fees, rates and other charges for the use of and for the services furnished by the system so as to produce revenues sufficient to meet its cash requirements each fiscal year. Furthermore, the City will pursue the goal of debt service coverage on its water and sewer revenue bonds at not less than 1.50 times. At June 30, 2017, the debt service coverage on the water and sewer revenue bonds is 3.5 times. The total principal and interest expense for the current year and total customer operating income (excluding depreciation) were \$16,569,317 and \$57,589,286, respectively.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

H. Storm Water Revenue Bonds

Storm Water Revenue Bonds are obligations of the City, payable solely from pledged revenues of the System (Storm Water Fund), subject to the prior application thereof to the payment of Operating Expenses. The City has pledged future storm water revenues, net of specified operating expenses, to repay the following bond issues:

- \$20 million in Storm Water Revenue Bonds issued in November 2010. The bonds are payable solely from storm water customer net revenues and are payable through 2036. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$26,150,282.
- \$7.4 million in Storm Water Revenue Bonds issued in November 2010. The bonds are payable solely from storm water customer net revenues and are payable through 2025. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$5,145,159.
- \$23.5 million in Storm Water Revenue Bonds issued in January 2015. The bonds are payable solely from storm water customer net revenues and are payable through 2040. At June 30, 2017, the total principal and interest remaining to be paid on the bonds is \$31,279,659.

The aforementioned Storm Water Revenue Bonds were issued to address flood control, water quality and capital maintenance adopted in the City's Capital Improvement Program. The total principal and interest remaining to be paid on the outstanding Storm Water Revenue Bonds is \$62,575,100. The City will fix, charge, collect and revise its fees, rates and other charges for the use of and for the services furnished by the system so as to produce revenues sufficient to meet its cash requirements each fiscal year. Furthermore, the City will pursue the goal of debt service coverage on its storm water revenue bonds at not less than 1.50 times. At June 30, 2017, the debt service coverage on the storm water revenue bonds is 4.2 times. The total principal and interest expense for the current year and total customer operating income (excluding depreciation) were \$3,408,804 and \$14,396,190, respectively.

I. Debt Service Expenditures

| | Principal* | Interest and Fiscal | |
|------------------------------------|----------------------|----------------------------|-----------------------|
| General Government City: | Retirement | Charges | Total |
| General Obligation Bonds | \$ 59,124,860 | \$ 28,691,607 | \$ 87,816,467 |
| State Literary Fund Loans | 375,000 | 67,500 | 442,500 |
| Public Facility Revenue Bonds | 23,203,720 | 12,012,316 | 35,216,036 |
| Agriculture Reserve Program | - | 2,316,354 | 2,316,354 |
| Bank Charges & Bond Issuance Costs | - | 217,898 | 217,898 |
| Total Tax Supported Debt Service | <u>\$ 82,703,580</u> | <u>\$ 43,305,675</u> | <u>\$ 126,009,255</u> |
| | Principal* | Interest and Fiscal | |
| | Retirement | Charges | Total |
| Enterprise Funds: | | | |
| Revenue Bonds | \$ 9,512,707 | \$ 10,427,579 | \$ 19,940,286 |
| Public Facility Revenue Bonds | 6,291,280 | 3,390,155 | 9,681,435 |
| Bank Charges & Bond Issuance Costs | - | 37,835 | 37,835 |
| Total Enterprise Debt Service | <u>\$ 15,803,987</u> | <u>\$ 13,855,569</u> | <u>\$ 29,659,556</u> |
| Total Debt Service | <u>\$ 98,507,567</u> | <u>\$ 57,161,244</u> | <u>\$ 155,668,811</u> |

* Excludes bonds refunded

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

J. Accrued Compensated Leave

The accrued compensated leave is as follows at June 30, 2017:

| | Primary Government | | School Board Component Unit | Total |
|---------------------|------------------------------------|-------------------------------------|--|----------------------|
| | Governmental Activities | Business-Type Activities | | |
| City - Annual | \$ 30,965,097 | \$ 3,869,166 | \$ - | \$ 34,834,263 |
| City - Compensatory | 9,216,127 | 466,929 | - | 9,683,056 |
| City - Sick | 3,237,413 | 664,250 | - | 3,901,663 |
| School - Annual | - | - | 10,229,141 | 10,229,141 |
| School - Sick | - | - | 8,446,006 | 8,446,006 |
| School - Personal | - | - | 1,976,814 | 1,976,814 |
| Total | <u>\$ 43,418,637</u> | <u>\$ 5,000,345</u> | <u>\$ 20,651,961</u> | <u>\$ 69,070,943</u> |

K. Authorized But Unissued Bonds

| Purpose | June 30, 2017 |
|--|-----------------------|
| General Obligation Debt: | |
| 2014 Charter Bonds | \$ 15,113,072 |
| 2015 Charter Bonds | 61,778,816 |
| 2015 Charter Bonds | 70,800,000 |
| 2017 Charter Bonds | 69,272,406 |
| Total General Obligation Debt | <u>\$ 216,964,294</u> |
| Water and Sewer Debt: | |
| 2013 W & S Revenue Bonds | \$ 5,682,666 |
| 2014 W & S Revenue Bonds | 27,000,000 |
| 2015 W & S Revenue Bonds | 20,000,000 |
| Total Water and Sewer Debt | <u>\$ 52,682,666</u> |
| Storm Water Utility Revenue Bonds: | |
| 2013 Storm Water Utility Revenue Bonds | \$ 11,748,440 |
| 2014 Storm Water Utility Revenue Bonds | 9,000,000 |
| 2015 Storm Water Utility Revenue Bonds | 16,656,167 |
| 2015 Storm Water Utility Revenue Bonds | 15,977,102 |
| 2017 Storm Water Utility Revenue Bonds | 30,143,013 |
| Total Storm Water Utility Debt | <u>\$ 83,524,722</u> |
| Total Authorized and Unissued Debt - June 30, 2017 | <u>\$ 353,171,682</u> |

L. Revenue Covenants

Management believes the City is in compliance with all significant financial covenants contained in the various bond indentures, including those found in the Master Resolution adopted February 1992, as amended and supplemented, for the Water & Sewer Revenue Bonds.

M. Notes Payable - Discretely Presented Component Unit Community Development Corporation

Various mortgage loan agreements and notes payable with interest at 3.25% to 7.1%, collateralized by real property.

\$ 21,310,426

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. LONG-TERM DEBT (continued)

N. Compliance

Management believes the City has no violations of finance related legal and contractual provisions.

O. Public Facility Revenue Bonds and Associated VBDA Support Agreements

The Virginia Beach Development Authority (VBDA), a blended component unit of the City, issued Public Facility Revenue Bonds (PFRB), Series 2005B, and 2007A & B, to finance the acquisition of three public parking garages and appurtenant structures for the Town Center Project - Phase II and III. VBDA issued 2014A Public Facility Revenue Bonds and paid \$20.5 million (includes premium) to purchase the Block 11 garage in Town Center Phase V during FY2014. These bonds are limited obligations of the Authority, payable from certain payments to be made by the City pursuant to a Support Agreement dated June 1, 2002, as amended.

The Authority issued Public Facility Revenue Bonds, Series 2010B & C, Series 2012B, 2014B, 2015B, and 2016B to advance refund certain maturities of the previously issued PFRB's series 2002A, 2003A, 2005A, 2007A, 2005B, 2007B and its 1998 Lease Revenue Bonds.

A portion of the Public Facility Revenue Bonds, Series 2003, 2005A, 2007A, 2010A, Series 2012A, and 2014A was used to finance acquisition and construction of various capital improvements in the City of Virginia Beach.

The obligation of the City is subject to annual appropriation by the City Council and therefore, these bonds do not constitute a general obligation debt of the City or a pledge of the full faith and credit of the City. The bonds are limited obligations of the Authority, payable solely from payments made by the City pursuant to a Support Agreement dated September 1, 2003, as supplemented and amended.

7. ASSETS AND OBLIGATIONS UNDER LEASES

Operating Leases Governmental Activities

Social Services Facility

The City is leasing the Social Services Facility through a financing arrangement with the Virginia Beach Development Authority. Under the arrangement, the Authority issued \$9,800,000 in tax-exempt Lease Revenue Bonds to finance the Facility. In June 2012, the remaining balance of the Lease Revenue Bonds for Social Services was refinanced with a public facility revenue bond.

The leasing arrangement allows additional rent of \$50,000 to be paid semi-annually to be placed in a reserve to be used as needed for capital and structural improvements, maintenance and repair of the facility.

8. DEPOSITS AND INVESTMENTS

Custodial credit risk – All cash of the City including the School Board Component Unit (excluding the School Board Activity Funds) is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by Federal depository insurance.

The City has compensating balance arrangements with two financial institutions. Bank of America provides services to the City while a \$3.5 million balance is maintained in a demand deposit account. A fluctuating checking balance based on monthly investment services is a requirement of Branch Banking & Trust (BB&T).

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using level 3 inputs).

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8. DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2017, the City had the following recurring investments. Except for the investments in the State Non Arbitrage Program (SNAP), Virginia Investment Pool (VIP), and Local Government Investment Pool (LGIP), all investments are in an internal investment pool.

| | 6/30/2017 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) | Weighted Average Maturities (in months) |
|---|-----------------------|---|---|---|--|
| Investments at Fair Value: | | | | | |
| Money Market funds | \$ 10,000,000 | \$ - | \$ 10,000,000 | \$ - | 0.02 |
| Commercial Paper | 45,857,199 | - | 45,857,199 | - | 0.21 |
| U. S. Government Securities | 79,500,000 | - | 79,500,000 | - | 0.12 |
| | <u>\$ 135,357,199</u> | <u>\$ -</u> | <u>\$ 135,357,199</u> | <u>\$ -</u> | |
| Investments Measured at other than Fair Value: | | | | | |
| Certificates of Deposits | \$ 80,000,000 | | | | 0.72 |
| State Non Arbitrage Program – SNAP | 21,679,965 | | | | 0.03 |
| State Treasurer's Local Government Pool (LGIP) | 405,000,000 | | | | 0.61 |
| Virginia Investment Pool (VIP) | 10,252,249 | | | | |
| Virginia Investment Pool (VIP) - Liquidity Pool | 10,064,084 | | | | 0.02 |
| Total Fair Value | <u>\$ 526,996,298</u> | | | | |
| Total Investments | <u>\$ 662,353,497</u> | | | | |
| Portfolio Weighted Average Maturity | | | | | <u>0.49</u> |

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2017:

| | Primary Government | School Board Component Unit | Total |
|--|-----------------------|-----------------------------------|-------------------------|
| Cash and Investments | \$ 401,681,643 | \$ 137,931,396 | \$ 539,613,039 |
| Restricted Cash and Cash Equivalents | 466,686,683 | - | 466,686,683 |
| Fiduciary Funds | 359,776 | 18,157,437 | 18,517,213 |
| Total | <u>\$ 868,728,102</u> | <u>\$ 156,088,833</u> | <u>\$ 1,024,816,935</u> |
| Less: Cash on Deposit | | | <u>(362,463,438)</u> |
| Total Market Value of Investments at June 30, 2017 | | | <u>\$ 662,353,497</u> |

The City has investments in U. S. Government securities valued at \$79.5 million (Level 2 inputs). These investments are classified in Level 2 of the fair value hierarchy and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

Investments in Money Market Funds (Level 2 inputs) and Commercial Paper (Level 2 inputs) are classified in Level 2 of the fair value hierarchy and are valued in accordance with pricing sources by our custodian bank.

The remaining investments, measured in accordance with existing GASB standards and at amortized costs, totaled \$526,996,298 at June 30, 2017. Investments within the SNAP Investment Pool are held there to meet the debt service reserve requirements of the bond covenants and therefore cannot be withdrawn for any other purpose. Investments within the Local Government Investment Pool (LGIP) have no restrictions on withdrawals and can be obtained upon demand. Investments in the Virginia Investment Pool (VIP) fall within two primary funds, 1-3 Year High Quality Bond Fund and Stable NAV Liquidity Pool. The 1-3 High Quality Bond Fund redemptions are available twice a month and participants are required to provide 5 days' notice. Redemptions greater than \$5 million are requested to be submitted 60 days in advance and if the redemption is greater than 10% of the portfolio's net asset value without the 60 days' notice, the redemption can be executed over time. The Stable NAV Liquidity Pool has no restrictions on withdrawals and funds are available the same day.

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CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits maximum final stated maturities of investments to five years. In addition, the City will structure the investment portfolio so that securities mature to meet cash requirements and by investing operating funds primarily in shorter-term securities.

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements. Reverse and escrow funds may be invested in securities exceeding five years to maturity if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

The City assumes all investments will be held until maturity or until called at their par value. However, an investment may be sold at an earlier date to meet certain obligations or if the investment's credit quality drops. This makes the City's investments sensitive to market rate fluctuations. To mitigate the impact of market rate fluctuations, the City maintains enough liquidity to meet its short-term needs with a smaller portion invested in long-term government-sponsored organizations and high-quality corporate notes.

Credit Risk:

Credit risk is the risk an investor is subject to as a result of the credit quality of investments in debt securities. Statutes as well as the City's investment policy authorize the City to invest in obligations of the United States or agencies thereof; 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; commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptance instruments; repurchase agreements which are collateralized with securities approved for direct investment; State Treasurer's Local Government Investment Pool (LGIP); and corporate notes with at least a rating of Aa by Moody's or AA by Standard and Poor's.

The LGIP is an externally managed investment pool that is not registered with the Securities Exchange Commission but is managed as a "2a-7 like pool". Pursuant to the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The LGIP values portfolio securities by the amortized cost method and on a monthly basis this valuation is compared to current market to monitor any variance. The fair value of the City's position in the pool is the same as the value of the pool shares.

Custodial Credit Risks Investments – For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that all investments be clearly marked as to ownership and to the extent possible, be registered in the name of the City. In addition, the City pre-qualifies the financial institutions, brokers/dealers, intermediaries and advisors with which the City will do business.

The City's rated debt investments as of June 30, 2017 were rated by Standard & Poor's and Moody's and/or an equivalent national rating organization and the ratings are presented below using the respective rating scale from both agencies.

| | <u>AAA</u> | <u>A1/P1/F1+</u> |
|---|----------------|------------------|
| State Treasurer's Local Government Investment Pool (LGIP) | \$ 405,000,000 | \$ - |
| U. S. Government Securities | 79,500,000 | - |
| State Non Arbitrage Program (SNAP) | 21,679,965 | - |

Concentration of Credit Risk: Concentration of credit risk represents the risk of investments in any one issue that represents five percent or more of investments. The City's investment policy limits the amount it can invest in commercial paper and bankers' acceptance instruments. By policy, investments in commercial paper are limited to 35% of the total available for investment, and not more than 5% of the total available for investment can be invested in any one issuing corporation. Bankers' acceptance instruments shall not exceed 50% of the total investment portfolio's book value on the date of acquisition.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8. DEPOSITS AND INVESTMENTS (continued)

At June 30, 2017, investments in bankers' acceptance instruments and U.S. Government Securities are recorded at fair value. All other investments are reported utilizing amortized cost due to maturity dates less than one year. The fair valuing of bankers' acceptance instruments and U.S. Government Securities at June 30, 2017 resulted in a net increase of \$701,048.

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, 2017 \$939 in interest income from investments associated with one fund was assigned to another fund.

9. COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is a named defendant in litigation filed by parties concerning alleged personal injuries, property damage, and other causes of action. The City is vigorously defending all cases and expects no losses will be incurred which would have a material effect on the City's financial position.

B. Intergovernmental Grants, Entitlements, and Shared Revenues

The City participates in a number of federal and state grants, entitlements, and shared revenues programs. These programs are subject to program compliance audits by the applicable federal or state agency or their representatives.

Furthermore, the U.S. Congress passed legislation called the "Single Audit Act Amendment of 1996" which required most governmental recipients of federal assistance to have an annual independent organization-wide financial and compliance audit. The results thereof are incorporated in this report. The amounts, if any, of expenditures which may be disallowed by these audits cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. City Manager Employment Contract

On January 26, 2016 City Council appointed David L. Hansen as City Manager for the City. Mr. Hansen's contract is for the period January 26, 2016 to January 31, 2018.

D. Salaries Payable

The outstanding School Board Component Unit Funds' amount represents salaries due (2 months) to school teachers who have opted to be paid over a twelve-month period, and to substitute and supplemental school personnel.

E. Landfill Closure and Environmental Trust Fund Claims

On August 8, 1984, the City entered into two agreements with Southeastern Public Service Authority of Virginia (SPSA). Under the first agreement, which continues until January 2018, the City agreed to use SPSA's solid waste disposal system to dispose of solid waste generated within and collected by the City. For this service, the City agreed to pay tipping fees to SPSA.

Under the second agreement, which expired December 31, 2015, the City agreed to accept at its sanitary landfill ash and process residue generated by SPSA's refuse derived fuel processing plant. For these disposal services, SPSA agreed to pay the City the reasonable costs incurred in operating the landfill, including all operating costs as well as capital expenditures relative to regulatory compliance. Federal and State laws and regulations require that a final cover be placed on the landfill site when it stops accepting waste and to perform maintenance and monitoring functions at the site for 30 years after closure.

The total remaining capacity as of the end of Calendar Year 2016 of the developed cells at the landfill is 1.84 million tons. Future development will increase the total landfill capacity to 5.4 million tons. The City used 3.597 million tons prior to the date of the agreements (August 1984). Total usage to date has been estimated at 8.2 million tons. Estimated remaining life of the landfill is 24 years.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

9. COMMITMENTS AND CONTINGENCIES (continued)

E. Landfill Closure and Environmental Trust Fund Claims (continued)

To date, approximately 80 percent of the developed landfill has been used. Based on a 2012 study, the present value of the estimated cost for both closure and post-closure care is \$25,874,700, an amount based on landfill capacity used to date. Until another cell of the landfill is opened, no additional estimated closure and post-closure care costs will be recognized, except for the effects of inflation, changes in estimates, changes in technology or changes in laws or regulations. This amount is reflected in the government-wide financial statements.

These estimates are subject to adjustment for inflation and to account for any changes in landfill conditions, regulatory requirements, technologies, or cost estimates. The City is required by law to submit a worksheet that demonstrates the ability to fund landfill closure and post-closure care costs.

The Environmental Trust Funds were established through agreements between the City, Suffolk and SPSA which include the Suffolk Environmental Trust fund and the Virginia Beach Environmental Trust Fund. The purpose of these accounts are to provide for all costs relating to legal suits and other similar claim activity relating to environmental pollution that are made against the Regional Landfill and the Virginia Beach Landfill during a 30-year period after cessation of each landfill's operation. The City's proportionate share of the funds, held by SPSA, total \$289,908 as of June 30, 2017.

F. Water Services Contract

The City and Norfolk have entered into a Water Services Contract effective July 1, 1993 expiring in the year 2030. The Services Contract establishes engineering, water quality, and operational standards for Norfolk to receive, convey, treat, and deliver Lake Gaston water to the City. Norfolk is required to reset rates every two years based upon a cost of services study performed by an independent consulting firm that compares projected versus actual water expenses. On a biennial basis an adjustment is made based upon the actual costs incurred in the previous two years.

G. Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation is used as an extension of formal budgetary control by the City. At June 30, 2017 the City had outstanding encumbrances as follows:

| | |
|--|-----------------------|
| General Fund | |
| General Government | \$ 1,490,885 |
| Computer Replacement Program | 1,101,765 |
| Cultural Activities | 227,042 |
| Information Technology | 1,359,293 |
| Planning | 343,158 |
| Sandler Center for the Performing Arts | 1,690,061 |
| Police | 430,970 |
| Public Works | 2,490,116 |
| Parks and Recreation | 390,505 |
| Vehicle Replacement | 665,027 |
| Total General Fund | <u>\$ 10,188,822</u> |
| Capital Projects Fund | |
| Engineering and Highways | \$ 74,899,311 |
| Buildings | 34,595,587 |
| Parks and Recreation | 4,964,798 |
| Coastal | 1,100,809 |
| Economic and Tourism | 45,481,642 |
| Total Capital Projects Fund | <u>\$ 161,042,147</u> |
| Nonmajor Special Revenue Funds | <u>2,091,163</u> |
| Total | <u>\$ 173,322,132</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

10. TAX ABATEMENTS

| Virginia Beach Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards | Programs Administered by City of Virginia Beach | | |
|---|---|--|---|
| | Tourism Development Financing Program (TDFP) | Business License Incentive Program (BPOL) | Yes Oceana APZ-1 Incentives |
| | Cavalier | | |
| 1) Purpose of Program | Provides incentive payment annually of "but for" project revenues after a project is operational and has paid sales taxes. This annual incentive payment is to assist in closing a financing gap between debt and equity a developer currently has and the total financing required by a tourism project. | Incentive program providing partial tax exemption for new businesses, and will foster business development and encourage entrepreneurialism. | Developed to meet the requirements of the Base Realignment and Closure (BRAC) Commission to protect our citizens and keep the Navy's East Coast master jet base, Naval Air Station (NAS) Oceana, in Virginia Beach. Consists of zoning ordinances and incentives to foster the conversion of nonconforming businesses in APZ-1 into conforming ones and relocating ones that cannot be converted to another part of Virginia Beach. |
| 2) Tax being abated. | 1% local sales tax | Business License Tax | Real Estate Tax; Business License Tax and Fees |
| 3) Authority under which abatement agreements are entered into. | VA Code 58.1-3851.1 City Code Chapter 35.4 | City Code Chapter 18.202-208 | VA Code 58.1-3220.1 and 58.1-3221 Ord. No. 2786, 9-23-03; Ord. No. 2932, 3-28-06 VB Code 35-72.1, 35.2-11 |
| 4) Criteria to be eligible to receive abatement. | Capital investment greater than \$30 million and taxable sales greater than \$1 million annually. Compensates for a shortfall in project funding, not to exceed 30% of a qualified project's total cost. | A qualifying business that locates in the City of Virginia Beach for the first time and anticipates gross receipts greater than \$100K. | The assessed value after the rehabilitation, renovation, or replacement of the structure shall be at least 20% greater than the base assessed value; for commercial or industrial use; consistent with the City's Comprehensive Plan and Zoning Ordinances; result in conversion of a nonconforming use to a conforming use. |
| 5) How recipients' taxes are reduced. | Through sales tax rebate/incentive payment based on generated sales. | Pay maximum license fee of \$50 for the first 2 calendar years. | Credit on tax bill, rebate, and reimbursements of fees. All last 15 years. |
| 6) How amount of abatement is determined. | 1) 1% of local sales tax generated on-premise is paid to developer by the City as an incentive payment - total of \$8.17M 2) 1% of state sales tax generated on-premise is paid to developer by the State as an incentive payment - total of \$8.17M 3) 1% developer access fee that is paid to the state is provided to the developer as an incentive payment - total of \$8.17M | Business License Tax reduced to \$50. | The difference between the taxes computed upon the base value and the initial rehabilitated assessed value of the property for each year of the partial exemption from real estate taxes; credit shall not increase. 90% of business license taxes imposed by Chapter 18. |
| 7) Provisions for recapturing abated taxes. | N/A | N/A | N/A |
| 8) Types of commitments made by the City other than to reduce taxes. | 1) Economic Development Investment Program Grant - \$8.2M (FY14) 2) Green Space/Historic Preservation Easement - \$2.37M (FY14) 3) Cavalier Drive Improvements - \$2.45M (FY14 and FY17) 4) Annual Grants based on increased Real Estate Tax Revenues - capped at \$5M it total; not yet paid | Eligible for Economic Development Investment Program Grant: FY17 - \$250,097 FY16 - \$185,059 | Eligible for Economic Development Investment Program Grant: FY17 - \$109,517 FY16 - \$144,100 |
| 9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement. | Project is not yet operational so no real estate tax or sales tax rebates have been made at this time. | FY17 - \$541,215 FY16 - \$489,874 | Business License Tax: FY17 - \$50,320 FY16 - \$61,460 No Real Estate Taxes have been credited to-date |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

10. TAX ABATEMENTS (continued)

| Virginia Beach Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards | Programs Administered by City of Virginia Beach | | |
|---|---|--|---|
| | ViBE Creative District | Public Private Partnerships | |
| | | Field House | 25th Street Parking Garage and iFLY |
| 1) Purpose of Program | To attract creative industries to the City, new establishments at which creative activities area carried on, establish framework for broadening economic development through creative endeavors, and to encourage creative activities at existing venues. | The Virginia Beach Field House is a 175,000 sf Indoor Multipurpose Field House Venue opened in September 2010. It is located in the Princess Anne Athletic Complex filling a need for recreational facilities. Eastern Sports Management operates the facility. Private investment was \$15.7 million and included a ground lease from the City (percentage rent of 5% for annual sales over \$5.5 million). | The City partnered with a private company to develop a unique tourism amenity to provide public parking in the resort area. The project includes a public garage, and privately owned entertainment facility and apartments. The project is aligned with Council's Resort Strategic Action Plan (2008) for year-round entertainment, a year-round residential development/presence, and public parking. The Venue opened in 2016 and had private investment of \$21.66 million. |
| 2) Tax being abated. | Real Estate Tax; Business License Tax and Fees | Real Estate Tax | Admissions Tax |
| 3) Authority under which abatement agreements are entered into. | VB Code Section 9-1. through 9-9. Ord. No. 3402 | Development Agreement approved by City Council | Virginia Public-Private Education Facilities and Infrastructure Act of 2002 |
| 4) Criteria to be eligible to receive abatement. | Being a qualifying organization including one that is intended for unique production of works created by artists, a museum, theater, entity engaged in architecture, culinary arts, design, film, publishing, and software development, etc.; and shall be physically located within a Creative District designated by the City Council. | The project's comprehensive agreement was approved by City Council February 2010. | The project's comprehensive agreement was approved by City Council February 2013. |
| 5) How recipients' taxes are reduced. | Credit on bill for real estate tax. Through reimbursement of business, professional, and occupational license taxes. Reimbursement of fees. | Company receives a rebate/incentive payment. | Company receives a rebate/incentive payment. |
| 6) How amount of abatement is determined. | Real estate credit is amount equal to the greater of initial increase in assessed value of the structure above its base value resulting from the rehabilitation of the structure or an amount equal to fifty percent of the qualifying costs of rehabilitating the structure, for 10 years. Entitled to reimbursement for up to 10 years of BPOL taxes. Total reimbursement of fees if qualified. | 100 % of annual real estate taxes, paid to the city are rebated back as an incentive payment "but for revenues" for the first 10 years. | 90% of admission taxes remitted to the city are rebated back as an incentive payment "but for revenues" until a total of \$1.6 million have been returned. |
| 7) Provisions for recapturing abated taxes. | N/A | N/A | N/A |
| 8) Types of commitments made by the City other than to reduce taxes. | Eligible for Economic Development Investment Program Grant | N/A | The City sold the 25th Street parking lot to the developer for \$7.65 million. After the developer built 147 apartment units, 2,500 square feet of retail space, "iFly" entertainment facility, and a 565-space garage, the City purchased the parking garage for \$7.65 million. Also, the City contributed approximately \$250,000 towards landscaping and \$586,000 for streetscape improvements. |
| 9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement. | There is currently only one qualifying establishment under this program and due to Virginia Law this amount cannot be disclosed, therefor it is included with the amount in APZ-1. | FY17 - \$145,643 FY16 - \$153,112 | FY17 - \$85,839 FY16 - \$98,345 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

11. INTERFUND BALANCES AND TRANSACTIONS, FUND RESULTS AND RECONCILIATIONS

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2017 were made up of the following:

| Transfer To: | General Fund | Nonmajor Governmental | Nonmajor Parking Enterprise | Total |
|---------------------------|-----------------------|------------------------------|------------------------------------|-----------------------|
| General Fund | \$ - | \$ 20,160,315 | \$ - | \$ 20,160,315 |
| Capital Projects Fund | 26,940,842 | 20,412,622 | 850,000 | 48,203,464 |
| Storm Water Fund | 1,310,000 | 29,873 | - | 1,339,873 |
| Waste Management | 10,062,505 | - | - | 10,062,505 |
| Nonmajor Governmental | 82,591,949 | 2,745,569 | 104,697 | 85,442,215 |
| Nonmajor Enterprise Funds | 4,429 | 37,250 | - | 41,679 |
| Internal Service Funds | 1,800,000 | - | - | 1,800,000 |
| Total | <u>\$ 122,709,725</u> | <u>\$ 43,385,629</u> | <u>\$ 954,697</u> | <u>\$ 167,050,051</u> |

Purpose:

Transfers From General Fund:

| | |
|---------------|---|
| \$ 26,940,842 | Capital Projects Fund: Funding for Pay-As-You-Go Capital Projects Fund. |
| 1,310,000 | Stormwater Fund: Funding for support of Capital Projects. |
| 10,062,505 | Waste Management Fund: Funding for support of Waste Management with loss of SPSA. |
| 82,591,949 | Nonmajor Governmental Funds: Funding for Special Revenue programs and Debt Fund. |
| 4,429 | Nonmajor Enterprise Fund: Funding for Parking support. |
| 1,800,000 | Internal Service Funds: For Risk Management support. |

Transfers From Nonmajor Governmental Funds:

| | |
|---------------|--|
| \$ 20,160,315 | General Fund: Special Revenue Funds, primarily surplus funds from Sandbridge TIF and Multimodal. |
| 20,412,622 | Capital Projects Fund: Funding for Pay-As-You Go capital projects. |
| 29,873 | Storm Water Fund: Funding for support of Storm Water operations. |
| 2,745,569 | Nonmajor Governmental Funds: Funding for support of existing programs |
| 37,250 | Nonmajor Enterprise Funds: Funding for Parking support. |

Transfer From Nonmajor Enterprise Fund:

| | |
|------------|--|
| \$ 850,000 | Capital Project Funds: Economic and Tourism. |
| 104,697 | Nonmajor Governmental Funds: Funding for support of existing programs. |

B. Net Position Deficit

The following Primary Government fund has a deficit balance in equity at June 30, 2017:

| | |
|---------------------------|---------------|
| Proprietary Funds: | |
| Risk Management Fund | \$ 22,232,614 |
| City Garage | \$ 52,648 |
| School Site Landscaping | \$ 613,008 |

The deficit in the Risk Management Fund represents the actuarially estimated liability for future claims. The rate structure for the Risk Management Fund is continually being evaluated for adjustments thereto.

The deficit in the City Garage and School Site Landscaping Funds are a result of the recognition of their share of June 30, 2017 Pension Liability. The respective rate structure will be evaluated for future adjustments.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

11. INTERFUND BALANCES AND TRANSACTIONS, FUND RESULTS AND RECONCILIATIONS (continued)

C. Accounting Changes, Restatements and Fund Combinations

The City adopted GASB Statement No. 74, Financial Reporting for Postemployment Plans other than Pension Plans for the fiscal year ended June 30, 2017. Implementation of GASB 74 required the reporting of Other Postemployment Benefits (OPEB) that are administered through Trusts. Prior to this implementation the City was reporting the total Assets and Liabilities for both the City and School Board's OPEB trust funds. To ensure transparency in reporting both the City and School Board will be reporting their respective information separately necessitating the restatement of prior period net position for the fiscal year ended June 30, 2016.

12. RISK MANAGEMENT

A. Primary Government Self-Insurance Program

The City 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 City is also exposed to the risk of loss for employee medical benefits. These benefits are accounted for in the School Health Insurance Internal Service Fund. This fund accounts for and finances this joint self-insured program between the City and the School Board. During Fiscal Year 1973, the City established a Risk Management Fund (an internal service Fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$1,250,000 for each workers' compensation claim, \$2,000,000 for each general and auto liability claim, \$50,000 for each fire and property claim, and \$2,000,000 for each public officials (errors and omissions) claim. The insurance coverage for each major category of risk is the same as those reported in the prior fiscal year. There have not been any reductions in commercial insurance coverage from the prior year and the amount of settlements applied against this coverage in each of the past three years did not exceed the commercial insurance. The City has \$10 million of excess insurance coverage per claim and \$20 million aggregate.

All funds of the City participate in the program (except for School Board Component Unit Funds) and make payments to the Risk Management Fund based on normal underwriting criteria and each agency's loss experience. The City uses an actuary to aid in the determination of self-insurance liabilities.

The estimated claims and judgments liability of \$37,732,500 reported in the Fund at June 30, 2017 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City prepares a biannual update of the actuarial liability and believes the estimates contained in its latest actuarial analysis, dated June 30, 2017, substantially reflects estimated claims and judgments for the period ending June 30, 2017.

| | Beginning Liability | Claims & Changes in Estimates | Claims Payments | Balance at Year-End |
|-----------|--------------------------------|--|----------------------------|--------------------------------|
| 2015-2016 | \$ 30,857,594 | \$ 11,519,552 | \$ 11,276,936 | \$ 31,100,210 |
| 2016-2017 | \$ 31,100,210 | \$ 18,305,526 | \$ 11,673,236 | \$ 37,732,500 |

B. School Board Self-Insurance Program

The School Board is self-insured for a portion of its risks. This self-insurance coverage for Fire and Property Insurance is \$100,000 per occurrence and 1% of the total insured value of the damaged covered property when such loss or damage results from a named storm (minimum deductible - \$250,000 per occurrence); Boiler and Machinery is \$10,000 per occurrence; School Leaders Liability (errors and omissions) is \$350,000 per occurrence; Student Professional & International Travel Liability coverage is \$2,250,000 per claim; Crime (Employee Dishonesty) coverage is \$1,000 per occurrence; Environmental Impairment and Cyber Liability coverage has a \$1,000,000 limit per occurrence; General Liability and Wrongful Act coverage is \$350,000 per occurrence; Automobile Liability coverage (engine on) is \$450,000 per occurrence; Automobile Physical Damage coverage (engine off) is \$60,000 per occurrence; General and Automobile

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

12. RISK MANAGEMENT (continued)

B. School Board Self-Insurance Program (continued)

Liability has a \$4,000,000 excess limit per occurrence; and Workers' Compensation Excess coverage is \$850,000 per claim.

Commercial insurance is purchased to cover the amount in excess of the above self-insured levels for specific losses. When economically feasible, commercial insurance is purchased to cover certain exposures completely. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years. The insurance coverage is substantially the same as in prior fiscal years.

Claims processing and payments for all insurance claims are made through commercial carriers and third-party administrators. The School Board uses the information provided by the third-party administrators to aid in the determination of self-insurance liabilities. The computed liability as of June 30, 2017 is \$7,367,000 (undiscounted) as follows:

| Fiscal Year | Beginning -of Fiscal-Year Liability | Current-Year Claims & Changes in Estimates | Claims Payments | Balance at Fiscal Year-End |
|------------------------|--|---|----------------------------|---|
| 2015-2016 | \$ 8,590,000 | \$ 5,052,000 | \$ 6,088,000 | \$ 7,554,000 |
| 2016-2017 | \$ 7,554,000 | \$ 5,837,000 | \$ 6,024,000 | \$ 7,367,000 |

Effective January 1, 2000, the School Board established a self-insured health care benefits program for all School Board and City employees. Certain claims expenses paid on behalf of each employee during a single policy year are covered by excess loss insurance with a specific stop-loss limit of \$600,000. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years. Claims processing and payments for all health care claims are made through third-party administrators. The School Board uses the information provided by the third-party administrators and a health care benefits consultant to aid in the determination of self-insurance liabilities. The computed liability as of June 30, 2017 is \$7,324,000 (undiscounted), as follows:

| Fiscal Year | Fiscal-Year Liability | Claims & Changes in Estimates | Claims Payments | Fiscal Year-End |
|------------------------|----------------------------------|--|----------------------------|----------------------------|
| 2015-2016 | \$ 8,528,000 | \$ 132,638,000 | \$ 133,627,000 | \$ 7,539,000 |
| 2016-2017 | \$ 7,539,000 | \$ 132,594,000 | \$ 132,809,000 | \$ 7,324,000 |

C. Surety Bonds

All City employees, including employees of elected constitutional officers (Commissioner of the Revenue, Treasurer, Commonwealth's Attorney, Sheriff, Clerk of the Circuit Court), are bonded in favor of the City in the amount of \$1,000,000. This bond is written by the Travelers Insurance Company.

The Commonwealth of Virginia has secured a blanket bond for the City Treasurer and Finance Director (\$1,600,000) Commissioner of Revenue (\$3,000) and the Sheriff (\$30,000) which covers the bonds required by law or contract for the position they hold. The bond is written by Travelers Casualty and Surety Company of America.

The Commonwealth of Virginia also provides coverage through the "Faithful Performance of Duty Bond Plan" in the amount of \$500,000 for the constitutional officers. This does take the place of a separate bond required by law or contract.

All School Board employees are covered by a faithful performance bond in the amount of \$100,000 to protect the School Board in the event of fraudulent acts.

(continued)

**CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

13. RETIREMENT

A. Virginia Retirement System

Plan Description

| | |
|-------------------------|--|
| Name of Plan: | Virginia Retirement System (VRS) |
| Identification of Plan: | Agent and Cost-Sharing, Multiple Employer Pension Plan |
| Administering Entity: | Virginia Retirement System (System) |

Plan Description

The City and School Board Nonprofessional (non-teacher) are a separate cost-sharing pool within VRS, and makes contributions based on rates set by VRS's actuarial calculations of the annual required contributions. All full-time, salaried permanent employees of the City and School Board are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a 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.

Within the VRS Plan, the System administers three different benefit structures for covered employees – 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 below:

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|---|---|
| <p>About Plan 1: Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p>About Plan 2: Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> | <p>About the Hybrid Retirement Plan: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |
| <p>Eligible Members: Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p>Eligible Members: Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> | <p>Eligible Members: 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"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| | | |
|--|---|---|
| <p>Hybrid Opt-In Election: VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</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>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p> | <p>Hybrid Opt-In Election: Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</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>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p>*Non-Eligible Members: Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p> |
| <p>Retirement Contributions: Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund.</p> <p>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>Retirement Contributions: Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p> | <p>Retirement Contributions: A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| | | |
|---|--|---|
| <p>Creditable Service: Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> | <p>Creditable Service: Same as Plan 1.</p> | <p>Creditable Service <u>Defined Benefit Component:</u> 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><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |
| <p>Vesting: Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p> | <p>Vesting: Same as Plan 1.</p> | <p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| | | |
|--|--|--|
| | | <p><u>Defined Contributions Component:</u> 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 that 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"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p> |
| <p>Calculating the Benefit: 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>Calculating the Benefit: See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> |

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| | | |
|---|--|--|
| <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><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p> |
| <p>Average Final Compensation: A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation: A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation: Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p> |
| <p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p> | <p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p> | <p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: 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>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| | | |
|--|--|---|
| <p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p> | <p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p> | <p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| | | |
|--|---|--|
| <p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Cost-of-Living Adjustment (COLA) in Retirement: The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> 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>Cost-of-Living Adjustment (COLA) in Retirement: The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| | | |
|--|---|---|
| <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for 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. | <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p> | <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p> |
| <p><u>Disability Coverage:</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> | <p><u>Disability Coverage:</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> | <p><u>Disability Coverage:</u> Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VL governing body provides and 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> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| | | |
|--|---|--|
| <p>Purchase of Prior Service: Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p> | <p>Purchase of Prior Service: Same as Plan 1.</p> | <p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p> |
|--|---|--|

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500 Richmond, VA., 23218-2500.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|---|---------------|
| Inactive Members or Their Beneficiaries | |
| Currently Receiving Benefits | 3,482 |
| Inactive Members: | |
| Vested | 803 |
| Non-Vested | 1,074 |
| Active Elsewhere in VRS | <u>780</u> |
| Total Inactive Members | <u>2,657</u> |
| Active Members | <u>5,920</u> |
| Total | <u>12,059</u> |

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The actuarially determined employer contribution rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with additional amount to finance any unfunded accrued liability.

The City contractually required employer contribution rate for the year ended June 30, 2017 was 13.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

The School Board's contractually required employer contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation, Professional employees. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Professional Plan (Teacher Retirement Plan) was 16.32%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017.

In addition, for the Nonprofessional (non-teacher) employees, the School Board is contractually required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2017 was 7.02% of annual covered payroll. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. When combined with employee contributions, this 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.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Contributions (continued)

These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution made by the Employer and Employee are listed in the table below:

| Year Ended Date | City | | School Board - Teachers | | School Board - Nonprofessional | |
|--------------------|---------------|---------------|-------------------------|---------------|--------------------------------|---------------|
| | Employer | Employee | Employer | Employee | Employer | Employee |
| | Contributions | Contributions | Contributions | Contributions | Contributions | Contributions |
| 2017 | \$ 43,919,386 | \$ 16,158,074 | \$ 57,698,763 | \$ 19,678,978 | \$ 2,956,311 | \$ 2,105,635 |
| 2016 | 49,847,919 | 12,735,099 | 54,463,409 | 19,368,211 | 3,857,605 | 2,117,236 |

In addition to the above contributions, in 2016 the City and School Board contributed amounts paid on behalf of the employee. The amount for the City was \$2,263,572 and the amounts for School Board for the teachers plan and for the nonprofessional plan were \$3,873,642 and \$423,453, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2016 and totaled \$411,098,059. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

At June 30, 2017, the School Board reported a net pension liability of \$717,924,000 for its proportionate share of the Net Pension Liability of the Teacher Retirement Plan (Professional). The Net Pension Liability was measured as of June 30, 2016 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's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the School Board's proportion was 5.12286% as compared to 5.19364% at June 30, 2015.

In addition, the School Board's Net Pension Liability for the Nonprofessional (non-teacher) Retirement Plan was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. At June 30, 2017, the School Board's reported a liability of \$22,855,053 for the Nonprofessional (non-teacher) Retirement Plan.

Actuarial Assumptions – City General Employees

The total pension liability for General Employees in the City and School Board's Retirement Plans was based on an actuarial valuation as of June 30, 2015, 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, 2016.

| | |
|---------------------------------------|---|
| Inflation | 2.5 percent |
| Salary increases, including Inflation | 3.5 percent – 5.35% |
| Investment rate of return | 7.0 Percent, net of pension plan investment expense, including inflation* |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Actuarial Assumptions – City General Employees (continued)

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

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

Largest 10 – Non-LEOS: Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS: Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10-Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Actuarial Assumptions – City Public Safety Employees

The total pension liability for Public Safety employees in the City Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

| | |
|---------------------------------------|---|
| Inflation | 2.5 percent |
| Salary increases, including Inflation | 3.5 percent – 4.75 percent |
| Investment rate of return | 7.0 percent, net of pension plan investment expense, including inflation* |

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

Mortality rates: 60% of deaths are assumed to be service related.

Largest 10-LEOS: Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – LEOS: Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Actuarial Assumptions – School Board

Professional/Teacher Retirement Plan

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Nonprofessional (non-teacher) Retirement Plan

The total pension liability for Nonprofessional Retirement Plan (non-teacher) was based on an actuarial valuation as of June 30, 2015, 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, 2016.

| | |
|---------------------------------------|---|
| Inflation | 2.5 percent |
| Salary increases, including Inflation | 3.5 percent – 5.35% |
| Investment rate of return | 7.0 Percent, net of pension plan investment expense, including inflation* |

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

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

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

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 |
|-------------------------------|--------------------------|---|---|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | 100.00% | | 5.83% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 8.33% |

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the City and School Board's Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| | City | | |
|--|------------------------------------|--|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balances at June 30, 2015 | \$ 1,797,793,322 | \$ 1,460,420,988 | \$ 337,372,334 |
| Changes for the Year: | | | |
| Service Cost | 36,304,048 | - | 36,304,048 |
| Interest | 122,642,141 | - | 122,642,141 |
| Difference between expected and actual experience | 3,527,958 | - | 3,527,958 |
| Contribution - Employer | - | 49,521,364 | (49,521,364) |
| Contribution - Employee | - | 15,185,917 | (15,185,917) |
| Net Investment Income | - | 24,961,833 | (24,961,833) |
| Benefit payments, including refunds of Employee Contributions | (91,525,484) | (91,525,484) | - |
| Administrative Expense | - | (910,017) | 910,017 |
| Other Changes | - | (10,675) | 10,675 |
| Net Changes | 70,948,663 | (2,777,062) | 73,725,725 |
| Balances at June 30, 2016 | \$ 1,868,741,985 | \$ 1,457,643,926 | \$ 411,098,059 |

| | School Board Nonprofessional | | |
|--|-------------------------------------|--|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balances at June 30, 2015: | \$ 205,828,203 | \$ 192,255,288 | \$ 13,572,915 |
| Changes for the Year: | | | |
| Service Cost | 4,079,432 | - | 4,079,432 |
| Interest | 14,020,741 | - | 14,020,741 |
| Changes of Assumptions: | | | |
| Difference between expected/actual experience: | 264,387 | - | 264,387 |
| Contribution - Employer | - | 3,876,348 | (3,876,348) |
| Contribution - Employee | - | 2,113,676 | (2,113,676) |
| Net Investment Income | - | 3,214,427 | (3,214,427) |
| Benefit payments | (11,063,812) | (11,063,812) | - |
| Administrative Expenses | - | (120,635) | 120,635 |
| Other Changes | - | (1,394) | 1,394 |
| Net Changes | 7,300,748 | (1,981,390) | 9,282,138 |
| Balances at June 30, 2016 | \$ 213,128,951 | \$ 190,273,898 | \$ 22,855,053 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

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

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

| | City | | |
|------------------------------|------------------------------------|--|------------------------------------|
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| Plan's Net Pension Liability | \$ 644,506,573 | \$ 411,098,059 | \$ 215,876,792 |

The following presents the net pension liability of the Nonprofessional (non-teacher) Retirement Plan using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | School Board Nonprofessional | | |
|------------------------------|-------------------------------------|--|------------------------------------|
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| Plan's Net Pension Liability | \$ 48,246,849 | \$ 22,855,053 | \$ 1,509,060 |

In addition, the following presents the School Board's proportionate share of the net pension liability for the Professional/Teacher Retirement Plan using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | School Board Professional | | |
|---|------------------------------------|--|------------------------------------|
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| School Board's Proportionate Share of the Net Pension Liability for the VRS Teacher Retirement Plan | \$ 1,023,402,000 | \$ 717,924,000 | \$ 466,283,000 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

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

For the year ended June 30, 2017, the City's recognized pension expense was \$39,242,500.

For the year ended June 30, 2017, the School Board recognized pension expense of \$57,448,000 of the Teacher Retirement Plan (Professional). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

In addition, for the year ended June 30, 2017, the School Board recognized pension expense of \$2,711,033 for the Nonprofessional (non-teacher) Retirement Plan.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>City</u> | |
|---|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ 2,754,283 | \$ 14,043,746 |
| Net difference between projected and actual earnings on plan investments | 38,083,856 | - |
| Employer contributions subsequent to the measurement date | 43,919,386 | - |
| Total | <u>\$ 84,757,525</u> | <u>\$ 14,043,746</u> |

\$43,919,386 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

| | <u>City</u> |
|----------------------------|----------------------|
| <u>Year Ended June 30:</u> | |
| 2018 | \$ (4,179,856) |
| 2019 | (4,179,857) |
| 2020 | 19,461,493 |
| 2021 | 15,692,613 |
| Total | <u>\$ 26,794,393</u> |

At June 30, 2017, for the Teacher Retirement Plan (Professional), the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| | School Board Professional | |
|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 23,264,000 |
| Net difference between projected and actual earnings on plan investments | 41,010,000 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 12,744,000 |
| Employer contributions subsequent to the Measurement Date | 57,699,000 | - |
| Total | <u>\$ 98,709,000</u> | <u>\$ 36,008,000</u> |

\$57,699,000 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| School Board Professional | |
|----------------------------------|---------------------|
| Year Ended June 30: | |
| 2018 | \$ (9,090,000) |
| 2019 | (9,090,000) |
| 2020 | 15,300,000 |
| 2021 | 10,179,000 |
| 2022 | (2,297,000) |
| Total | <u>\$ 5,002,000</u> |

In addition, at June 30, 2017, for the Nonprofessional (non-teacher) Retirement Plan, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | School Board Nonprofessional | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 68,000 |
| Net difference between projected and actual earnings on plan investments | 5,013,000 | - |
| Employer contributions subsequent to the measurement date | 2,956,311 | - |
| Total | <u>\$ 7,969,311</u> | <u>\$ 68,000</u> |

\$2,956,311 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

| <u>School Board Nonprofessional</u> | |
|-------------------------------------|---------------------|
| <u>Year Ended June 30:</u> | |
| 2018 | \$ (116,000) |
| 2019 | 129,000 |
| 2020 | 2,920,000 |
| 2021 | 2,012,000 |
| 2022 | - |
| Total | <u>\$ 4,945,000</u> |

B. Sheriff's Supplemental Retirement Plan

1. Description of the Plan

The Sheriff's Supplemental Plan is a defined contribution plan that was established by the City Council of Virginia Beach, Virginia ("City Council") in 1995 in accordance with Internal Revenue Code ("IRC") Section 401. The Plan sponsor and participating employer is the City of Virginia Beach Sheriff's Office ("Employer"). The Plan is available to all employees of the City of Virginia Beach Sheriff's Office, who have completed one year of service, as defined by the Plan.

The City Code of Virginia Beach, Virginia establishes a Deferred Compensation Board ("Board") to supervise, administer and implement the Plan. The Board has full power and authority to adopt rules and regulations for the administration of the Plan. The Board also contracts with providers to manage the investment of plan assets and is responsible for selecting the Plan investment options. Plan provisions and contribution requirements are established and may be amended by the City Council.

As of June 30, 2016, the number of participants was as follows:

| | |
|--|------------|
| Employed participants with ending balances | 405 |
| Terminated participants with ending balances | 115 |
| Participants with zero ending balances | 4 |
| | <u>524</u> |

Participants may not contribute to the Plan. The Employer may contribute discretionary amounts to be determined by the City of Virginia Beach Sheriff's Office annually. During the plan year end, the employer contribution totaled \$4,962, which consisted of excess funds remitted to participant accounts. Current year forfeitures totaled \$70. Employer contributions to the Plan, and any earnings they generate, are vested as follows:

| <u>Years of Service</u> | <u>Vested Percentage</u> |
|-------------------------|--------------------------|
| 0 – 5 years | 0% |
| 5 years or more | 100% |

Participants may withdraw from their accounts during a qualifying distribution event. Qualifying distribution events are: retirement, permanent disability, termination from employment, attainment of age 59½, and death. Ordinary income tax will apply to each withdrawal. Withdrawals received prior to age 59½ may also be assessed a 10% early withdrawal federal tax penalty.

Participant Accounts – Each participant's account is credited with an allocation of the City's discretionary contributions as well as Plan earnings. Participant accounts are charged with an allocation of administrative

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

B. Sheriff's Supplemental Retirement Plan (continued)

1. Description of the Plan (continued)

expenses that are paid by the Plan. Allocations are based on participant compensation, account balances, or specific participant transactions as defined. The benefit to which the participant is entitled is the benefit that can be provided from the participant's vested account.

Payment of Benefits – On termination of service due to death, disability, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments not to exceed the lifetime of the payee. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

Investment Options – Participants direct the investment of their accounts into various investment options offered by the Plan. The Plan's investments are stated at fair value (except for fully benefit-responsive investment contracts, which are valued at contract value). Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Contract value is the relevant measure for the portion of net assets available for benefits attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan.

2. Summary of Significant Accounting Policies

Basis of Accounting – The Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America using the financial reporting framework established by the Governmental Accounting Standards Board ("GASB").

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments Valuation and Income Recognition – Investments are reported at fair value. Plan management determines the Plan's valuation policies utilizing information provided by the custodian

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Contributions – Contributions are recognized in the period when due in accordance with the terms of the Plan.

Benefit Payments – Benefit payments are recorded when paid.

Administrative Expenses – Administrative expenses are recorded when incurred. Certain administrative functions are performed by the City and are not reflected in these statements.

New Accounting Pronouncements – The Plan adopted Statement No. 72 of the Government Accounting Standards Board entitled *Fair Value Measurement and Application* for the year ended June 30, 2016. This statement provides guidance for determining the fair market value of an asset for financial reporting and guidance for applying fair value to certain investments and disclosures.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

B. Sheriff's Supplemental Retirement Plan (continued)

3. Investments

The Board has adopted an investment policy that sets forth the goals and objectives of the investment options available to the Plan. The Board chooses which investment options will be available under the Plan and monitors the investment options' compliance to the investment policy. The Plan's authorized investments consist of funds in twelve major asset classes defined by either investment objective or risk category.

The Plan had the following investments as of June 30, 2016:

| <u>Investments</u> | <u>2016</u> |
|---|---------------------|
| AB Discovery Value Fund | \$ 99,474 |
| American Century Equity Growth Fund | 46,199 |
| American Funds Growth Fund R4 | 101,441 |
| Baron Small Cap Fund | 132,516 |
| Delaware Value Inst | 172,423 |
| Eagle Small Cap Growth R5 | 13,631 |
| Janus Henderson Forty S | 16,221 |
| MAXIM Aggressive Profile | 220,379 |
| MAXIM Conservative Profile | 93,814 |
| MAXIM Moderate Profile | 250,440 |
| MAXIM Moderately Aggressive Profile | 144,406 |
| MAXIM Moderately Conservative Profile | 79,181 |
| MFS Massachusetts Investors Growth Fund | 60,556 |
| Morgan Stanley Inst. Mid Cap Growth I | 10,881 |
| Templeton World Fund | 63,062 |
| Vanguard Institutional Index I | 408,303 |
| Vanguard Mid Cap Index Fund | 45,090 |
| Vanguard Total Bond Market Index Inv | 87,502 |
| William Blair International Growth N | 52,859 |
| | <u>\$ 2,098,378</u> |
| Separate account contract, at contract value: | |
| Virginia Beach Fixed Income Fund | 1,299,531 |
| | <u>\$ 3,397,909</u> |

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of the investment of collateral securities that are in the possession of an outside party. The Plan limits its exposure to custodial credit risk by maintaining its investments in custodial accounts. Wells Fargo Bank, N.A. serves as custodian to the Plan. Securities that exist in book entry form are held in trust by the custodian in the name of the Plan.

As part of the investment objectives of the investment policy, the Board has established the Virginia Beach Fixed Income Fund ("Stable Value Fund"), which meets the fully benefit-responsive investment contract criteria and, therefore, is reported at contract value. Contract value represents contributions made under each contract, plus earnings, less participant withdrawals, and administrative expenses. The objective of the Stable Value Fund is to provide principal preservation, benefit responsiveness, liquidity, and current income at levels that typically are higher than those provided by money market funds over an interest rate cycle. The investments of the Stable Value Fund are expected to produce relatively stable annual returns on fund assets with little to no fluctuation in account values. A

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

B. Sheriff's Supplemental Retirement Plan (continued)

3. Investments (continued)

security-backed contract has similar characteristics as a traditional investment contract and is comprised of two parts: the first part is a fixed-income security or portfolio of fixed-income securities; the second part is a contract value guarantee (wrapper) provided by a third-party. Wrappers provide contract value payments for certain participant-initiated withdrawals and transfers, a floor crediting rate, and return of fully accrued contract value at maturity.

The Stable Value Fund is a separate account contract with Empower Retirement Services ("Empower"). Elective contributions are invested in the Stable Value Fund at the option of the Plan's participants. Empower maintains the assets of the Stable Value Fund in a separate account. Participant accounts are credited with contributions and earnings on the underlying investments and charged for participant withdrawals and administrative expenses charged by the issuer. Empower is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. As of and for the year ended June 30, 2016, the crediting interest rate on the separate account contract was 1.80%.

At June 30, 2016 the fair value of the contract was as follows:

| <u>Components:</u> | |
|---------------------------|---------------------|
| Underlying investments | \$ 1,299,531 |
| Wrap contract | (814) |
| Total | <u>\$ 1,298,717</u> |

The Plan's ability to receive amounts due in accordance with fully benefit-responsive investment contracts are dependent on the third-party issuer's ability to meet its financial obligations. The issuer's ability to meet its contractual obligations may be affected by future economic and regulatory developments. Certain events might limit the ability of the Plan to transact at contract value with the contract issuers. These events may be different under each contract. Examples of such events include the following:

- The Plan's failure to qualify under Section 401(a) of the Internal Revenue Code or the failure of the trust to be tax-exempt under Section 501(a) of the Internal Revenue Code.
- Premature termination of the contracts.
- Plan termination or merger.
- Changes to the Plan's prohibition on competing investment options.
- Bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spinoffs of a subsidiary) that significantly affect the Plan's normal operations.

No events are probable of occurring that might limit the ability of the Plan to transact at contract value with the contract issuers and that also would limit the ability of the Plan to transact at contract value with the participants.

In addition, certain events allow the issuer to terminate the contracts with the Plan and settle at an amount different from contract value. Those events may be different under each contract. Examples of such events include the following:

- An uncured violation of the Plan's investment guidelines.
- A breach of material obligation under the contract.
- A material misrepresentation.
- A material amendment to the agreements without the consent of the issuer.

The Board has established the following guidelines for the investment of assets and management of certain risks related to the Stable Value Fund:

Authorized Investments – Subject to quality and diversification guidelines, Empower invests the assets of the Stable Value Fund in any or all of the following: United States Treasury Securities including Treasury Bills, Notes, Bonds

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

B. Sheriff's Supplemental Retirement Plan (continued)

3. Investments (continued)

or Strips; Repurchase agreements fully collateralized by the United States Government; Commercial paper; Corporate and non-corporate credit bonds rated A-A/3 or better as rated by S&P, Moody's or Fitch at time of purchase; Non-agency securities, United States Agency Securities; Mortgaged-backed securities issued by Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA"), or Federal Home Loan Mortgage Corporation ("FHLMC"), Federal Home Loan Banks ("FHLB"), Veteran Affairs' Vendee Loan, or other United States Agency or Government Sponsored Enterprise ("GSE"), Collateralized mortgage obligations secured by GNMA, FNMA, FHLMC, FLHB, VA Vendee Loan, or other U.S. Agency or GSE securities, and instruments of commercial banks domiciled in the United States of America, with the requirement that all money deposited into these banks be 100% guaranteed by the Federal Deposit Insurance Corporation.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Plan manages its credit risk of the Stable Value Fund by monitoring the credit quality of the guaranteed investment contract's issuer.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Board manages the Stable Value Fund's exposure to concentrations of credit risk by ensuring the fund invests in a diversified portfolio of high credit quality securities. As of June 30, 2016, the Stable Value Fund was the only Plan investment that represented 5% or more of the Plan's net assets (other than those explicitly guaranteed or issued by the U.S. government or those invested in mutual funds, external investment pools, or other pooled investments).

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of investments. The Board's investment policy for the Stable Value Fund states that the average duration of the portfolio will not exceed 4 years.

4. Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Plan has the following recurring fair value measurements as of June 30, 2016:

| Assets at Fair Value as of June 30, 2016 | | | | |
|---|----------------|----------------|----------------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual Funds | \$ 2,098,378 | \$ - | \$ - | \$ 2,098,378 |
| Total | \$ 2,098,378 | \$ - | \$ - | \$ 2,098,378 |

5. Revenue Sharing Fee Agreement

The Plan sponsor has contracted with Empower Retirement Services ("Empower") under an agreement (the "Agreement") to provide certain administrative services. The Agreement calls for the Plan to pay Empower a monthly recordkeeping and communication fee of 0.021% (i.e. 0.25% per annum) of the average Plan assets in exchange for certain defined services.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. RETIREMENT (continued)

B. Sheriff's Supplemental Retirement Plan (continued)

5. Revenue Sharing Fee Agreement (continued)

The Agreement specifies that the recordkeeping and communication fee is to be paid from certain revenues Empower and its affiliates receive from mutual fund families and other investment options offered by the Plan, including an annual fee of .20% on the average asset balance of the Stable Value Fund. Additionally, there is an explicit 0.10% per annual charge (0.025% per quarter) on participants investing in Vanguard investment options.

In the event that the revenues received total more than the annual recordkeeping and communication fee, Empower agrees to place any excess amounts into separate Plan unallocated trust accounts ("general account") to be solely used for Plan purposes. In the event the revenues received total less than the annual recordkeeping and communication fee, Empower will present an invoice to the Plan Sponsor for the amounts owed and unpaid. If the Plan Sponsor fails to authorize payment within 60 calendar days, Empower is instructed to withdraw the unpaid fees on a prorate basis from the participant accounts.

There is also an annual reconciliation conducted capping the per-head cost at \$80, with an amount in excess of \$80 remitted back to the Plans' General Accounts. In the 2016 annual reconciliation, there was no excess remitted to the Plan.

For the year ended June 30, 2016, activity in the general account was as follows:

| | <u>2016</u> |
|--|--------------------|
| Balance, beginning of the year: | \$ 5,856 |
| Dividends and interest | 130 |
| Revenue sharing and restitution receipts | 3,391 |
| Plan level administrative expenses | (508) |
| Other | (4,962) |
| Total | <u>\$ 3,907</u> |

6. Plan Termination

Although it has not expressed any intent to do so, the City has the right to terminate the Plan at any time. Upon Plan termination, all amounts deferred will be distributed to participants or beneficiaries as soon as administratively practicable after the termination date.

A stand-alone financial report can be obtained by contacting Sheriff Ken Stolle, City of Virginia Beach Sheriff's Office, 2501 James Madison Avenue, Virginia Beach, VA 23456.

14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description.

The City and School Board Other Postemployment Benefit Plans are each a single-employer, defined benefit plan, administered by the City and School Board in accordance with State and City statutes. Section 15.2-1500 of the Virginia State Code provides that every locality shall provide for the governmental functions of the locality, including employment of the officers and other employees. In connection with this employment, the City has established certain plans to provide post-employment benefits other than pensions as defined in Section 15.2-1545 of the Virginia Code to retirees and their spouses and eligible dependents.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

In accordance with Article 8, Chapter 15, Subtitled II of Title 15.2 of the Virginia Code, the City and School Board have elected to establish a trust for the purpose of accumulating and investing assets to fund Other Postemployment Benefits. In accordance with this election, the City and School Board have joined the Virginia Pooled OPEB Trust Fund (Trust), which was established by the Virginia Municipal League and the Virginia Association of Counties in 2008 for the purpose of accumulating and investing assets to fund post-employment benefits other than pensions for counties, cities, towns, school divisions and other authorized political subdivisions of the Commonwealth of Virginia.

The Trust's Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Trust pursuant to the Trust Agreement. The Board of Trustees is composed of nine members. Trustees are members of Local Finance Boards of participating employers and are elected for staggered three-year terms by the participants in the Trust. In accordance with Section 15.2-1547 of the Virginia Code, City Council appointed the City's Deferred Compensation Board Trust as the OPEB's Local Finance Board to serve as the trustee of the City and School Board with respect to the OPEB trust. The board includes City employees, an appointee from City Council, a member of the Sheriff's Office, a member of the School Board, and the Schools' Chief Financial Officer. The trust does not administer the retiree health benefits of each participating employer. Deposits to this trust are irrevocable and are held solely for the payment of OPEB benefits for the City and School Board.

Plan Membership

The membership as of January 1, 2016 includes:

| | <u>City</u> | <u>School Board</u> |
|--------------------------------|--------------|-------------------------|
| Active participants | 5,861 | 10,062 |
| Retirees and Surviving Spouses | 758 | 739 |
| Spouses of Current Retirees | 116 | 75 |
| Total | <u>6,735</u> | <u>10,876</u> |

Benefits Provided

The City and School Board provide health insurance benefits for their retirees. These benefits are provided through a self-insured program. Employees that retire under VRS guidelines with at least 25 years of service with the City and/or School Board or City employees with 5 years or more of service with a work related disability compensable under the Workers' Compensation Act are eligible to health insurance coverage. This benefit is payable until the retiree becomes eligible for Medicare.

Contributions

Contribution requirements of the City, School Board and plan members are established and may be amended by the respective legislative bodies. The required contributions were actuarially determined and are based upon projected pay as you go financing requirements with an additional amount to prefund benefits. For the period ending June 30, 2017 the City and School Board actuarially determined contribution was set at \$5,296,700 for the City and at \$4,542,400 for the School Board.

Plan members from each organization contributed \$3,044.40, \$2,082.00, and \$1,444.68 for the POS Premier, POS Standard, and POS Basic plans, respectively, annually for retiree-only point of service coverage. City and School Board retirees with coverage for their spouses contributed \$10,182.12, \$7,939.80, and \$6,454.68 for the POS Premier, POS Standard, and POS Basic plans, respectively, annually until Medicare eligibility. The City and School Board have determined that all current employees and retirees shall contribute to the cost of their health care coverage and no level of benefit shall be provided free of charge. Rates are calculated by an actuary with the City and School Board health care consultant and finalized by the Benefits Executive Committee, comprised of City and School Board executive leadership.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

Investments Policy, Target Allocation, and Long-Term Expected Rate of Return

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the Virginia Pooled OPEB Trust Fund Board of Trustees. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2017.

The following is for the City:

| Asset Class | Index | Target Allocation | Expected Arithmetic Real Rate of Return | Expected Geometric Real Rate of Return |
|--|-------------------------|--------------------------|--|---|
| Core Fixed Income | Barclays Aggregate | 21.00% | 2.17% | 2.04% |
| Core Bonds | Barclays Gov/Cred | 12.00% | 2.01% | 1.86% |
| Large Cap US Equities | S&P 500 | 22.00% | 4.55% | 3.37% |
| Small Cap US Equities | Russell 2000 | 10.00% | 5.77% | 3.86% |
| Developed Foreign Equities | MSCI EAFE NR | 10.00% | 5.76% | 4.15% |
| Emerging Market Equities | MSCI Emerging Markets | 5.00% | 8.30% | 4.84% |
| Hedge Funds/Absolute Return | HFRI Fund of Funds | 10.00% | 1.97% | 1.66% |
| Real Estate (REITS) | FTSE NAREIT Equity REIT | 7.00% | 5.04% | 3.27% |
| Commodities | DJ UBS | 3.00% | 3.04% | 1.42% |
| | | <u>100.00%</u> | | |
| Assumed Inflation - Mean | | | 2.32% | 2.30% |
| Assumed Inflation - Standard Deviation | | | 1.85% | 1.85% |
| Portfolio Real Mean Return | | | 3.90% | 3.39% |
| Portfolio Nominal Mean Return | | | 6.21% | 5.77% |
| Portfolio Standard Deviation | | | | 1.79% |
| Long-Term Expected Rate of Return | | | | <u>7.00%</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

The following is for the School Board:

| Asset Class | Index | Target Allocation | Long-Term Expected Arithmetic Real Rate of Return | Long-Term Expected Geometric Real Rate of Return |
|--|-------------------------|------------------------------|--|---|
| Core Fixed Income | Barclays Aggregate | 21.00% | 1.76% | 1.64% |
| Core Bonds | Barclays Gov/Cred | 12.00% | 1.99% | 1.83% |
| Large Cap US Equities | S&P 500 | 22.00% | 4.80% | 3.62% |
| Small Cap US Equities | Russell 2000 | 10.00% | 6.02% | 4.10% |
| Developed Foreign Equities | MSCI EAFE NR | 10.00% | 6.01% | 4.40% |
| Emerging Market Equities | MSCI Emerging Markets | 5.00% | 8.30% | 5.08% |
| Hedge Funds/Absolute Return | HFRI Fund of Funds | 10.00% | 3.37% | 2.93% |
| Real Estate (REITS) | FTSE NAREIT Equity REIT | 7.00% | 5.04% | 3.27% |
| Commodities | DJ UBS | 3.00% | 3.04% | 1.42% |
| | | 100.00% | | |
| Assumed Inflation - Mean | | | 2.32% | 2.30% |
| Assumed Inflation - Standard Deviation | | | 1.85% | 1.85% |
| Portfolio Real Mean Return | | | 3.90% | 3.39% |
| Portfolio Nominal Mean Return | | | 6.21% | 5.77% |
| Portfolio Standard Deviation | | | | 1.79% |
| Long-Term Expected Rate of Return | | | | 7.00% |

Receivables

None reported.

Allocated Insurance Contracts

None reported.

Reserves

None reported.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

Components of the Net OPEB Liability of the City and School Board

| | City | |
|---|---------------|----------------|
| | June 30, 2016 | June 30, 2017 |
| Total OPEB Liability | \$ 83,525,542 | \$ 85,327,774 |
| Fiduciary Net Position | 34,212,904 | 38,584,199 |
| Net OPEB Liability | \$ 49,312,638 | \$ 46,743,575 |
| Fiduciary Net Position as a % of Total OPEB Liability | 40.96% | 45.22% |
| Covered Payroll | | \$ 306,050,000 |
| Net OPEB Liability as a % of Covered Payroll | | 15.27% |

| | School Board | |
|---|---------------|----------------|
| | June 30, 2016 | June 30, 2017 |
| Total OPEB Liability | \$ 71,666,051 | \$ 72,462,906 |
| Fiduciary Net Position | 24,060,265 | 27,134,224 |
| Net OPEB Liability | \$ 47,605,786 | \$ 45,328,682 |
| Fiduciary Net Position as a % of Total OPEB Liability | 33.57% | 37.45% |
| Covered Payroll | | \$ 426,884,300 |
| Net OPEB Liability as a % of Covered Payroll | | 10.62% |

Actuarial Assumption. The Total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end.

Discount Rate

Discount Rate: 7.00%

Long-Term Expected Rate of Return, Net of Investment Expense: 7.00%

Municipal Bond Rate N/A

The 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 discount rate for calculating the Total OPEB Liability is equal to the long-term expected rate of return.

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

Other Key Actuarial Assumptions:

The demographic assumptions used are predominantly consistent with those used in the June 30, 2016 actuarial valuation of the Virginia Retirement System (VRS). The following represent the summary of information included in the January 1, 2016 actuarial valuation prepared by Milliman, Inc. for the period:

| | |
|---|---|
| Valuation Date: | January 1, 2016 |
| Measurement Date: | June 30, 2017 |
| Inflation: | 2.50% |
| Actuarial Cost Method: | Entry Age Normal |
| Salary Increases Per Year of Service (Including Inflation): | General Employees with 1 to 19 years of service, the increases range from 5.35% to 3.65% and for those with 20 or more years of service the increase is 3.50% Law Officers with 1 to 19 years of service, the increases range from 4.75% to 4.00% and for those with 20 or more years of service the increase is 3.50% |
| Healthcare Cost Trend Rates: | 3.70% for 2016, 9.00% for 2017, 5.40% for 2018, gradually moving to an ultimate rate of 4.50% for 2082 and beyond. |
| Mortality Rates: | Based on the RP-2000 Employee Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. |

Sensitivity Analysis

The following presents the Net OPEB Liability of the City and School Board, calculated using the *discount rate* of 7.00%, as well as what the Net 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.

| | City | | |
|------------------------|------------------------------|--------------------------------|------------------------------|
| | 1% Decrease 6.00% | Discount Rate 7.00% | 1% Increase 8.00% |
| Total OPEB Liability | \$ 92,386,208 | \$ 85,327,774 | \$ 78,990,894 |
| Fiduciary Net Position | 34,212,904 | 38,584,199 | 38,584,199 |
| Net OPEB Liability | \$ 58,173,304 | \$ 46,743,575 | \$ 40,406,695 |
| | School Board | | |
| Total OPEB Liability | \$ 78,748,599 | \$ 72,462,906 | \$ 66,819,772 |
| Fiduciary Net Position | 27,134,224 | 27,134,224 | 27,134,224 |
| Net OPEB Liability | \$ 51,614,375 | \$ 45,328,682 | \$ 39,685,548 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

The following table presents the Net OPEB Liability of the City and School Board, calculated using the current *healthcare cost* trend rates, as well as what the Net OPEB Liability 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 rates.

| | City | | |
|------------------------|--------------------|---------------------------|--------------------|
| | 1% Decrease | Current Trend Rate | 1% Increase |
| Total OPEB Liability | \$ 74,731,431 | \$ 85,327,774 | \$ 94,758,905 |
| Fiduciary Net Position | 38,584,199 | 38,584,199 | 38,584,199 |
| Net OPEB Liability | \$ 36,147,232 | \$ 46,743,575 | \$ 56,174,706 |
| Schools | | | |
| Total OPEB Liability | \$ 64,744,213 | \$ 72,462,906 | \$ 81,513,408 |
| Fiduciary Net Position | 27,134,224 | 27,134,224 | 27,134,224 |
| Net OPEB Liability | \$ 37,609,989 | \$ 45,328,682 | \$ 54,379,184 |

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**REQUIRED
SUPPLEMENTAL
INFORMATION
(Unaudited)**

REQUIRED SUPPLEMENTAL INFORMATION

VIRGINIA RETIREMENT SYSTEM PENSION

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

(UNAUDITED)

In accordance with the Governmental Accounting Standards Board, the following information is a required part of the Basic Financial Statements.

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND RELATED RATIOS

| | City | | |
|--|-------------------------|-------------------------|-------------------------|
| | FY16 | FY15 | FY14 |
| Total Pension Liability | | | |
| Service Cost | \$ 36,304,048 | \$ 35,932,562 | \$ 35,838,242 |
| Interest | 122,642,141 | 119,573,242 | 114,650,965 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | 3,527,958 | (24,723,400) | - |
| Changes in assumptions | - | - | - |
| Benefit Payments, including refunds of employee contributions | (91,525,484) | (82,356,519) | (77,985,409) |
| Net change in total pension liability | 70,948,663 | 48,425,885 | 72,503,798 |
| Total pension liability - beginning | 1,797,793,322 | 1,749,367,437 | 1,676,863,639 |
| Total pension liability - ending (a) | \$ 1,868,741,985 | \$ 1,797,793,322 | \$ 1,749,367,437 |
| Plan Fiduciary Net Position | | | |
| Contributions - employer | \$ 49,521,364 | \$ 48,703,360 | \$ 45,827,648 |
| Contributions - employee | 15,185,917 | 14,937,006 | 14,813,559 |
| Net investment income | 24,961,833 | 64,442,330 | 194,451,721 |
| Benefit Payments, including refunds of employee contributions | (91,525,484) | (82,356,519) | (77,985,409) |
| Administrative expenses | (910,017) | (887,459) | (1,053,309) |
| Other | (10,675) | (13,597) | 10,242 |
| Net change in plan fiduciary net position | (2,777,062) | 44,825,121 | 176,064,452 |
| Plan fiduciary net position - beginning | 1,460,420,988 | 1,415,595,867 | 1,239,531,415 |
| Plan fiduciary net position - ending (b) | \$ 1,457,643,926 | \$ 1,460,420,988 | \$ 1,415,595,867 |
| Political subdivision's net pension liability, ending (a) - (b) | \$ 411,098,059 | \$ 337,372,334 | \$ 333,771,570 |
| Political fiduciary net position as a percentage of the total pension liability | 78.0% | 81.2% | 80.9% |
| Covered-employee payroll | \$ 329,620,903 | \$ 322,555,290 | \$ 315,341,888 |
| City's net pension liability as a percentage of covered -employee payroll | 124.7% | 104.6% | 105.8% |

**Schedule is intended to show information for 10 years. Additional years will be included as they become available.*

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND RELATED RATIOS

| | School Board | | |
|---|-----------------------|-----------------------|-----------------------|
| | FY16 | FY15 | FY14 |
| Total Pension Liability | | | |
| Service Cost | \$ 4,079,432 | \$ 4,089,939 | \$ 4,171,321 |
| Interest | 14,020,741 | 13,574,596 | 13,051,394 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | 264,387 | (747,303) | - |
| Changes in assumptions | - | - | - |
| Refunds of Contributions | - | (465,012) | - |
| Benefit Payments, including refunds of employee contributions | (11,063,812) | (9,558,643) | (9,473,141) |
| Net change in total pension liability | 7,300,748 | 6,893,577 | 7,749,574 |
| Total pension liability - beginning | 205,828,203 | 198,934,626 | 191,185,052 |
| Total pension liability - ending (a) | \$ 213,128,951 | \$ 205,828,203 | \$ 198,934,626 |
| Plan Fiduciary Net Position | | | |
| Contributions - employer | \$ 3,876,348 | \$ 3,739,486 | \$ 3,646,317 |
| Contributions - employee | 2,113,676 | 2,041,468 | 2,000,972 |
| Net investment income | 3,214,427 | 8,507,018 | 25,850,848 |
| Benefit Payments, including refunds of employee contributions | (11,063,812) | (9,558,643) | (9,473,141) |
| Refunds of Contributions | 0 | (465,012) | - |
| Administrative expenses | (120,635) | (118,985) | (141,126) |
| Other | (1,394) | (1,792) | 1,363 |
| Net change in plan fiduciary net position | (1,981,390) | 4,143,540 | 21,885,233 |
| Plan fiduciary net position - beginning | 192,255,288 | 188,111,748 | 166,226,515 |
| Plan fiduciary net position - ending (b) | \$ 190,273,898 | \$ 192,255,288 | \$ 188,111,748 |
| Political subdivision's net pension liability, ending (a) - (b) | \$ 22,855,053 | \$ 13,572,915 | \$ 10,822,878 |
| Political fiduciary net position as a percentage of the total pension liability | 89.28% | 93.41% | 94.56% |
| Covered-employee payroll | \$ 42,344,732 | \$ 41,802,052 | \$ 40,427,033 |
| School Board's net pension liability as a percentage of covered - employee payroll | 53.97% | 32.47% | 26.77% |

**Schedule is intended to show information for 10 years. Additional years will be included as they become available.*

**CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER VRS CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contributions (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|-------------------------------------|--|--|---|--|---|
| City | | | | | |
| 2014 | \$ 45,827,648 | \$ 45,827,648 | \$ - | \$ 315,341,888 | 14.53 |
| 2015 | 48,703,360 | 48,703,360 | - | 322,555,290 | 15.10 |
| 2016 | 49,847,919 | 49,847,919 | - | 329,620,903 | 15.12 |
| 2017 | 43,919,386 | 43,919,386 | - | 345,784,261 | 12.70 |
| School Board Nonprofessional | | | | | |
| 2014 | \$ 3,646,317 | \$ 3,646,317 | \$ - | \$ 40,427,033 | 9.02 |
| 2015 | 3,739,486 | 3,739,486 | - | 41,802,052 | 8.95 |
| 2016 | 3,857,605 | 3,857,605 | - | 42,344,732 | 9.11 |
| 2017 | 2,956,311 | 2,956,311 | - | 42,112,697 | 7.02 |

**Schedule is intended to show information for 10 years. Additional years will be included as they become available.*

The amounts presented have a measurement date of the prior fiscal year-end.

| School Board Professional (Teacher) | | | | | |
|--|---|--|--|---|--|
| Date | Employer's Proportion of the Net Pension Liability (a) | Employer's Proportionate Share of the Net Pension Liability (b) | Employer's Covered Employee Payroll (c) | Employer's Proportionate Share of the NPL as a % of its Employee Payroll (d) | Plan Fiduciary Net Position as a % of the Total Pension Liability (e) |
| June 30, 2015 | 5.16303% | \$ 623,937,000 | \$ 377,297,007 | 165.37 | 70.88 |
| June 30, 2016 | 5.19364% | 653,690,000 | 385,231,385 | 169.69 | 70.68 |
| June 30, 2017 | 5.12286% | 717,924,000 | 387,364,218 | 185.34 | 68.28 |

**Schedule is intended to show information for 10 years. Additional years will be included as they become available.*

The amounts presented have a measurement date of the prior fiscal year-end.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO VRS REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as the measurement date of June 30, 2016 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four- year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

| | School Board | | |
|----------------------------------|---|---|---|
| | Increase (Decrease) | | |
| | Total OPEB Liability (a) | Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2016 | \$ 71,666,051 | \$ 24,060,265 | \$ 47,605,786 |
| Changes for the Year: | | | |
| Service Cost | 1,529,672 | - | 1,529,672 |
| Interest | 4,928,893 | - | 4,928,893 |
| Benefit payments | (5,661,710) | (5,661,710) | - |
| Employer Contributions | - | 5,661,710 | (5,661,710) |
| Net Investment Income | - | 3,098,316 | (3,098,316) |
| Administrative Expense | - | (24,357) | 24,357 |
| Net Changes | <u>\$ 796,855</u> | <u>\$ 3,073,959</u> | <u>\$ (2,277,104)</u> |
| Balances at June 30, 2017 | <u>\$ 72,462,906</u> | <u>\$ 27,134,224</u> | <u>\$ 45,328,682</u> |

| | |
|---|----------------|
| Fiduciary Net Position as a % of Total OPEB Liability | 37.45% |
| Covered Payroll | \$ 426,884,300 |
| Net OPEB Liability as a % of Covered Payroll | 10.62% |

* Schedules are intended to show information for 10 years. The first year for this presentation is 2017; additional years will be included as they become available.

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OPEB ANNUAL CONTRIBUTIONS

| City | | | | | | |
|----------------------------------|--|---|--|--------------------|--|--|
| Fiscal Year Ending June 30 | Actuarially Determined Contributions | Actual Employer Contribution ¹ | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percent of Covered Payroll | |
| 2009 | \$ 8,932,300 | \$ 8,932,300 | \$ - | \$ 280,202,000 | 3.19% | |
| 2010 | \$ 8,854,100 | \$ 8,854,100 | \$ - | \$ 285,407,400 | 3.10% | |
| 2011 | \$ 8,854,100 | \$ 8,854,100 | \$ - | \$ 285,407,400 | 3.10% | |
| 2012 | \$ 8,714,600 | \$ 8,714,600 | \$ - | \$ 283,026,400 | 3.08% | |
| 2013 | \$ 8,871,000 | \$ 8,871,000 | \$ - | \$ 283,026,400 | 3.13% | |
| 2014 | \$ 7,101,900 | \$ 7,101,900 | \$ - | \$ 290,297,000 | 2.45% | |
| 2015 | \$ 7,259,200 | \$ 7,259,200 | \$ - | \$ 290,297,000 | 2.50% | |
| 2016 | \$ 5,186,400 | \$ 5,998,200 | \$ (811,800) | \$ 306,050,000 | 1.96% | |
| 2017 | \$ 5,296,700 | \$ 6,074,700 | \$ (778,000) | \$ 306,050,000 | 1.98% | |

| School Board | | | | | | |
|----------------------------------|--|---|--|--------------------|--|--|
| Fiscal Year Ending June 30 | Actuarially Determined Contributions | Actual Employer Contribution ¹ | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percent of Covered Payroll | |
| 2009 | \$ 8,829,800 | \$ 8,829,800 | \$ - | \$ 440,959,600 | 2.00% | |
| 2010 | \$ 8,881,900 | \$ 8,881,900 | \$ - | \$ 432,476,800 | 2.05% | |
| 2011 | \$ 8,881,900 | \$ 8,881,900 | \$ - | \$ 432,476,800 | 2.05% | |
| 2012 | \$ 7,721,500 | \$ 7,721,500 | \$ - | \$ 409,662,700 | 1.88% | |
| 2013 | \$ 7,858,100 | \$ 7,858,100 | \$ - | \$ 409,662,700 | 1.92% | |
| 2014 | \$ 5,700,900 | \$ 5,700,900 | \$ - | \$ 421,065,100 | 1.35% | |
| 2015 | \$ 5,832,200 | \$ 5,832,200 | \$ - | \$ 421,065,100 | 1.39% | |
| 2016 | \$ 4,462,800 | \$ 5,748,000 | \$ (1,285,200) | \$ 426,884,300 | 1.35% | |
| 2017 | \$ 4,542,400 | \$ 5,661,700 | \$ (1,119,300) | \$ 426,884,300 | 1.33% | |

¹ Employer contributions include trust contributions and explicit subsidy payments provided directly to retirees from the City and School Board own resources. They also include estimated implicit subsidy payments for retirees from the City and School Board own resources

| | |
|------------------------|---|
| Valuation Timing | Actuarial valuations for OPEB funding purposes are performed annually as of January 1. The most recent valuation was performed as of January 1, 2016. |
| Actuarial Cost Method | Project unit credit |
| Amortization Method | Level dollar |
| Amortization Period | 29 years remaining as of January 1, 2017 |
| Asset Valuation Method | 5-year asset smoothing |
| Inflation | 2.50% |
| Salary Increases | <i>General Employees</i> with 1 to 19 years of service, the increases range from 5.35% to 3.65% and for those with 20 or more years of service the increase is 3.50%. <i>Law Officers</i> with 1 to 19 years of service, the increases range from 4.75% to 4.00% and for those with 20 or more years of service the increase is 3.50% |
| Payroll Growth | None Assumed |
| Discount Rate | 7.50% |
| Retirement Age | VRS Plan 1: 65 and VRS Plans 2/Hybrid: Normal social security retirement age |
| Mortality | Based on the RP-2000 Employee Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. |

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OPEB INVESTMENT RETURNS

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

| City | |
|----------------------------------|---|
| Fiscal Year Ending June 30 | Net Money-Weighted Rate of Return |
| 2017 | 12.89% |

| School Board | |
|----------------------------------|---|
| Fiscal Year Ending June 30 | Net Money-Weighted Rate of Return |
| 2017 | 12.89% |

* *Schedule is intended to show information for 10 years. The first year for this presentation is 2017; additional years will be included as they become available.*

OTHER SUPPLEMENTAL INFORMATION

**NONMAJOR
SPECIAL REVENUE FUNDS**

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Fund - is used to account for the financial resources for, and the payment of, general long-term debt principal, interest, and related costs.

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than capital projects) which are legally restricted to be expended for specific purposes.

CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Fund | Total Nonmajor Governmental Funds |
|--|-----------------------------------|-------------------------------|--------------------------------------|
| <u>ASSETS</u> | | | |
| Cash and Investments | \$ 49,334,178 | \$ - | \$ 49,334,178 |
| Cash and Investments - Restricted | 16,859,999 | - | 16,859,999 |
| Agriculture Reserve Program Treasury Strips - Restricted | - | 33,802,079 | 33,802,079 |
| Receivables (net of allowance for uncollectables, where applicable): | | | |
| Accounts | 218,240 | - | 218,240 |
| Loans | 6,090,575 | - | 6,090,575 |
| Due from: | | | |
| Due From Other Local Governments | 18,303 | - | 18,303 |
| Commonwealth | 1,735,962 | - | 1,735,962 |
| Federal Government | 1,647,914 | - | 1,647,914 |
| Total Assets | <u>\$ 75,905,171</u> | <u>\$ 33,802,079</u> | <u>\$ 109,707,250</u> |
| <u>LIABILITIES</u> | | | |
| Vouchers and Accounts Payable | <u>\$ 5,618,721</u> | <u>\$ -</u> | <u>\$ 5,618,721</u> |
| Total Liabilities | <u>\$ 5,618,721</u> | <u>\$ -</u> | <u>\$ 5,618,721</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Unavailable Revenue - Housing Loans | <u>\$ 493,950</u> | <u>\$ -</u> | <u>\$ 493,950</u> |
| <u>FUND BALANCES</u> | | | |
| Restricted for: | | | |
| Special Revenue Funds | \$ 15,765,762 | \$ - | \$ 15,765,762 |
| Debt Service | - | 33,802,079 | 33,802,079 |
| Committed to: | | | |
| Special Revenue Funds | 51,753,558 | - | 51,753,558 |
| Encumbrances | - | - | - |
| Assigned to: | | | |
| Special Revenue Funds | 2,273,180 | - | 2,273,180 |
| Unassigned | - | - | - |
| Total Fund Balances | <u>\$ 69,792,500</u> | <u>\$ 33,802,079</u> | <u>\$ 103,594,579</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ 75,905,171</u> | <u>\$ 33,802,079</u> | <u>\$ 109,707,250</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Fund | Total Nonmajor Governmental Funds |
|---|-----------------------------------|-------------------------------|--------------------------------------|
| <u>REVENUES</u> | | | |
| General Property Taxes - Real Estate | \$ 62,270,671 | \$ - | \$ 62,270,671 |
| Other Local Taxes | 58,951,517 | - | 58,951,517 |
| From Use of Money and Property | 2,840,059 | (1,984,790) | 855,269 |
| Charges for Services | 18,008,491 | - | 18,008,491 |
| Miscellaneous | 4,185,911 | - | 4,185,911 |
| Fines and Forfeitures | 539,857 | - | 539,857 |
| From Commonwealth | 22,676,727 | - | 22,676,727 |
| From Federal Government | 31,745,199 | 469,684 | 32,214,883 |
| Total Revenues | <u>\$ 201,218,432</u> | <u>\$ (1,515,106)</u> | <u>\$ 199,703,326</u> |
| <u>EXPENDITURES</u> | | | |
| Current Operating: | | | |
| Judicial | \$ 46,670,068 | \$ - | \$ 46,670,068 |
| Library | 282,162 | - | 282,162 |
| Police | 1,071,894 | - | 1,071,894 |
| Fire | 2,956,110 | - | 2,956,110 |
| Public Works | 145,637 | - | 145,637 |
| Parks and Recreation | 29,827,859 | - | 29,827,859 |
| Agriculture | 3,858,479 | - | 3,858,479 |
| Convention and Visitor Development | 18,887,535 | - | 18,887,535 |
| Boards and Commissions | 28,425,956 | - | 28,425,956 |
| Health | 105,211 | - | 105,211 |
| Housing and Neighborhood Prevention | 26,433,271 | - | 26,433,271 |
| Human Services | 7,619,554 | - | 7,619,554 |
| Development Authority | 55,008 | - | 55,008 |
| General Government | 2,331,474 | - | 2,331,474 |
| Emergency Medical Services | 414,433 | - | 414,433 |
| Debt Service: | | | |
| Principal Retirement | 24,938,872 | 31,918,253 | 56,857,125 |
| Interest and Fiscal Charges | 14,289,765 | 14,255,814 | 28,545,579 |
| Total Expenditures | <u>\$ 208,313,288</u> | <u>\$ 46,174,067</u> | <u>\$ 254,487,355</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>\$ (7,094,856)</u> | <u>\$ (47,689,173)</u> | <u>\$ (54,784,029)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In | \$ 38,419,313 | \$ 47,022,902 | \$ 85,442,215 |
| Transfers Out | (43,385,629) | - | (43,385,629) |
| Agriculture Reserve Agreement | 3,728,464 | - | 3,728,464 |
| Total Other Financing Sources and (Uses) | <u>\$ (1,237,852)</u> | <u>\$ 47,022,902</u> | <u>\$ 45,785,050</u> |
| Net Change in Fund Balance | (8,332,708) | (666,271) | (8,998,979) |
| Fund Balance at Beginning of Year | 78,125,208 | 34,468,350 | 112,593,558 |
| Fund Balance at End of Year | <u>\$ 69,792,500</u> | <u>\$ 33,802,079</u> | <u>\$ 103,594,579</u> |

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GENERAL FUND

GENERAL FUND

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

**CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2017**

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------------|-----------------------|-----------------------|------------------------------------|
| <u>General Property Taxes</u> | | | | |
| Real Estate | \$ 477,641,583 | \$ 477,641,583 | \$ 479,748,883 | \$ 2,107,300 |
| Personal Property | 91,015,608 | 91,015,608 | 97,350,327 | 6,334,719 |
| Interest and Penalties on Personal Property | 2,551,180 | 2,551,180 | 2,724,878 | 173,698 |
| Interest and Penalties on Real Estate Taxes | 2,349,210 | 2,349,210 | 2,282,906 | (66,304) |
| Total General Property Taxes | <u>\$ 573,557,581</u> | <u>\$ 573,557,581</u> | <u>\$ 582,106,994</u> | <u>\$ 8,549,413</u> |
| <u>Other Local Taxes</u> | | | | |
| General Sales | \$ 63,160,061 | \$ 63,160,061 | \$ 62,614,614 | \$ (545,447) |
| Utility | 42,471,686 | 42,471,686 | 44,829,994 | 2,358,308 |
| Business Licenses | 46,389,703 | 46,389,703 | 47,009,925 | 620,222 |
| Franchise Taxes - Cox Communications | 8,703,443 | 8,703,443 | 5,163,159 | (3,540,284) |
| Automobile Licenses | 9,336,210 | 9,336,210 | 9,324,996 | (11,214) |
| Bank Stock | 2,604,375 | 2,604,375 | 3,100,922 | 496,547 |
| City Tax on Deeds | 6,820,299 | 6,820,299 | 7,755,788 | 935,489 |
| City Tax on Wills | 74,659 | 74,659 | 102,618 | 27,959 |
| Cigarette | 11,063,425 | 11,063,425 | 11,112,530 | 49,105 |
| Amusement | - | - | 7,394 | 7,394 |
| Hotel Taxes | 6,714,871 | 6,714,871 | 6,976,988 | 262,117 |
| Restaurant Meals | 41,342,843 | 41,342,843 | 41,547,888 | 205,045 |
| Total Other Local Taxes | <u>\$ 238,681,575</u> | <u>\$ 238,681,575</u> | <u>\$ 239,546,816</u> | <u>\$ 865,241</u> |
| <u>Permits, Privilege Fees, and Regulatory Licenses</u> | | | | |
| Police Permits and Licenses | \$ 602,275 | \$ 602,275 | \$ 559,377 | \$ (42,898) |
| Planning Permits and Licenses | 4,568,640 | 4,568,640 | 4,352,296 | (216,344) |
| Other Permits, Fees, and Licenses | 26,077 | 26,077 | 94,318 | 68,241 |
| Public Works Fees | - | - | 6,000 | 6,000 |
| Fire Permits | 180,045 | 180,045 | 238,155 | 58,110 |
| Total Permits, Privilege Fees, and Regulatory Licenses | <u>\$ 5,377,037</u> | <u>\$ 5,377,037</u> | <u>\$ 5,250,146</u> | <u>\$ (126,891)</u> |
| <u>Fines and Forfeitures</u> | | | | |
| Court Fines and Forfeitures | \$ 3,307,244 | \$ 3,307,244 | \$ 2,107,153 | \$ (1,200,091) |
| Fire Lane Violations | 1,111,750 | 1,111,750 | 1,280,618 | 168,868 |
| Overweight Vehicles Fees | 134,400 | 134,400 | 211,852 | 77,452 |
| DUI Response Reimbursements | 25,000 | 25,000 | 26,145 | 1,145 |
| Red Light Violations | 1,960,000 | 1,960,000 | 1,341,690 | (618,310) |
| Total Fines and Forfeitures | <u>\$ 6,538,394</u> | <u>\$ 6,538,394</u> | <u>\$ 4,967,458</u> | <u>\$ (1,570,936)</u> |
| <u>From Use of Money and Property</u> | | | | |
| <u>Revenue from Use of Money:</u> | | | | |
| Interest on Bank Deposits | \$ 564,494 | \$ 564,494 | \$ 2,430,087 | \$ 1,865,593 |
| <u>Revenue from Use of Property:</u> | | | | |
| Farmers Market Fees | 30,840 | 30,840 | 36,450 | 5,610 |
| Photocopying Machines | 124,540 | 124,540 | 105,719 | (18,821) |
| Convention Center Rent | 1,780,000 | 1,780,000 | 2,221,087 | 441,087 |
| Convention Center Concessions | 1,053,000 | 1,053,000 | 1,462,138 | 409,138 |
| Rent - Amphitheatre | 180,373 | 180,373 | 208,789 | 28,416 |
| Lease of Land and Property | 1,559,870 | 1,559,870 | 1,216,162 | (343,708) |
| Tower/Antenna Leases | 154,868 | 154,868 | 176,859 | 21,991 |
| Total from Use of Money and Property | <u>\$ 5,447,985</u> | <u>\$ 5,447,985</u> | <u>\$ 7,857,291</u> | <u>\$ 2,409,306</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|----------------------|----------------------|----------------------|------------------------------------|
| <u>Charges For Services</u> | | | | |
| Court Costs | \$ 82,079 | \$ 82,079 | \$ 70,141 | \$ (11,938) |
| Police - False Alarm Fees | 381,403 | 381,403 | 546,367 | 164,964 |
| Fire Services | 326,425 | 326,425 | 427,598 | 101,173 |
| Animal Adoption Fees | 42,700 | 42,700 | 32,262 | (10,438) |
| Other Charges and Fees | 344,571 | 372,068 | 275,838 | (96,230) |
| Human Services | 26,399,518 | 26,724,241 | 25,774,442 | (949,799) |
| Aquarium and Historical Houses | 8,484,525 | 8,484,525 | 9,643,077 | 1,158,552 |
| Library Fees | 523,416 | 523,416 | 436,472 | (86,944) |
| Planning Maps, Publications, and Fees | 432,757 | 432,757 | 263,901 | (168,856) |
| Convention Center | 975,000 | 975,000 | 1,115,142 | 140,142 |
| Other Services Provided | 1,858,952 | 1,920,388 | 1,745,572 | (174,816) |
| Reimbursement - Freedom of Information Act Costs | - | - | 15,410 | 15,410 |
| Water and Sewer Direct Charges | 6,264,976 | 6,271,140 | 5,218,415 | (1,052,725) |
| Waste Management Direct Charges | 2,232,948 | 2,232,948 | 2,232,948 | - |
| Storm Water Direct Charges | 1,940,545 | 1,963,615 | 1,963,615 | - |
| Water and Sewer Right of Way Utility | 4,000,000 | 4,000,000 | 4,000,000 | - |
| Chesapeake Bay Preservation Act Variance Fees | 24,599 | 24,599 | 31,195 | 6,596 |
| Total Charges for Services | <u>\$ 54,314,414</u> | <u>\$ 54,757,304</u> | <u>\$ 53,792,395</u> | <u>\$ (964,909)</u> |
| <u>Miscellaneous Revenue</u> | | | | |
| Indirect and Direct Cost - TGIF | \$ 90,000 | \$ 90,000 | \$ 90,000 | \$ - |
| Miscellaneous | 1,245,161 | 1,245,161 | 1,956,181 | 711,020 |
| Returned Check Processing Charges | 68,000 | 68,000 | 64,826 | (3,174) |
| Campaign Financing | - | - | 1,800 | 1,800 |
| Donations | 7,250 | 155,672 | 35,889 | (119,783) |
| City Treasurer Charges | 1,092,000 | 1,092,000 | 1,112,147 | 20,147 |
| Contemporary Arts | 56,500 | 56,500 | 55,995 | (505) |
| Aquarium Foundation | 1,428,211 | 1,428,211 | 1,195,740 | (232,471) |
| Miscellaneous Receipts Convention Center | 16,856 | 16,856 | 20,834 | 3,978 |
| Sale of Properties | 450 | 450 | 465 | 15 |
| Sale of Salvage Materials | 398,000 | 515,331 | 625,248 | 109,917 |
| Refund of Surplus - Health Department | 50,000 | 50,000 | 15,261 | (34,739) |
| Miscellaneous Receipts Human Services | 46,868 | 46,868 | 107,215 | 60,347 |
| Beam Advertising | 10,867 | 10,867 | 9,078 | (1,789) |
| Miscellaneous Receipts Libraries | 6,095 | 6,095 | 10,424 | 4,329 |
| DVP Street Light Reimbursement | 510,000 | 510,000 | 103,348 | (406,652) |
| Reimbursement - Responsible Parties - HAZMAT | - | - | 5,749 | 5,749 |
| Reimbursement - DMV | 53,500 | 53,500 | 64,231 | 10,731 |
| Total Miscellaneous Revenue | <u>\$ 5,079,758</u> | <u>\$ 5,345,511</u> | <u>\$ 5,474,431</u> | <u>\$ 128,920</u> |
| <u>From Commonwealth</u> | | | | |
| Rolling Stock Tax | \$ 17,422 | \$ 17,422 | \$ 13,321 | \$ (4,101) |
| Mobile Homes Sales Tax | 52,514 | 52,514 | 5,589 | (46,925) |
| Passenger Car Rental Tax | 1,133,063 | 1,133,063 | 1,259,998 | 126,935 |
| Reimbursement - Treasurer | 650,000 | 650,000 | 646,180 | (3,820) |
| Reimbursement - Commissioner of the Revenue | 678,079 | 678,079 | 691,482 | 13,403 |
| Reimbursement - General Registrar's Salary | 76,954 | 76,954 | 77,561 | 607 |
| Reimbursement - Clerk of Circuit Court | 1,929,288 | 1,919,838 | 1,923,948 | 4,110 |
| Reimbursement - Commonwealth's Attorney | 2,683,181 | 2,639,470 | 2,642,510 | 3,040 |
| Reimbursement - Health Department Automobile | 120,099 | 120,099 | 17,583 | (102,516) |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|--------------------------------|--------------------------------|--------------------------------|------------------------------------|
| <u>From Commonwealth (continued)</u> | | | | |
| Reimbursement - State Aid Law Enforcement | \$ 11,282,311 | \$ 11,282,311 | \$ 11,288,396 | \$ 6,085 |
| Personal Property Paid by Commonwealth | 53,412,868 | 53,412,868 | 53,412,868 | - |
| State Prisoner Transportation | 350,000 | 350,000 | 325,275 | (24,725) |
| Mental Health, Developmental Services and Substance Abuse | 12,606,398 | 13,453,409 | 13,509,697 | 56,288 |
| Juvenile Justice Block Grant | 3,201,259 | 3,201,259 | 3,421,947 | 220,688 |
| Circuit Court Clerk Technology | - | 451,775 | 283,656 | (168,119) |
| Maintenance of Roads | 45,951,140 | 48,901,216 | 48,869,372 | (31,844) |
| Recordation Fees | 1,955,361 | 1,955,361 | 1,993,729 | 38,368 |
| Public Assistance Grants | 14,052,594 | 14,052,594 | 14,075,959 | 23,365 |
| Medicaid | 577,601 | 577,601 | 577,601 | - |
| DMV Select Program | 165,000 | 165,000 | 131,811 | (33,189) |
| Virginia Commission For The Arts | 5,000 | 5,000 | 5,000 | - |
| Wireless E-911 Services Board | 1,735,000 | 1,735,000 | 1,868,147 | 133,147 |
| Spay and Neuter Services | - | - | 599 | 599 |
| State Aid Library | 238,275 | 238,275 | 237,301 | (974) |
| Other State Revenue | - | - | 45 | 45 |
| Total From Commonwealth | <u>\$ 152,873,407</u> | <u>\$ 157,069,108</u> | <u>\$ 157,279,575</u> | <u>\$ 210,467</u> |
| <u>From Federal Government</u> | | | | |
| Public Law 95-469 - Refuge Revenue Sharing Act | \$ - | \$ - | \$ 102,179 | \$ 102,179 |
| Indirect Costs - Social Services | 746,475 | 746,475 | 844,915 | 98,440 |
| Federal Emergency Management Agency | 192,851 | 192,851 | 126,441 | (66,410) |
| SEVAMP Grant | - | - | 99,171 | 99,171 |
| Mental Health, Developmental Services and Substance Abuse | 2,766,894 | 2,803,914 | 2,809,794 | 5,880 |
| USDA Juvenile Detention | 70,000 | 70,000 | 73,387 | 3,387 |
| Public Assistance Grants | 15,680,295 | 15,680,295 | 17,766,213 | 2,085,918 |
| Federal Reimbursement of Interest | 282,763 | 282,763 | 283,829 | 1,066 |
| Total From Federal Government | <u>\$ 19,739,278</u> | <u>\$ 19,776,298</u> | <u>\$ 22,105,929</u> | <u>\$ 2,329,631</u> |
| TOTAL REVENUES | <u>\$ 1,061,609,429</u> | <u>\$ 1,066,550,793</u> | <u>\$ 1,078,381,035</u> | <u>\$ 11,830,242</u> |
| <u>Other Financing Sources</u> | | | | |
| Transfers In | \$ 2,187,308 | \$ 20,117,572 | \$ 20,160,315 | \$ 42,743 |
| Premium on Bonds Sold | - | - | 106,224 | 106,224 |
| Total Other Financing Sources | <u>\$ 2,187,308</u> | <u>\$ 20,117,572</u> | <u>\$ 20,266,539</u> | <u>\$ 148,967</u> |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | <u><u>\$ 1,063,796,737</u></u> | <u><u>\$ 1,086,668,365</u></u> | <u><u>\$ 1,098,647,574</u></u> | <u><u>\$ 11,979,209</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------|-----------------------|-----------------------|---|
| <u>Legislative Department</u> | | | | |
| Municipal Council | \$ 525,226 | \$ 567,485 | \$ 556,484 | \$ 11,001 |
| City Clerk | 620,309 | 657,493 | 616,517 | 40,976 |
| Total Legislative Department | <u>\$ 1,145,535</u> | <u>\$ 1,224,978</u> | <u>\$ 1,173,001</u> | <u>\$ 51,977</u> |
| <u>Executive Department</u> | | | | |
| City Manager | \$ 2,171,424 | \$ 2,206,918 | \$ 2,012,609 | \$ 194,309 |
| Organizational Development Office | 273,639 | 407,278 | 379,524 | 27,754 |
| Media and Communication Group | 1,503,426 | 1,549,018 | 1,491,495 | 57,523 |
| Volunteer Council | 209,111 | 219,568 | 210,252 | 9,316 |
| Total Executive Department | <u>\$ 4,157,600</u> | <u>\$ 4,382,782</u> | <u>\$ 4,093,880</u> | <u>\$ 288,902</u> |
| <u>Law Department</u> | | | | |
| City Attorney | \$ 4,067,393 | \$ 4,205,905 | \$ 3,969,488 | \$ 236,417 |
| <u>Finance Department</u> | | | | |
| Director of Finance: | | | | |
| Director's Office | \$ 759,218 | \$ 753,828 | \$ 707,816 | \$ 46,012 |
| Comptroller's Office | 1,699,940 | 1,774,621 | 1,720,214 | 54,407 |
| Payroll | 849,808 | 862,280 | 892,202 | (29,922) |
| Purchasing | 1,219,749 | 1,301,958 | 1,228,576 | 73,382 |
| Local Vehicle Registration | 297,000 | 297,000 | 288,506 | 8,494 |
| Total Director of Finance | <u>\$ 4,825,715</u> | <u>\$ 4,989,687</u> | <u>\$ 4,837,314</u> | <u>\$ 152,373</u> |
| Commissioner of the Revenue | 4,546,834 | 4,680,157 | 4,606,699 | 73,458 |
| Board of Equalization | 2,397 | 2,397 | 1,423 | 974 |
| City Real Estate Assessor | 3,155,139 | 3,206,459 | 3,045,527 | 160,932 |
| Treasurer | 5,886,194 | 5,993,707 | 5,716,289 | 277,418 |
| Total Finance Department | <u>\$ 18,416,279</u> | <u>\$ 18,872,407</u> | <u>\$ 18,207,252</u> | <u>\$ 665,155</u> |
| <u>Human Resources Department</u> | | | | |
| Director's Office | \$ 380,223 | \$ 369,199 | \$ 353,378 | \$ 15,821 |
| Employee Relations | 2,726,960 | 2,808,199 | 2,566,196 | 242,003 |
| Benefits Administration | 8,629,338 | 8,705,744 | 7,118,650 | 1,587,094 |
| Occupational Safety | 1,206,040 | 1,228,383 | 1,207,348 | 21,035 |
| Total Human Resources Department | <u>\$ 12,942,561</u> | <u>\$ 13,111,525</u> | <u>\$ 11,245,572</u> | <u>\$ 1,865,953</u> |
| <u>Judicial Department</u> | | | | |
| Circuit Court | \$ 1,085,355 | \$ 1,104,089 | \$ 1,086,429 | \$ 17,660 |
| General District Court | 452,413 | 440,010 | 420,727 | 19,283 |
| Juvenile and Domestic Relations - District Court | 181,768 | 186,457 | 140,355 | 46,102 |
| Commonwealth's Attorney | 8,124,911 | 8,100,361 | 7,832,997 | 267,364 |
| Clerk of the Circuit Court | 3,310,116 | 3,843,209 | 3,495,200 | 348,009 |
| Magistrates | 80,483 | 84,563 | 61,462 | 23,101 |
| Juvenile Probation | 1,507,366 | 1,815,077 | 1,480,465 | 334,612 |
| Total Judicial Department | <u>\$ 14,742,412</u> | <u>\$ 15,573,766</u> | <u>\$ 14,517,635</u> | <u>\$ 1,056,131</u> |
| <u>Health Department</u> | | | | |
| Preventive Medicine | \$ 3,191,017 | \$ 3,309,162 | \$ 3,271,550 | \$ 37,612 |
| <u>Human Services Department</u> | | | | |
| Administration | \$ 7,547,810 | \$ 7,736,764 | \$ 6,894,913 | \$ 841,851 |
| Mental Health | 22,137,067 | 23,433,140 | 21,293,128 | 2,140,012 |
| Developmental Services | 22,283,335 | 23,028,075 | 19,447,460 | 3,580,615 |
| Substance Abuse | 5,250,979 | 5,510,405 | 4,781,083 | 729,322 |
| Social Services | 33,116,642 | 33,687,732 | 34,184,596 | (496,864) |
| Comprehensive Services Act Administration & Social Services | 10,128,282 | 10,063,490 | 9,782,248 | 281,242 |
| Indian River Road ICF/MR | 5,279,752 | 5,369,931 | 6,310,954 | (941,023) |
| Juvenile Detention Center | 5,124,828 | 5,142,789 | 4,879,921 | 262,868 |
| Total Human Services Department | <u>\$ 110,868,695</u> | <u>\$ 113,972,326</u> | <u>\$ 107,574,303</u> | <u>\$ 6,398,023</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------|----------------------|----------------------|---|
| <u>Police Department</u> | | | | |
| Director's Office | \$ 3,213,944 | \$ 3,257,908 | \$ 3,153,862 | \$ 104,046 |
| Personnel and Training | 4,667,095 | 4,827,703 | 4,765,284 | 62,419 |
| Crime Prevention | 72,714,889 | 72,742,821 | 70,685,902 | 2,056,919 |
| Investigative Division | 18,204,168 | 18,703,699 | 17,873,917 | 829,782 |
| Total Police Department | <u>\$ 98,800,096</u> | <u>\$ 99,532,131</u> | <u>\$ 96,478,965</u> | <u>\$ 3,053,166</u> |
| <u>Public Works Department</u> | | | | |
| Director's Office | \$ 297,114 | \$ 301,751 | \$ 251,690 | \$ 50,061 |
| Administration Services | 7,171,301 | 7,159,464 | 6,791,501 | 367,963 |
| Real Estate Office | 9,867,339 | 10,117,959 | 9,185,551 | 932,408 |
| Customer Service/Administration | 45,859,611 | 59,421,427 | 54,489,057 | 4,932,370 |
| Support Services and Systems Support | 959,684 | 979,533 | 851,573 | 127,960 |
| Facilities Management | 963,651 | 1,105,803 | 1,653,689 | (547,886) |
| Total Public Works Department | <u>\$ 65,118,700</u> | <u>\$ 79,085,937</u> | <u>\$ 73,223,061</u> | <u>\$ 5,862,876</u> |
| <u>Library Department</u> | | | | |
| Director's Office | \$ 1,490,119 | \$ 1,506,765 | \$ 1,504,648 | \$ 2,117 |
| Central Library | 2,518,103 | 2,566,699 | 2,342,017 | 224,682 |
| Great Neck Area Library | 641,534 | 659,649 | 639,408 | 20,241 |
| Bayside Area Library | 946,491 | 964,112 | 932,777 | 31,335 |
| Oceanfront Area Library | 754,651 | 771,540 | 674,058 | 97,482 |
| Kempsville Area Library | 1,156,566 | 1,174,931 | 1,134,452 | 40,479 |
| Windsor Woods Area Library | 644,035 | 662,624 | 627,010 | 35,614 |
| Pungo/Blackwater Area Library | 407,034 | 416,462 | 402,679 | 13,783 |
| Princess Anne Library | 1,120,150 | 1,141,017 | 1,086,949 | 54,068 |
| Joint Use Library | 1,875,022 | 1,905,637 | 1,768,603 | 137,034 |
| Youth and Family Services | 1,233,235 | 1,259,291 | 1,215,981 | 43,310 |
| Support Services | 4,739,461 | 5,369,740 | 5,005,164 | 364,576 |
| Total Library Department | <u>\$ 17,526,401</u> | <u>\$ 18,398,467</u> | <u>\$ 17,333,746</u> | <u>\$ 1,064,721</u> |
| <u>Planning Department</u> | | | | |
| Director's Office | \$ 1,957,139 | \$ 2,394,000 | \$ 1,731,947 | \$ 662,053 |
| Comprehensive Planning | 406,363 | 438,327 | 358,678 | 79,649 |
| Environment and Sustainability | 774,900 | 776,905 | 251,939 | 524,966 |
| Development Services | 2,887,158 | 2,932,304 | 2,590,399 | 341,905 |
| Public Utilities - Development Services | 304,845 | 312,388 | 305,092 | 7,296 |
| Current Planning | 399,895 | 406,008 | 313,003 | 93,005 |
| Building Permits and Inspections | 3,901,813 | 3,959,970 | 3,707,553 | 252,417 |
| Chesapeake Bay Program | - | - | 212,248 | (212,248) |
| Wetlands Program | - | - | 144,123 | (144,123) |
| Transportation Planning | 228,885 | 232,478 | 237,344 | (4,866) |
| Zoning Administration | 1,192,066 | 1,220,203 | 1,140,779 | 79,424 |
| Total Planning Department | <u>\$ 12,053,064</u> | <u>\$ 12,672,583</u> | <u>\$ 10,993,105</u> | <u>\$ 1,679,478</u> |
| <u>Agriculture Department</u> | | | | |
| Director's Office | \$ 295,193 | \$ 298,996 | \$ 275,099 | \$ 23,897 |
| Virginia Cooperative Extension | 303,561 | 311,650 | 277,650 | 34,000 |
| Farmers Market | 236,913 | 239,609 | 196,422 | 43,187 |
| Total Agriculture Department | <u>\$ 835,667</u> | <u>\$ 850,255</u> | <u>\$ 749,171</u> | <u>\$ 101,084</u> |
| <u>Economic Development Department</u> | | | | |
| Director of Economic Development | \$ 3,631,457 | \$ 3,670,946 | \$ 3,493,045 | \$ 177,901 |
| Growsmart | 297,594 | 331,691 | 256,230 | 75,461 |
| Total Economic Development Department | <u>\$ 3,929,051</u> | <u>\$ 4,002,637</u> | <u>\$ 3,749,275</u> | <u>\$ 253,362</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------|----------------------|----------------------|---|
| <u>Convention and Visitor Development</u> | | | | |
| Director's Office | \$ 1,205,609 | \$ 1,218,619 | \$ 1,183,628 | \$ 34,991 |
| Tourism Marketing and Sales | 94,858 | 94,858 | 74,751 | 20,107 |
| Convention Marketing and Sales | 934,644 | 947,187 | 884,499 | 62,688 |
| Sports Marketing | 388,349 | 393,541 | 386,947 | 6,594 |
| Convention Center | 6,387,020 | 6,532,797 | 5,633,031 | 899,766 |
| Total Convention and Visitor Development | <u>\$ 9,010,480</u> | <u>\$ 9,187,002</u> | <u>\$ 8,162,856</u> | <u>\$ 1,024,146</u> |
| <u>Parks and Recreation Department</u> | | | | |
| Landscape Administration | \$ 2,369,379 | \$ 2,551,100 | \$ 2,610,199 | \$ (59,099) |
| Grounds Maintenance | 7,122,775 | 7,457,481 | 6,845,825 | 611,656 |
| Parks Maintenance | 3,107,693 | 3,256,196 | 3,047,940 | 208,256 |
| Special Zones Management | 712,027 | 728,503 | 682,342 | 46,161 |
| Resort Area Landscaping | 797,009 | 821,454 | 754,228 | 67,226 |
| Total Parks and Recreation Department | <u>\$ 14,108,883</u> | <u>\$ 14,814,734</u> | <u>\$ 13,940,534</u> | <u>\$ 874,200</u> |
| <u>Boards and Commissions</u> | | | | |
| General Registrar | \$ 1,905,803 | \$ 2,475,158 | \$ 2,443,293 | \$ 31,865 |
| Zoning Board of Appeals | 16,708 | 17,708 | 17,384 | 324 |
| Wetlands Board of Virginia Beach | 5,071 | 11,071 | 10,375 | 696 |
| Chesapeake Bay Preservation Board | 9,756 | 9,756 | 9,740 | 16 |
| Audit Services | 774,309 | 883,081 | 871,540 | 11,541 |
| Cultural Affairs | 836,920 | 997,935 | 767,570 | 230,365 |
| COIG - General Operation Grants | 500,000 | 500,000 | 500,000 | - |
| Lease/Rent of Facilities | 1,711,319 | 1,711,319 | 1,678,322 | 32,997 |
| Arts and Humanities Commissions | 525,000 | 529,519 | 529,378 | 141 |
| Planning Commission | 26,687 | 44,387 | 40,864 | 3,523 |
| Sandler Center for Performing Arts | 1,015,680 | 2,642,360 | 952,081 | 1,690,279 |
| Regional Participation | 2,306,691 | 2,626,691 | 2,618,691 | 8,000 |
| Vehicle Replacements | 5,107,514 | 7,224,034 | 6,367,621 | 856,413 |
| Revenue Reimbursements | 13,877,317 | 14,774,702 | 14,722,061 | 52,641 |
| Independent Financial Services | 164,999 | 255,659 | 168,069 | 87,590 |
| Computer Replacement Program | 1,558,589 | 1,845,037 | 591,735 | 1,253,302 |
| Total Boards and Commissions | <u>\$ 30,342,363</u> | <u>\$ 36,548,417</u> | <u>\$ 32,288,724</u> | <u>\$ 4,259,693</u> |
| <u>Fire Department</u> | | | | |
| Fire Marshal's Office | \$ 2,820,836 | \$ 2,980,904 | \$ 2,537,840 | \$ 443,064 |
| Fire Administration | 2,369,824 | 2,441,159 | 2,145,627 | 295,532 |
| Fire Operations | 43,833,638 | 45,339,037 | 45,686,431 | (347,394) |
| Emergency Management | 382,344 | 411,079 | 391,164 | 19,915 |
| Fire Training | 1,421,630 | 1,456,082 | 1,400,116 | 55,966 |
| Total Fire Department | <u>\$ 50,828,272</u> | <u>\$ 52,628,261</u> | <u>\$ 52,161,178</u> | <u>\$ 467,083</u> |
| <u>Information Technology</u> | | | | |
| IT Business Center | \$ 1,125,374 | \$ 1,045,538 | \$ 996,796 | \$ 48,742 |
| Applications Support | 8,396,807 | 9,600,648 | 8,296,760 | 1,303,888 |
| Operations Support | 972,978 | 986,132 | 923,583 | 62,549 |
| System Support | 6,681,530 | 6,871,104 | 6,152,147 | 718,957 |
| Center for GIS | 2,234,981 | 2,275,150 | 2,099,126 | 176,024 |
| Video Services | - | 17,494 | 24,174 | (6,680) |
| GF Telecommunications | 2,164,765 | 2,142,783 | 1,497,410 | 645,373 |
| Technology Services | 1,931,912 | 2,045,523 | 1,923,912 | 121,611 |
| Mail Services | 216,189 | 218,835 | 218,380 | 455 |
| Total Information Technology | <u>\$ 23,724,536</u> | <u>\$ 25,203,207</u> | <u>\$ 22,132,288</u> | <u>\$ 3,070,919</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------|-----------------------|-----------------------|---|
| <u>Emergency Communications and Citizen Services</u> | | | | |
| Emergency Communications | \$ 8,431,926 | \$ 8,476,948 | \$ 6,828,322 | \$ 1,648,626 |
| Director's Office | 220,691 | 223,806 | 240,516 | (16,710) |
| Administration | 411,008 | 429,378 | 380,202 | 49,176 |
| Citizen Services | 794,877 | 805,251 | 693,794 | 111,457 |
| Training | 48,868 | 48,868 | 51,768 | (2,900) |
| Technology and Support | 595,732 | 656,294 | 664,635 | (8,341) |
| Total Emergency Communications and Citizen Services | <u>\$ 10,503,102</u> | <u>\$ 10,640,545</u> | <u>\$ 8,859,237</u> | <u>\$ 1,781,308</u> |
| <u>Housing and Neighborhood Preservation</u> | | | | |
| Code Enforcement | <u>\$ 1,814,986</u> | <u>\$ 1,909,240</u> | <u>\$ 1,813,255</u> | <u>\$ 95,985</u> |
| <u>Museums Department</u> | | | | |
| Aquarium and Marine Science Center | \$ 9,411,667 | \$ 9,911,214 | \$ 9,036,620 | \$ 874,594 |
| Aquarium Foundation | 1,404,176 | 1,421,227 | 1,205,780 | 215,447 |
| Historical Preservation | 742,840 | 857,326 | 718,937 | 138,389 |
| Total Museums Department | <u>\$ 11,558,683</u> | <u>\$ 12,189,767</u> | <u>\$ 10,961,337</u> | <u>\$ 1,228,430</u> |
| <u>Management Services Department</u> | | | | |
| Director's Office | <u>\$ 1,600,325</u> | <u>\$ 1,521,095</u> | <u>\$ 1,409,775</u> | <u>\$ 111,320</u> |
| <u>Emergency Medical Services</u> | | | | |
| Director's Office | \$ 823,373 | \$ 854,239 | \$ 936,577 | \$ (82,338) |
| Operations | 2,969,127 | 3,355,378 | 3,020,776 | 334,602 |
| Lifeguard Services | 1,829,624 | 1,841,131 | 1,828,167 | 12,964 |
| Training | 561,484 | 602,583 | 579,803 | 22,780 |
| Emergency Response System | 4,309,555 | 4,420,530 | 4,367,732 | 52,798 |
| Regulation & Enforcement | 234,245 | 237,218 | 258,246 | (21,028) |
| Total Emergency Medical Services | <u>\$ 10,727,408</u> | <u>\$ 11,311,079</u> | <u>\$ 10,991,301</u> | <u>\$ 319,778</u> |
| <u>Debt Service</u> | | | | |
| Principal | \$ 32,407,735 | \$ 32,407,735 | \$ 31,752,735 | \$ 655,000 |
| Interest | 18,078,436 | 18,078,436 | 17,952,699 | 125,737 |
| Total Debt Service | <u>\$ 50,486,171</u> | <u>\$ 50,486,171</u> | <u>\$ 49,705,434</u> | <u>\$ 780,737</u> |
| <u>Education</u> | | | | |
| School Operating | \$ 365,983,390 | \$ 372,738,033 | \$ 355,674,143 | \$ 17,063,890 |
| School Operating from Reserves | 5,000,000 | 5,000,000 | 5,000,000 | - |
| School Capital Projects | 3,591,000 | 3,591,000 | 3,591,000 | - |
| Total Education | <u>\$ 374,574,390</u> | <u>\$ 381,329,033</u> | <u>\$ 364,265,143</u> | <u>\$ 17,063,890</u> |
| Total Department Expenditures | <u>\$ 957,074,070</u> | <u>\$ 996,963,412</u> | <u>\$ 943,271,066</u> | <u>\$ 53,692,346</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|-------------------------|-------------------------|-------------------------|---|
| <u>Other Financing Uses</u> | | | | |
| Transfers Out: | | | | |
| General Debt Service | \$ 45,704,383 | \$ 45,704,383 | \$ 45,704,383 | \$ - |
| Parking Enterprise Fund | - | 4,429 | 4,429 | - |
| Housing and Neighborhood Preservation | 771,087 | 1,215,060 | 1,215,060 | - |
| Multimodal Transportation Program | 6,351,497 | 6,351,497 | 6,351,497 | - |
| General Government Capital Projects | 12,114,809 | 11,623,476 | 11,623,476 | - |
| Engineering and Highways Capital Projects | 2,679,816 | 2,599,816 | 2,599,816 | - |
| Parks and Recreation Capital Projects | 3,512,106 | 3,482,538 | 3,482,538 | - |
| Economic & Tourism Capital Projects | 3,246,982 | 3,246,982 | 3,246,982 | - |
| Coastal Capital Projects | 5,988,030 | 5,988,030 | 5,988,030 | - |
| Grants Consolidated | 631,917 | 900,483 | 897,041 | 3,442 |
| Sheriff's Department | 22,471,196 | 23,212,231 | 23,212,231 | - |
| Tourism Growth Investment Program | - | 13,695 | 13,695 | - |
| Parks and Recreation | 4,582,522 | 4,814,600 | 4,814,600 | - |
| Storm Water Utility Capital Projects | - | 1,310,000 | 1,310,000 | - |
| Federal Section 8 | 260,410 | 252,053 | 252,053 | - |
| Federal Housing Assistance Program | 280,033 | 120,522 | 110,424 | 10,098 |
| Waste Management | 10,062,505 | 10,062,505 | 10,062,505 | - |
| Risk Management | - | 1,800,000 | 1,800,000 | - |
| Public Safety City Marina | 20,965 | 20,965 | 20,965 | - |
| Total Other Financing Uses | <u>\$ 118,678,258</u> | <u>\$ 122,723,265</u> | <u>\$ 122,709,725</u> | <u>\$ 13,540</u> |
| TOTAL EXPENDITURES AND OTHER | | | | |
| FINANCING USES | <u>\$ 1,075,752,328</u> | <u>\$ 1,119,686,677</u> | <u>\$ 1,065,980,791</u> | <u>\$ 53,705,886</u> |

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**NONMAJOR
SPECIAL REVENUE FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS

The Nonmajor Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The City has the following Nonmajor Special Revenue Funds:

Law Library - accounts for the revenues and expenditures of providing legal information and research. Revenues are raised through a set charge per civil court case and donations, which are used for library operations.

Sandbridge Tax Increment Financing— accounts for the incremental growth in real estate tax revenues within the district. These incremental revenues are generated by assessment growth beyond the base year, and are used to support beach and shoreline restoration in the Sandbridge district as established by City Council.

Housing and Neighborhood Preservation - accounts for the combined activities of the Federal Community Development Block Grant (CDBG), Federal Housing Assistance Grant, Community Development Loan and programs, and Virginia State Rental Assistance Program (SRAP). This fund supports the administration of both capital improvement projects in target neighborhoods and various other housing programs. The uses of fund balance are restricted to the federal and state programs that generated the funds.

Development Authority – accounts for financial resources dedicated to the economic development of the City.

Town Center Special Service District – established to provide for the maintenance of public parking facilities and other infrastructure in conjunction with realizing a long-term City Council goal of developing a town center which is supported by revenues from an additional real estate tax rate applied to each property owner in the Central Business District (CBD) within the Pembroke area of the City.

Forfeited Assets – accounts for the City’s share of Federal revenues derived from any Federal agency where money or assets are seized. If the Commonwealth’s Attorney is involved in the case, the department too gets a portion of the funds. All State seizures are divided with the Commonwealth’s Attorney receiving 25% and the Police Department receiving 75%. All real estate seized is split 50%/50% between the Commonwealth’s Attorney and the Police Department. Fund balance must be used in compliance with Federal and State regulations to fund Police or Commonwealth’s Attorney projects.

Federal Section Eight Program - accounts for funds received from the Federal Department of Housing and Urban Development to provide rental assistance to low and moderate income families. A separate fund is required by the Federal government and fund balance must be used for rental assistance.

Sheriff's Department - accounts for the cost of the care and custody of persons placed in the Virginia Beach Correctional Center by the courts and for the operation of the Sheriff’s Department, as established by City Council.

Parks and Recreation - accounts for revenues raised through Parks and Recreation programs. This fund also receives dedicated funding from a portion of the real estate taxes to support and maintain the City’s recreation centers.

Tourism Investment Program - accounts for the revenue streams to fund tourism related capital projects and expenditures for oceanfront programs and events, maintenance, operating costs, and debt service of tourism-related projects, as established by City Council. This fund receives dedicated funding from a percentage of the following local taxes: amusement, hotel room, and restaurant meal tax receipts.

NONMAJOR SPECIAL REVENUE FUNDS (continued)

Central Business District South Tax Increment Financing - accounts for incremental growth in real estate tax revenues and debt service funding of public parking and other public improvements in this business district. Fund balance is maintained to meet planned construction and debt service costs for improvements in this district as approved by City Council.

Sandbridge Special Service District - accounts for the revenues raised by the additional real estate tax, hotel tax and other Sandbridge related revenue. The Virginia Beach code restricts the uses of fund balance to Capital Improvement Program projects associated with beach and shoreline restoration and maintenance within the Sandbridge District.

Tourism Advertising Program - accounts for revenue and expenses related to tourism advertising. This fund receives dedicated funding from a percentage of the hotel room tax and restaurant meal tax. There is a City Council appointed committee that oversees the use of these funds.

Agriculture Reserve Program - accounts for revenue and expenses to promote and encourage the preservation of farmland in the rural southern portion of the City, in which agricultural uses predominate. This is a voluntary purchase of development rights rather than regulatory, as established by City Council. Fund balance will be used for payments of future interest costs of U.S Treasury Securities and the maturing interest on each agreement.

Emergency FEMA - accounts for receipts from the Federal Emergency Management Agency (FEMA), and for the cost of providing urban search and rescue services in support of disaster declarations as well as reimbursements to the City for the cost of local disasters. The level of fund balance is subject to final audit by the Inspector General.

Open Space - accounts for the acquisition and preservation of land in the City of Virginia Beach. This fund receives dedicated revenues from a percentage of the restaurant meal tax.

Combined Area Dredging Projects – this fund supports the special service districts of Old Donation Creek, Bayville Creek Shadowlawn, Chesopeian Colony, Harbour Point, Gills Cove and Hurds Cove, where additional real estate taxes are assessed on residents of those districts and collected to provide neighborhood channel dredging of creeks and rivers.

Wetlands Board Mitigation – accounts for the fines assessed for the destruction of wetlands and are to be used for the purchase of land and re-creation of wetlands.

Multimodal Transportation – collects and remits revenue dedications from local funding sources to support transportation initiatives across the City. This fund also receives dedicated funding from a portion of the real estate taxes and other sources to support and maintain the City's transportation system.

Grants Consolidated - accounts for certain Commonwealth of Virginia and Federal Grants (with matching local funds, if required).

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**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

| | Law Library | Sandbridge Tax Increment Financing | Housing and Neighborhood Preservation |
|--|-------------------|---------------------------------------|--|
| <u>ASSETS</u> | | | |
| Cash and Investments | \$ 323,161 | \$ - | \$ 718,674 |
| Restricted Cash | - | 5,298,845 | 432,363 |
| Accounts Receivable | - | - | - |
| Loans Receivable | - | - | 6,090,575 |
| Due from Other Governments | - | - | - |
| Due from Commonwealth | - | - | - |
| Due from Federal Government | - | - | 1,008,563 |
| Total Assets | <u>\$ 323,161</u> | <u>\$ 5,298,845</u> | <u>\$ 8,250,175</u> |
| <u>LIABILITIES</u> | | | |
| Vouchers and Accounts Payable | \$ 6,260 | \$ - | \$ 404,193 |
| Total Liabilities | <u>\$ 6,260</u> | <u>\$ -</u> | <u>\$ 404,193</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Unavailable Revenue - Housing Loans | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 493,950</u> |
| <u>FUND BALANCES</u> | | | |
| Restricted for: | | | |
| General Government | \$ - | \$ - | \$ - |
| Housing and Community Development | - | - | 7,352,032 |
| Judicial | - | - | - |
| Public Safety | - | - | - |
| Special Service District | - | - | - |
| Committed to: | | | |
| Agriculture | - | - | - |
| Convention and Visitor Development | - | - | - |
| Education | 277,901 | - | - |
| Judicial | - | - | - |
| Parks and Recreation | - | - | - |
| Tax Increment Financing | - | 5,298,845 | - |
| Assigned to: | | | |
| Education | 39,000 | - | - |
| Housing and Community Development | - | - | - |
| Judicial | - | - | - |
| Public Safety | - | - | - |
| Parks and Recreation | - | - | - |
| Special Service District | - | - | - |
| Tax Increment Financing | - | - | - |
| Unassigned | - | - | - |
| Total Fund Balances | <u>\$ 316,901</u> | <u>\$ 5,298,845</u> | <u>\$ 7,352,032</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | <u>\$ 323,161</u> | <u>\$ 5,298,845</u> | <u>\$ 8,250,175</u> |

**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

| Development Authority | Town Center Special Service District | Forfeited Assets | Federal Section Eight Program | Sub-Total (continued) |
|------------------------------|---|-------------------------|--|----------------------------------|
| \$ - | \$ - | \$ - | \$ 1,164,737 | \$ 2,206,572 |
| 1,120,862 | 2,151,029 | 2,743,030 | 159,600 | 11,905,729 |
| - | - | - | 300 | 300 |
| - | - | - | - | 6,090,575 |
| - | - | - | 18,303 | 18,303 |
| - | - | - | - | - |
| - | - | - | 12,535 | 1,021,098 |
| <u>\$ 1,120,862</u> | <u>\$ 2,151,029</u> | <u>\$ 2,743,030</u> | <u>\$ 1,355,475</u> | <u>\$ 21,242,577</u> |
| <u>\$ 1,120,862</u> | <u>\$ 184,932</u> | <u>\$ 55,914</u> | <u>\$ 309,681</u> | <u>\$ 2,081,842</u> |
| <u>\$ 1,120,862</u> | <u>\$ 184,932</u> | <u>\$ 55,914</u> | <u>\$ 309,681</u> | <u>\$ 2,081,842</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 493,950</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | 289,781 | 7,641,813 |
| - | - | 676,028 | - | 676,028 |
| - | - | 1,625,173 | - | 1,625,173 |
| - | 1,966,097 | - | - | 1,966,097 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 277,901 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 5,298,845 |
| - | - | - | - | 39,000 |
| - | - | - | 756,013 | 756,013 |
| - | - | 100,000 | - | 100,000 |
| - | - | 285,915 | - | 285,915 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 1,966,097</u> | <u>\$ 2,687,116</u> | <u>\$ 1,045,794</u> | <u>\$ 18,666,785</u> |
| <u>\$ 1,120,862</u> | <u>\$ 2,151,029</u> | <u>\$ 2,743,030</u> | <u>\$ 1,355,475</u> | <u>\$ 21,242,577</u> |

(continued)

**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

| | Sheriff's Department | Parks and Recreation | Tourism Investment Program |
|--|----------------------|----------------------|-------------------------------|
| <u>ASSETS</u> | | | |
| Cash and Investments | \$ 2,136,997 | \$ 15,791,701 | \$ 13,615,201 |
| Restricted Cash | - | - | - |
| Accounts Receivable | - | 217,940 | - |
| Loans Receivable | - | - | - |
| Due from Other Governments | - | - | - |
| Due from Commonwealth | 1,302,222 | - | - |
| Due from Federal Government | 3,801 | - | - |
| Total Assets | <u>\$ 3,443,020</u> | <u>\$ 16,009,641</u> | <u>\$ 13,615,201</u> |
| <u>LIABILITIES</u> | | | |
| Vouchers and Accounts Payable | \$ 1,803,380 | \$ 856,119 | \$ 75,010 |
| Total Liabilities | <u>\$ 1,803,380</u> | <u>\$ 856,119</u> | <u>\$ 75,010</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Unavailable Revenue - Housing Loans | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>FUND BALANCES</u> | | | |
| Restricted for: | | | |
| General Government | \$ - | \$ - | \$ - |
| Housing and Community Development | - | - | - |
| Judicial | - | - | - |
| Public Safety | - | - | - |
| Special Service District | - | - | - |
| Committed to: | | | |
| Agriculture | - | - | - |
| Convention and Visitor Development | - | - | 13,540,191 |
| Educational | - | - | - |
| Judicial | 1,639,640 | - | - |
| Parks and Recreation | - | 14,427,814 | - |
| Tax Increment Financing | - | - | - |
| Assigned to: | | | |
| Educational | - | - | - |
| Housing and Community Development | - | - | - |
| Judicial | - | - | - |
| Public Safety | - | - | - |
| Parks and Recreation | - | 725,708 | - |
| Special Service District | - | - | - |
| Tax Increment Financing | - | - | - |
| Unassigned | - | - | - |
| Total Fund Balances | <u>\$ 1,639,640</u> | <u>\$ 15,153,522</u> | <u>\$ 13,540,191</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | <u>\$ 3,443,020</u> | <u>\$ 16,009,641</u> | <u>\$ 13,615,201</u> |

**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

| Central Business District South Tax Increment Financing | Sandbridge Special Service District | Tourism Advertising Program | Sub-Total (continued) |
|--|--|--|----------------------------------|
| \$ - | \$ - | \$ 2,046,840 | \$ 35,797,311 |
| 2,042,575 | 714,507 | - | 14,662,811 |
| - | - | - | 218,240 |
| - | - | - | 6,090,575 |
| - | - | - | 18,303 |
| - | - | - | 1,302,222 |
| - | - | - | 1,024,899 |
| <u>\$ 2,042,575</u> | <u>\$ 714,507</u> | <u>\$ 2,046,840</u> | <u>\$ 59,114,361</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 350,308</u> | <u>\$ 5,166,659</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 350,308</u> | <u>\$ 5,166,659</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 493,950</u> |
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | 7,641,813 |
| - | - | - | 676,028 |
| - | - | - | 1,625,173 |
| - | 714,507 | - | 2,680,604 |
| - | - | - | - |
| - | - | 1,696,532 | 15,236,723 |
| - | - | - | 277,901 |
| - | - | - | 1,639,640 |
| - | - | - | 14,427,814 |
| 1,688,330 | - | - | 6,987,175 |
| - | - | - | 39,000 |
| - | - | - | 756,013 |
| - | - | - | 100,000 |
| - | - | - | 285,915 |
| - | - | - | 725,708 |
| - | - | - | - |
| 354,245 | - | - | 354,245 |
| - | - | - | - |
| <u>\$ 2,042,575</u> | <u>\$ 714,507</u> | <u>\$ 1,696,532</u> | <u>\$ 53,453,752</u> |
| <u>\$ 2,042,575</u> | <u>\$ 714,507</u> | <u>\$ 2,046,840</u> | <u>\$ 59,114,361</u> |

(continued)

**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

| | Agriculture Reserve Program | Emergency FEMA | Open Space |
|--|--------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | | |
| Cash and Investments | \$ 12,560,635 | \$ 346,498 | \$ 322,199 |
| Restricted Cash | - | - | - |
| Accounts Receivable | - | - | - |
| Loans Receivable | - | - | - |
| Due from Other Governments | - | - | - |
| Due from Commonwealth | - | - | - |
| Due from Federal Government | - | - | - |
| Total Assets | <u>\$ 12,560,635</u> | <u>\$ 346,498</u> | <u>\$ 322,199</u> |
| <u>LIABILITIES</u> | | | |
| Vouchers and Accounts Payable | \$ 1,247 | \$ - | \$ 4,817 |
| Total Liabilities | <u>\$ 1,247</u> | <u>\$ -</u> | <u>\$ 4,817</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Unavailable Revenue - Housing Loans | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>FUND BALANCES</u> | | | |
| Restricted for: | | | |
| General Government | \$ - | \$ - | \$ - |
| Housing and Community Development | - | - | - |
| Judicial | - | - | - |
| Public Safety | - | 346,498 | - |
| Special Service District | - | - | - |
| Committed to: | | | |
| Agriculture | 12,559,388 | - | - |
| Convention and Visitor Development | - | - | - |
| Educational | - | - | - |
| Judicial | - | - | - |
| Parks and Recreation | - | - | 317,382 |
| Tax Increment Financing | - | - | - |
| Assigned to: | | | |
| Educational | - | - | - |
| Housing and Community Development | - | - | - |
| Judicial | - | - | - |
| Public Safety | - | - | - |
| Parks and Recreation | - | - | - |
| Special Service District | - | - | - |
| Tax Increment Financing | - | - | - |
| Unassigned | - | - | - |
| Total Fund Balances | <u>\$ 12,559,388</u> | <u>\$ 346,498</u> | <u>\$ 317,382</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | <u>\$ 12,560,635</u> | <u>\$ 346,498</u> | <u>\$ 322,199</u> |

**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

| Combined Area Dredging Projects | Wetlands Board Mitigation | Multimodal Transportation | Grants Consolidated | Totals |
|------------------------------------|---------------------------|---------------------------|---------------------|----------------------|
| \$ - | \$ 307,535 | \$ - | \$ - | \$ 49,334,178 |
| 12,299 | - | - | 2,184,889 | 16,859,999 |
| - | - | - | - | 218,240 |
| - | - | - | - | 6,090,575 |
| - | - | - | - | 18,303 |
| - | - | - | 433,740 | 1,735,962 |
| - | - | - | 623,015 | 1,647,914 |
| <u>\$ 12,299</u> | <u>\$ 307,535</u> | <u>\$ -</u> | <u>\$ 3,241,644</u> | <u>\$ 75,905,171</u> |
| \$ - | \$ - | \$ - | \$ 445,998 | \$ 5,618,721 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 445,998</u> | <u>\$ 5,618,721</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 493,950 |
| \$ - | \$ - | \$ - | \$ 2,795,646 | \$ 2,795,646 |
| - | - | - | - | 7,641,813 |
| - | - | - | - | 676,028 |
| - | - | - | - | 1,971,671 |
| - | - | - | - | 2,680,604 |
| - | - | - | - | 12,559,388 |
| - | - | - | - | 15,236,723 |
| - | - | - | - | 277,901 |
| - | - | - | - | 1,639,640 |
| - | 307,535 | - | - | 15,052,731 |
| - | - | - | - | 6,987,175 |
| - | - | - | - | 39,000 |
| - | - | - | - | 756,013 |
| - | - | - | - | 100,000 |
| - | - | - | - | 285,915 |
| - | - | - | - | 725,708 |
| 12,299 | - | - | - | 12,299 |
| - | - | - | - | 354,245 |
| - | - | - | - | - |
| <u>\$ 12,299</u> | <u>\$ 307,535</u> | <u>\$ -</u> | <u>\$ 2,795,646</u> | <u>\$ 69,792,500</u> |
| <u>\$ 12,299</u> | <u>\$ 307,535</u> | <u>\$ -</u> | <u>\$ 3,241,644</u> | <u>\$ 75,905,171</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Law Library | Sandbridge Tax Increment Financing | Housing and Neighborhood Preservation |
|--|--------------------------|---------------------------------------|--|
| <u>REVENUES</u> | | | |
| General Property Taxes | \$ - | \$ 9,480,962 | \$ - |
| Other Local Taxes | - | - | - |
| From Use of Money and Property | 4,942 | 38,665 | 15,373 |
| Charges for Services | 242,892 | - | 75 |
| Miscellaneous | - | - | 2,573 |
| Fines and Forfeitures | - | - | - |
| From Commonwealth | - | - | 506,987 |
| From Federal Government | - | - | 3,089,663 |
| Total Revenues | <u>\$ 247,834</u> | <u>\$ 9,519,627</u> | <u>\$ 3,614,671</u> |
| <u>EXPENDITURES</u> | | | |
| Current: | | | |
| Judicial | \$ - | \$ - | \$ - |
| Library | 282,162 | - | - |
| Police | - | - | - |
| Fire | - | - | - |
| Public Works | - | - | - |
| Parks and Recreation | - | - | - |
| Agriculture | - | - | - |
| Convention and Visitor Development | - | - | - |
| Transportation | - | - | - |
| Housing and Neighborhood Preservation | - | - | 4,200,564 |
| Human Services | - | - | - |
| General Government | - | - | - |
| Emergency Medical Services | - | - | - |
| Total Expenditures | <u>\$ 282,162</u> | <u>\$ -</u> | <u>\$ 4,200,564</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ (34,328)</u> | <u>\$ 9,519,627</u> | <u>\$ (585,893)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In | \$ - | \$ - | \$ 1,334,220 |
| Transfers Out | - | (9,926,570) | (128,858) |
| Agriculture Reserve Agreement | - | - | - |
| Total Other Financing Sources (Uses) | <u>\$ -</u> | <u>\$ (9,926,570)</u> | <u>\$ 1,205,362</u> |
| <u>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ (34,328)</u> | <u>\$ (406,943)</u> | <u>\$ 619,469</u> |
| <u>FUND BALANCES-JULY 1</u> | <u>351,229</u> | <u>5,705,788</u> | <u>6,732,563</u> |
| <u>FUND BALANCES - JUNE 30</u> | <u><u>\$ 316,901</u></u> | <u><u>\$ 5,298,845</u></u> | <u><u>\$ 7,352,032</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| Development Authority | Town Center Special Service District | Forfeited Assets | Federal Section Eight Program | Sub-Total (continued) |
|-----------------------|---|---------------------|----------------------------------|--------------------------|
| \$ - | \$ 1,869,923 | \$ - | \$ - | \$ 11,350,885 |
| - | - | - | - | - |
| - | 258,342 | 16,858 | 1,870 | 336,050 |
| - | 24,300 | - | - | 267,267 |
| - | 167,681 | - | 2,640,611 | 2,810,865 |
| - | - | - | - | - |
| - | - | 421,460 | - | 928,447 |
| - | - | 31,506 | 18,675,457 | 21,796,626 |
| <u>\$ -</u> | <u>\$ 2,320,246</u> | <u>\$ 469,824</u> | <u>\$ 21,317,938</u> | <u>\$ 37,490,140</u> |
| | | | | |
| \$ - | \$ - | \$ 336,286 | \$ - | \$ 336,286 |
| - | - | - | - | 282,162 |
| - | - | 838,820 | - | 838,820 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 21,104,887 | 25,305,451 |
| - | - | - | - | - |
| - | 1,661,902 | - | - | 1,661,902 |
| - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 1,661,902</u> | <u>\$ 1,175,106</u> | <u>\$ 21,104,887</u> | <u>\$ 28,424,621</u> |
| | | | | |
| <u>\$ -</u> | <u>\$ 658,344</u> | <u>\$ (705,282)</u> | <u>\$ 213,051</u> | <u>\$ 9,065,519</u> |
| | | | | |
| \$ - | \$ 150,000 | \$ - | \$ 252,053 | \$ 1,736,273 |
| - | (464,976) | (11,250) | - | (10,531,654) |
| - | - | - | - | - |
| <u>\$ -</u> | <u>\$ (314,976)</u> | <u>\$ (11,250)</u> | <u>\$ 252,053</u> | <u>\$ (8,795,381)</u> |
| | | | | |
| \$ - | \$ 343,368 | \$ (716,532) | \$ 465,104 | \$ 270,138 |
| - | 1,622,729 | 3,403,648 | 580,690 | 18,396,647 |
| <u>\$ -</u> | <u>\$ 1,966,097</u> | <u>\$ 2,687,116</u> | <u>\$ 1,045,794</u> | <u>\$ 18,666,785</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Sheriff's Department | Parks and Recreation | Tourism Investment Program |
|--|------------------------|----------------------|----------------------------|
| <u>REVENUES</u> | | | |
| General Property Taxes | \$ - | \$ 18,277,291 | \$ - |
| Other Local Taxes | - | - | 35,893,843 |
| From Use of Money and Property | 11,444 | 1,818,522 | 466,392 |
| Charges for Services | 4,735,627 | 12,962,924 | - |
| Miscellaneous | 4,856 | 47,056 | 913,283 |
| Fines and Forfeiture | - | - | 504,503 |
| From Commonwealth | 18,072,623 | 10,987 | - |
| From Federal Government | 92,669 | - | - |
| Total Revenues | <u>\$ 22,917,219</u> | <u>\$ 33,116,780</u> | <u>\$ 37,778,021</u> |
| <u>EXPENDITURES</u> | | | |
| Current: | | | |
| Judicial | \$ 45,745,670 | \$ - | \$ - |
| Library | - | - | - |
| Police | - | - | - |
| Fire | - | - | - |
| Public Works | - | - | 130,637 |
| Parks and Recreation | - | 33,364,179 | 1,014 |
| Agriculture | - | - | - |
| Convention and Visitor Development | - | - | 29,913,513 |
| Transportation | - | - | - |
| Housing and Neighborhood Preservation | - | - | - |
| Human Services | - | - | - |
| General Government | - | - | - |
| Emergency Medical Services | - | - | - |
| Total Expenditures | <u>\$ 45,745,670</u> | <u>\$ 33,364,179</u> | <u>\$ 30,045,164</u> |
| <u>EXCESS OF REVENUES OVER</u> | | | |
| <u>(UNDER) EXPENDITURES</u> | <u>\$ (22,828,451)</u> | <u>\$ (247,399)</u> | <u>\$ 7,732,857</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In | \$ 23,212,231 | \$ 4,835,565 | \$ - |
| Transfers Out | - | (3,497,345) | 28,392 |
| Agriculture Reserve Agreement | - | - | (1,272,819) |
| Total Other Financing Sources (Uses) | <u>\$ 23,212,231</u> | <u>\$ 1,338,220</u> | <u>\$ (1,244,427)</u> |
| <u>EXCESS OF REVENUE AND</u> | | | |
| <u>OTHER FINANCING SOURCES</u> | | | |
| <u>OVER (UNDER) EXPENDITURES</u> | | | |
| <u>AND OTHER FINANCING USES</u> | | | |
| | \$ 383,780 | \$ 1,090,821 | \$ 6,488,430 |
| <u>FUND BALANCES-JULY 1</u> | <u>1,255,860</u> | <u>14,062,701</u> | <u>7,051,761</u> |
| <u>FUND BALANCES - JUNE 30</u> | <u>\$ 1,639,640</u> | <u>\$ 15,153,522</u> | <u>\$ 13,540,191</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| Central Business District South Tax Increment Financing | | Sandbridge Special Service District | | Tourism Advertising Program | | Sub-Total (continued) |
|---|-----------|--|-------------|-----------------------------|------------|--------------------------|
| \$ | 6,645,270 | \$ | 698,079 | \$ | - | \$ 36,971,525 |
| | 500,000 | | 3,703,866 | | 11,783,651 | 51,881,360 |
| | 701 | | 10,083 | | 63,858 | 2,707,050 |
| | - | | - | | 42,673 | 18,008,491 |
| | - | | - | | 16,161 | 3,792,221 |
| | - | | - | | - | 504,503 |
| | - | | - | | - | 19,012,057 |
| | - | | - | | - | 21,889,295 |
| \$ | 7,145,971 | \$ | 4,412,028 | \$ | 11,906,343 | \$ 154,766,502 |
| | | | | | | |
| \$ | - | \$ | - | \$ | - | \$ 46,081,956 |
| | - | | - | | - | 282,162 |
| | - | | - | | - | 838,820 |
| | - | | - | | - | - |
| | - | | - | | - | 130,637 |
| | - | | - | | - | 33,365,193 |
| | - | | - | | - | - |
| | - | | - | | 11,592,037 | 41,505,550 |
| | - | | - | | - | - |
| | - | | - | | - | 25,305,451 |
| | - | | - | | - | - |
| | 7,744,239 | | - | | - | 9,406,141 |
| | - | | - | | - | - |
| \$ | 7,744,239 | \$ | - | \$ | 11,592,037 | \$ 156,915,910 |
| | | | | | | |
| \$ | (598,268) | \$ | 4,412,028 | \$ | 314,306 | \$ (2,149,408) |
| | | | | | | |
| \$ | - | \$ | 90,000 | \$ | - | \$ 29,874,069 |
| | (150,000) | | (4,423,430) | | (56,838) | (18,630,875) |
| | - | | - | | - | (1,272,819) |
| \$ | (150,000) | \$ | (4,333,430) | \$ | (56,838) | \$ 9,970,375 |
| | | | | | | |
| \$ | (748,268) | \$ | 78,598 | \$ | 257,468 | \$ 7,820,967 |
| | 2,790,843 | | 635,909 | | 1,439,064 | 45,632,785 |
| \$ | 2,042,575 | \$ | 714,507 | \$ | 1,696,532 | \$ 53,453,752 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Agriculture Reserve Program | Emergency FEMA | Open Space |
|--|-----------------------------|--------------------|---------------------|
| <u>REVENUES</u> | | | |
| General Property Taxes | \$ 2,944,558 | \$ - | \$ - |
| Other Local Taxes | - | - | 2,602,579 |
| From Use of Money and Property | 67,082 | - | 172 |
| Charges for Services | - | - | - |
| Miscellaneous | - | - | - |
| Fines and Forfeiture | - | - | - |
| From Commonwealth | 505,845 | - | - |
| From Federal Government | - | 649,361 | - |
| Total Revenues | <u>\$ 3,517,485</u> | <u>\$ 649,361</u> | <u>\$ 2,602,751</u> |
| <u>EXPENDITURES</u> | | | |
| Current: | | | |
| Judicial | \$ - | \$ - | \$ - |
| Library | - | - | - |
| Police | - | - | - |
| Fire | - | - | - |
| Public Works | - | - | - |
| Parks and Recreation | - | - | 412,859 |
| Agriculture | 6,177,441 | - | - |
| Convention and Visitor Development | - | - | - |
| Transportation | - | - | - |
| Housing and Neighborhood Preservation | - | - | - |
| Human Services | - | - | - |
| General Government | - | 669,572 | 2,580,324 |
| Emergency Medical Services | - | - | - |
| Total Expenditures | <u>\$ 6,177,441</u> | <u>\$ 669,572</u> | <u>\$ 2,993,183</u> |
| <u>EXCESS OF REVENUES OVER</u> | | | |
| <u>(UNDER) EXPENDITURES</u> | <u>\$ (2,659,956)</u> | <u>\$ (20,211)</u> | <u>\$ (390,432)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In | \$ - | \$ - | \$ - |
| Transfers Out | (1,318,519) | - | - |
| Agriculture Reserve Agreement | 3,728,464 | - | - |
| Total Other Financing Sources (Uses) | <u>\$ 2,409,945</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUE AND</u> | | | |
| <u>OTHER FINANCING SOURCES</u> | | | |
| <u>OVER (UNDER) EXPENDITURES</u> | | | |
| <u>AND OTHER FINANCING USES</u> | | | |
| | \$ (250,011) | \$ (20,211) | \$ (390,432) |
| <u>FUND BALANCES-JULY 1</u> | <u>12,809,399</u> | <u>366,709</u> | <u>707,814</u> |
| <u>FUND BALANCES - JUNE 30</u> | <u>\$ 12,559,388</u> | <u>\$ 346,498</u> | <u>\$ 317,382</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| Combined Area Dredging Projects | Wetlands Board Mitigation | Multimodal Transportation | Grants Consolidated | Totals |
|------------------------------------|---------------------------|------------------------------|----------------------|-----------------------|
| \$ 585,894 | \$ - | \$ 21,768,694 | \$ - | \$ 62,270,671 |
| - | - | 4,467,578 | - | 58,951,517 |
| - | 1,574 | 55,445 | 8,736 | 2,840,059 |
| - | - | - | - | 18,008,491 |
| - | - | - | 338,682 | 4,130,903 |
| - | 35,354 | - | - | 539,857 |
| - | - | - | 3,158,825 | 22,676,727 |
| - | - | - | 9,206,543 | 31,745,199 |
| <u>\$ 585,894</u> | <u>\$ 36,928</u> | <u>\$ 26,291,717</u> | <u>\$ 12,712,786</u> | <u>\$ 201,163,424</u> |
| \$ - | \$ - | \$ - | \$ 588,112 | \$ 46,670,068 |
| - | - | - | - | 282,162 |
| - | - | - | 233,074 | 1,071,894 |
| - | - | - | 2,956,110 | 2,956,110 |
| - | - | - | 15,000 | 145,637 |
| - | - | - | 16,904 | 33,794,956 |
| - | - | - | - | 6,177,441 |
| - | - | - | - | 41,505,550 |
| - | - | 28,425,956 | - | 28,425,956 |
| - | - | - | 1,127,820 | 26,433,271 |
| - | - | - | 7,724,765 | 7,724,765 |
| - | - | - | - | 12,656,037 |
| - | - | - | 414,433 | 414,433 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,425,956</u> | <u>\$ 13,076,218</u> | <u>\$ 208,258,280</u> |
| \$ 585,894 | \$ 36,928 | \$ (2,134,239) | \$ (363,432) | \$ (7,094,856) |
| \$ - | \$ - | \$ 7,609,443 | \$ 907,409 | \$ 38,390,921 |
| (1,008,870) | - | (20,452,173) | (673,981) | (42,084,418) |
| - | - | - | - | 2,455,645 |
| <u>\$ (1,008,870)</u> | <u>\$ -</u> | <u>\$ (12,842,730)</u> | <u>\$ 233,428</u> | <u>\$ (1,237,852)</u> |
| \$ (422,976) | \$ 36,928 | \$ (14,976,969) | \$ (130,004) | \$ (8,332,708) |
| <u>435,275</u> | <u>270,607</u> | <u>14,976,969</u> | <u>2,925,650</u> | <u>78,125,208</u> |
| <u>\$ 12,299</u> | <u>\$ 307,535</u> | <u>\$ -</u> | <u>\$ 2,795,646</u> | <u>\$ 69,792,500</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
LAW LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|---|--------------------------|-------------------------|--------------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| From Use of Money and Property | \$ 3,265 | \$ 3,265 | \$ 4,942 | \$ 1,677 |
| Charges for Services | 280,210 | 280,210 | 242,892 | (37,318) |
| Total Revenues | <u>\$ 283,475</u> | <u>\$ 283,475</u> | <u>\$ 247,834</u> | <u>\$ (35,641)</u> |
| <u>EXPENDITURES</u> | | | | |
| Law Library | <u>\$ 306,639</u> | <u>\$ 546,491</u> | <u>\$ 282,162</u> | <u>\$ 264,329</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ (23,164)</u> | <u>\$ (263,016)</u> | <u>\$ (34,328)</u> | <u>\$ 228,688</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ (23,164)</u> | <u>\$ (263,016)</u> | <u>\$ (34,328)</u> | <u>\$ 228,688</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>351,229</u> | <u>351,229</u> | <u>351,229</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u><u>\$ 328,065</u></u> | <u><u>\$ 88,213</u></u> | <u><u>\$ 316,901</u></u> | <u><u>\$ 228,688</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
SANDBRIDGE TAX INCREMENT FINANCING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance |
|---|----------------------------|----------------------------|----------------------------|---|
| | Original | Final | | Final Budget Positive (Negative) |
| <u>REVENUES</u> | | | | |
| General Property Taxes | \$ 9,177,724 | \$ 9,177,724 | \$ 9,480,962 | \$ 303,238 |
| From Use of Money and Property | 28,126 | 28,126 | 38,665 | 10,539 |
| Total Revenues | <u>\$ 9,205,850</u> | <u>\$ 9,205,850</u> | <u>\$ 9,519,627</u> | <u>\$ 313,777</u> |
| <u>EXPENDITURES</u> | | | | |
| Sandbridge TIF | <u>\$ 8,000,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ 1,205,850</u> | <u>\$ 9,205,850</u> | <u>\$ 9,519,627</u> | <u>\$ 313,777</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers Out | <u>\$ (1,926,570)</u> | <u>\$ (9,926,570)</u> | <u>\$ (9,926,570)</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ (720,720)</u> | <u>\$ (720,720)</u> | <u>\$ (406,943)</u> | <u>\$ 313,777</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>5,705,788</u> | <u>5,705,788</u> | <u>5,705,788</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u><u>\$ 4,985,068</u></u> | <u><u>\$ 4,985,068</u></u> | <u><u>\$ 5,298,845</u></u> | <u><u>\$ 313,777</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
HOUSING AND NEIGHBORHOOD PRESERVATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | | Variance Final Budget Positive (Negative) |
|---|---------------------|-----------------------|---------------------|--|
| | Original | Final | Actual Amounts | |
| <u>REVENUES</u> | | | | |
| From Use of Money and Property | \$ - | \$ 1,637 | \$ 15,373 | \$ 13,736 |
| Charges for Services | - | 75 | 75 | |
| Miscellaneous | 170,000 | 450,237 | 2,573 | (447,664) |
| From Commonwealth | - | - | 3,750 | 3,750 |
| From Commonwealth - SRAP | - | 503,237 | 503,237 | - |
| From Federal Government | 2,585,499 | 2,589,803 | 3,089,663 | 499,860 |
| Total Revenues | <u>\$ 2,755,499</u> | <u>\$ 3,544,989</u> | <u>\$ 3,614,671</u> | <u>\$ 69,682</u> |
| <u>EXPENDITURES</u> | | | | |
| Housing and Neighborhood Preservation | \$ 3,677,761 | \$ 4,248,476 | \$ 4,126,521 | \$ 121,955 |
| State Rental Assistance Program | - | 503,237 | 74,043 | 429,194 |
| Total Expenditures | <u>\$ 3,677,761</u> | <u>\$ 4,751,713</u> | <u>\$ 4,200,564</u> | <u>\$ 551,149</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | | | | |
| | <u>\$ (922,262)</u> | <u>\$ (1,206,724)</u> | <u>\$ (585,893)</u> | <u>\$ 620,831</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | \$ 1,051,120 | \$ 1,335,582 | \$ 1,334,220 | \$ (1,362) |
| Transfers Out | (128,858) | (128,858) | (128,858) | - |
| Total Other Financing Sources (Uses) | <u>\$ 922,262</u> | <u>\$ 1,206,724</u> | <u>\$ 1,205,362</u> | <u>\$ (1,362)</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 619,469</u> | <u>\$ 619,469</u> |
| <u>FUND BALANCE - JULY 1</u> | | | | |
| | <u>6,732,563</u> | <u>6,732,563</u> | <u>6,732,563</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | | | | |
| | <u>\$ 6,732,563</u> | <u>\$ 6,732,563</u> | <u>\$ 7,352,032</u> | <u>\$ 619,469</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
TOWN CENTER SPECIAL SERVICE DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|---|-----------------------|---------------------|-----------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| General Property Taxes | \$ 1,970,578 | \$ 1,970,578 | \$ 1,869,923 | \$ (100,655) |
| From Use of Money and Property | 231,000 | 231,000 | 258,342 | 27,342 |
| Charges for Services | 24,300 | 24,300 | 24,300 | - |
| Miscellaneous | 26,000 | 26,000 | 167,681 | 141,681 |
| Total Revenues | <u>\$ 2,251,878</u> | <u>\$ 2,251,878</u> | <u>\$ 2,320,246</u> | <u>\$ 68,368</u> |
| <u>EXPENDITURES</u> | | | | |
| Town Center Parking Operations | \$ 1,917,321 | \$ 1,905,071 | \$ 1,643,858 | \$ 261,213 |
| Town Center Operations | 50,508 | 59,315 | 18,044 | 41,271 |
| Total Expenditures | <u>\$ 1,967,829</u> | <u>\$ 1,964,386</u> | <u>\$ 1,661,902</u> | <u>\$ 302,484</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ 284,049</u> | <u>\$ 287,492</u> | <u>\$ 658,344</u> | <u>\$ 370,852</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | \$ 150,000 | \$ 150,000 | \$ 150,000 | \$ - |
| Transfers Out | (452,726) | (464,976) | (464,976) | - |
| Total Other Financing Sources (Uses) | <u>\$ (302,726)</u> | <u>\$ (314,976)</u> | <u>\$ (314,976)</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ (18,677)</u> | <u>\$ (27,484)</u> | <u>\$ 343,368</u> | <u>\$ 370,852</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>1,622,729</u> | <u>1,622,729</u> | <u>1,622,729</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u>\$ 1,604,052</u> | <u>\$ 1,595,245</u> | <u>\$ 1,966,097</u> | <u>\$ 370,852</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
FORFEITED ASSETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|---|----------------------------|--------------------------|----------------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| From Use of Money and Property | \$ - | \$ - | \$ 16,858 | \$ 16,858 |
| From Commonwealth | - | - | 421,460 | 421,460 |
| From Federal Government | - | - | 31,506 | 31,506 |
| Total Revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 469,824</u> | <u>\$ 469,824</u> |
| <u>EXPENDITURES</u> | | | | |
| Commonwealth Attorney | \$ 400,000 | \$ 833,067 | \$ 273,205 | \$ 559,862 |
| Sheriff | - | 63,080 | 63,081 | (1) |
| Police | 260,205 | 1,867,312 | 838,820 | 1,028,492 |
| Total Expenditures | <u>\$ 660,205</u> | <u>\$ 2,763,459</u> | <u>\$ 1,175,106</u> | <u>\$ 1,588,353</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ (660,205)</u> | <u>\$ (2,763,459)</u> | <u>\$ (705,282)</u> | <u>\$ 2,058,177</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers Out | <u>\$ -</u> | <u>\$ (11,250)</u> | <u>\$ (11,250)</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ (660,205)</u> | <u>\$ (2,774,709)</u> | <u>\$ (716,532)</u> | <u>\$ 2,058,177</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>3,403,648</u> | <u>3,403,648</u> | <u>3,403,648</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u><u>\$ 2,743,443</u></u> | <u><u>\$ 628,939</u></u> | <u><u>\$ 2,687,116</u></u> | <u><u>\$ 2,058,177</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
FEDERAL SECTION EIGHT PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | | Variance Final Budget Positive (Negative) |
|--|--------------------------|--------------------------|----------------------------|--|
| | Original | Final | Actual Amounts | |
| <u>REVENUES</u> | | | | |
| From Use of Money and Property | \$ - | \$ - | \$ 1,870 | \$ 1,870 |
| Miscellaneous | 2,706,766 | 2,706,766 | 2,640,611 | (66,155) |
| From Federal Government | 18,139,187 | 18,301,013 | 18,675,457 | 374,444 |
| Total Revenues | <u>\$ 20,845,953</u> | <u>\$ 21,007,779</u> | <u>\$ 21,317,938</u> | <u>\$ 310,159</u> |
| <u>EXPENDITURES</u> | | | | |
| Rental Subsidy Program | <u>\$ 21,106,363</u> | <u>\$ 21,260,960</u> | <u>\$ 21,104,887</u> | <u>\$ 156,073</u> |
| <u>EXCESS OF REVENUES OVER</u> | | | | |
| <u>(UNDER) EXPENDITURES</u> | <u>\$ (260,410)</u> | <u>\$ (253,181)</u> | <u>\$ 213,051</u> | <u>\$ 466,232</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | <u>\$ 260,410</u> | <u>\$ 252,053</u> | <u>\$ 252,053</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES AND</u> | | | | |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| <u>OVER (UNDER) EXPENDITURES</u> | | | | |
| <u>AND OTHER FINANCING USES</u> | <u>\$ -</u> | <u>\$ (1,128)</u> | <u>\$ 465,104</u> | <u>\$ 466,232</u> |
| <u>FUND BALANCE - JULY 1</u> | | | | |
| | <u>580,690</u> | <u>580,690</u> | <u>580,690</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | | | | |
| | <u><u>\$ 580,690</u></u> | <u><u>\$ 579,562</u></u> | <u><u>\$ 1,045,794</u></u> | <u><u>\$ 466,232</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
SHERIFF'S DEPARTMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|---|------------------------|------------------------|------------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| From Use of Money and Property | \$ 11,000 | \$ 11,000 | \$ 11,444 | \$ 444 |
| Charges for Services | 4,520,608 | 4,594,687 | 4,735,627 | 140,940 |
| Miscellaneous | 2,000 | 2,000 | 4,856 | 2,856 |
| From Commonwealth | 17,950,000 | 17,892,527 | 18,072,623 | 180,096 |
| From Federal Government | 160,000 | 160,000 | 92,669 | (67,331) |
| Total Revenues | <u>\$ 22,643,608</u> | <u>\$ 22,660,214</u> | <u>\$ 22,917,219</u> | <u>\$ 257,005</u> |
| <u>EXPENDITURES</u> | | | | |
| Judicial | <u>\$ 45,114,804</u> | <u>\$ 46,228,410</u> | <u>\$ 45,745,670</u> | <u>\$ 482,740</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ (22,471,196)</u> | <u>\$ (23,568,196)</u> | <u>\$ (22,828,451)</u> | <u>\$ 739,745</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | <u>\$ 22,471,196</u> | <u>\$ 23,212,231</u> | <u>\$ 23,212,231</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ -</u> | <u>\$ (355,965)</u> | <u>\$ 383,780</u> | <u>\$ 739,745</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>1,255,860</u> | <u>1,255,860</u> | <u>1,255,860</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u>\$ 1,255,860</u> | <u>\$ 899,895</u> | <u>\$ 1,639,640</u> | <u>\$ 739,745</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
PARKS AND RECREATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | | Variance |
|--|-----------------------|-----------------------|----------------------|--|
| | Original | Final | Actual Amounts | Final Budget Positive (Negative) |
| <u>REVENUES</u> | | | | |
| General Property Taxes | \$ 18,280,214 | \$ 18,280,214 | \$ 18,277,291 | \$ (2,923) |
| From Use of Money and Property | 1,679,934 | 1,679,934 | 1,818,522 | 138,588 |
| Charges for Services | 15,111,856 | 15,111,856 | 12,962,924 | (2,148,932) |
| Miscellaneous | 156,400 | 156,400 | 47,056 | (109,344) |
| From Commonwealth | 24,250 | 24,250 | 10,987 | (13,263) |
| Total Revenues | <u>\$ 35,252,654</u> | <u>\$ 35,252,654</u> | <u>\$ 33,116,780</u> | <u>\$ (2,135,874)</u> |
| <u>EXPENDITURES</u> | | | | |
| Citywide Recreation Programs | \$ 11,030,260 | \$ 11,335,155 | \$ 10,102,795 | \$ 1,232,360 |
| Parks Operations and Services | 3,852,792 | 3,903,218 | 3,484,225 | 418,993 |
| Recreation Centers | 17,831,051 | 17,852,194 | 15,020,983 | 2,831,211 |
| Golf Courses | 160,002 | 163,150 | 156,041 | 7,109 |
| City Beautification and Recreation | 863,856 | 903,201 | 633,038 | 270,163 |
| Debt Service | 4,673,630 | 4,673,630 | 3,967,097 | 706,533 |
| Total Expenditures | <u>\$ 38,411,591</u> | <u>\$ 38,830,548</u> | <u>\$ 33,364,179</u> | <u>\$ 5,466,369</u> |
| <u>EXCESS OF REVENUES OVER</u> | | | | |
| <u>(UNDER) EXPENDITURES</u> | <u>\$ (3,158,937)</u> | <u>\$ (3,577,894)</u> | <u>\$ (247,399)</u> | <u>\$ 3,330,495</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | \$ 4,603,487 | \$ 4,835,565 | \$ 4,835,565 | \$ - |
| Transfers Out | (3,446,550) | (3,497,345) | (3,497,345) | - |
| Total Other Financing Sources (Uses) | <u>\$ 1,156,937</u> | <u>\$ 1,338,220</u> | <u>\$ 1,338,220</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES AND</u> | | | | |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| <u>OVER (UNDER) EXPENDITURES</u> | | | | |
| <u>AND OTHER FINANCING USES</u> | \$ (2,002,000) | \$ (2,239,674) | \$ 1,090,821 | \$ 3,330,495 |
| <u>FUND BALANCE - JULY 1</u> | | | | |
| | <u>14,062,701</u> | <u>14,062,701</u> | <u>14,062,701</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | | | | |
| | <u>\$ 12,060,701</u> | <u>\$ 11,823,027</u> | <u>\$ 15,153,522</u> | <u>\$ 3,330,495</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
TOURISM INVESTMENT PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| Other Local Taxes | \$ 34,547,093 | \$ 34,547,093 | \$ 35,893,843 | \$ 1,346,750 |
| From Use of Money and Property | 622,800 | 622,800 | 466,392 | (156,408) |
| Miscellaneous | 639,387 | 639,387 | 913,283 | 273,896 |
| Fines and Forfeitures | 470,000 | 470,000 | 504,503 | 34,503 |
| Total Revenues | <u>\$ 36,279,280</u> | <u>\$ 36,279,280</u> | <u>\$ 37,778,021</u> | <u>\$ 1,498,741</u> |
| <u>EXPENDITURES</u> | | | | |
| Beach Operations | \$1,740,856 | \$1,752,475 | \$1,710,488 | \$ 41,987 |
| Direct Costs | - | 61,436 | 61,436 | - |
| Special Events | 4,325,946 | 4,687,842 | 4,440,564 | 247,278 |
| Cultural Activities | 50,500 | 50,500 | 50,500 | - |
| Recycling | 52,000 | 52,000 | 90,637 | (38,637) |
| Landscaping | 627,026 | 643,993 | 594,641 | 49,352 |
| Maintenance | 577,816 | 614,121 | 478,883 | 135,238 |
| Debt Service | 22,795,037 | 22,795,037 | 22,618,015 | 177,022 |
| Contingencies | 5,287,918 | 4,726,448 | - | 4,726,448 |
| Total Expenditures | <u>\$ 35,457,099</u> | <u>\$ 35,383,852</u> | <u>\$ 30,045,164</u> | <u>\$ 5,338,688</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ 822,181</u> | <u>\$ 895,428</u> | <u>\$ 7,732,857</u> | <u>\$ 6,837,429</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | \$ 25,194 | \$ 38,889 | \$ 28,392 | \$ 10,497 |
| Transfers Out | (847,375) | (1,272,819) | (1,272,819) | - |
| Total Other Financing Sources (Uses) | <u>\$ (822,181)</u> | <u>\$ (1,233,930)</u> | <u>\$ (1,244,427)</u> | <u>\$ 10,497</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ -</u> | <u>\$ (338,502)</u> | <u>\$ 6,488,430</u> | <u>\$ 6,847,926</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>7,051,761</u> | <u>7,051,761</u> | <u>7,051,761</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u>\$ 7,051,761</u> | <u>\$ 6,713,259</u> | <u>\$ 13,540,191</u> | <u>\$ 6,847,926</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
CENTRAL BUSINESS DISTRICT SOUTH TAX INCREMENT FINANCING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|---|----------------------------|----------------------------|----------------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| General Property Taxes | \$ 6,936,483 | \$ 6,936,483 | \$ 6,645,270 | \$ (291,213) |
| Other Local Taxes | 500,000 | 500,000 | 500,000 | - |
| From Use of Money and Property | 2,000 | 2,000 | 701 | (1,299) |
| Total Revenues | <u>\$ 7,438,483</u> | <u>\$ 7,438,483</u> | <u>\$ 7,145,971</u> | <u>\$ (292,512)</u> |
| <u>EXPENDITURES</u> | | | | |
| Debt Service | <u>\$ 7,827,493</u> | <u>\$ 7,827,493</u> | <u>\$ 7,744,239</u> | <u>\$ 83,254</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ (389,010)</u> | <u>\$ (389,010)</u> | <u>\$ (598,268)</u> | <u>\$ (209,258)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers Out | <u>\$ (150,000)</u> | <u>\$ (150,000)</u> | <u>\$ (150,000)</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ (539,010)</u> | <u>\$ (539,010)</u> | <u>\$ (748,268)</u> | <u>\$ (209,258)</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>2,790,843</u> | <u>2,790,843</u> | <u>2,790,843</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u><u>\$ 2,251,833</u></u> | <u><u>\$ 2,251,833</u></u> | <u><u>\$ 2,042,575</u></u> | <u><u>\$ (209,258)</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
SANDBRIDGE SPECIAL SERVICE DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| General Property Taxes | \$ 679,891 | \$ 679,891 | \$ 698,079 | \$ 18,188 |
| Other Local Taxes | 3,646,502 | 3,646,502 | 3,703,866 | 57,364 |
| From Use of Money and Property | 7,037 | 7,037 | 10,083 | 3,046 |
| Total Revenues | <u>\$ 4,333,430</u> | <u>\$ 4,333,430</u> | <u>\$ 4,412,028</u> | <u>\$ 78,598</u> |
| <u>EXPENDITURES</u> | | | | |
| Total Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ 4,333,430</u> | <u>\$ 4,333,430</u> | <u>\$ 4,412,028</u> | <u>\$ 78,598</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In for Operational Support | \$ 90,000 | \$ 90,000 | \$ 90,000 | \$ - |
| Transfers Out to Coastal CIP Projects | (4,423,430) | (4,423,430) | (4,423,430) | - |
| Total Other Financing Sources (Uses) | <u>\$ (4,333,430)</u> | <u>\$ (4,333,430)</u> | <u>\$ (4,333,430)</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 78,598</u> | <u>\$ 78,598</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>635,909</u> | <u>635,909</u> | <u>635,909</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u>\$ 635,909</u> | <u>\$ 635,909</u> | <u>\$ 714,507</u> | <u>\$ 78,598</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
TOURISM ADVERTISING PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | | Variance |
|--|----------------------|-----------------------|----------------------|--|
| | Original | Final | Actual Amounts | Final Budget Positive (Negative) |
| <u>REVENUES</u> | | | | |
| Other Local Taxes | \$ 11,468,879 | \$ 11,468,879 | \$ 11,783,651 | \$ 314,772 |
| From Use of Money and Property | 45,700 | 45,700 | 63,858 | 18,158 |
| Charges for Services | 101,198 | 101,198 | 42,673 | (58,525) |
| Miscellaneous | 27,399 | 27,399 | 16,161 | (11,238) |
| Total Revenues | <u>\$ 11,643,176</u> | <u>\$ 11,643,176</u> | <u>\$ 11,906,343</u> | <u>\$ 263,167</u> |
| <u>EXPENDITURES</u> | | | | |
| Visitor Information Center | \$ 814,126 | \$ 820,656 | \$ 704,105 | \$ 116,551 |
| Tourism and Convention Advertising | 9,461,315 | 10,793,849 | 9,657,050 | 1,136,799 |
| Sports Marketing | 1,310,897 | 1,310,897 | 1,230,882 | 80,015 |
| Total Expenditures | <u>\$ 11,586,338</u> | <u>\$ 12,925,402</u> | <u>\$ 11,592,037</u> | <u>\$ 1,333,365</u> |
| <u>EXCESS OF REVENUES OVER</u> | | | | |
| <u>(UNDER) EXPENDITURES</u> | <u>\$ 56,838</u> | <u>\$ (1,282,226)</u> | <u>\$ 314,306</u> | <u>\$ 1,596,532</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers Out | <u>\$ (56,838)</u> | <u>\$ (56,838)</u> | <u>\$ (56,838)</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES AND</u> | | | | |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| <u>OVER (UNDER) EXPENDITURES</u> | | | | |
| <u>AND OTHER FINANCING USES</u> | <u>\$ -</u> | <u>\$ (1,339,064)</u> | <u>\$ 257,468</u> | <u>\$ 1,596,532</u> |
| <u>FUND BALANCE - JULY 1</u> | | | | |
| | <u>1,439,064</u> | <u>1,439,064</u> | <u>1,439,064</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | | | | |
| | <u>\$ 1,439,064</u> | <u>\$ 100,000</u> | <u>\$ 1,696,532</u> | <u>\$ 1,596,532</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
AGRICULTURE RESERVE PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|---|-----------------------------|-----------------------------|-----------------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| General Property Taxes | \$ 2,945,029 | \$ 2,945,029 | \$ 2,944,558 | \$ (471) |
| From Use of Money and Property | 31,917 | 31,917 | 67,082 | 35,165 |
| From Commonwealth | - | 505,845 | 505,845 | - |
| Total Revenues | <u>\$ 2,976,946</u> | <u>\$ 3,482,791</u> | <u>\$ 3,517,485</u> | <u>\$ 34,694</u> |
| <u>EXPENDITURES</u> | | | | |
| Agriculture Reserve Program | \$ 225,556 | \$ 225,556 | \$ 3,858,479 | \$ (3,632,923) |
| Debt Service | 3,972,051 | 3,122,247 | 2,318,962 | 803,285 |
| Total Expenditures | <u>\$ 4,197,607</u> | <u>\$ 3,347,803</u> | <u>\$ 6,177,441</u> | <u>\$ (2,829,638)</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ (1,220,661)</u> | <u>\$ 134,988</u> | <u>\$ (2,659,956)</u> | <u>\$ (2,794,944)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers Out | \$ - | \$ (1,355,649) | \$ (1,318,519) | \$ 37,130 |
| Agriculture Reserve Agreement | - | - | 3,728,464 | 3,728,464 |
| Total Other Financing Sources (Uses) | <u>\$ -</u> | <u>\$ (1,355,649)</u> | <u>\$ 2,409,945</u> | <u>\$ 3,765,594</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ (1,220,661)</u> | <u>\$ (1,220,661)</u> | <u>\$ (250,011)</u> | <u>\$ 970,650</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>12,809,399</u> | <u>12,809,399</u> | <u>12,809,399</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u><u>\$ 11,588,738</u></u> | <u><u>\$ 11,588,738</u></u> | <u><u>\$ 12,559,388</u></u> | <u><u>\$ 970,650</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
EMERGENCY FEMA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|--|-----------------------|-------------------|-----------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| From Federal Government | \$ - | \$ 1,440,000 | \$ 649,361 | \$ (790,639) |
| <u>EXPENDITURES</u> | | | | |
| FEMA Operations | \$ - | \$ 1,440,000 | \$ 669,572 | \$ 770,428 |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | \$ - | \$ - | \$ (20,211) | \$ (20,211) |
| <u>FUND BALANCE - JULY 1</u> | 366,709 | 366,709 | 366,709 | - |
| <u>FUND BALANCE - JUNE 30</u> | <u>\$ 366,709</u> | <u>\$ 366,709</u> | <u>\$ 346,498</u> | <u>\$ (20,211)</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
OPEN SPACE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance Final Budget Positive (Negative) |
|---|--------------------------|--------------------------|--------------------------|--|
| | Original | Final | | |
| <u>REVENUES</u> | | | | |
| Other Local Taxes | \$ 2,589,265 | \$ 2,589,265 | \$ 2,602,579 | \$ 13,314 |
| From Use of Money and Property | - | - | 172 | 172 |
| Total Revenues | <u>\$ 2,589,265</u> | <u>\$ 2,589,265</u> | <u>\$ 2,602,751</u> | <u>\$ 13,486</u> |
| <u>EXPENDITURES</u> | | | | |
| Open Space Program | \$ 541,572 | \$ 543,936 | \$ 412,859 | \$ 131,077 |
| Debt Service | 2,582,588 | 2,582,588 | 2,580,324 | 2,264 |
| Total Expenditures | <u>\$ 3,124,160</u> | <u>\$ 3,126,524</u> | <u>\$ 2,993,183</u> | <u>\$ 133,341</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ (534,895)</u> | <u>\$ (537,259)</u> | <u>\$ (390,432)</u> | <u>\$ 146,827</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ (534,895)</u> | <u>\$ (537,259)</u> | <u>\$ (390,432)</u> | <u>\$ 146,827</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>707,814</u> | <u>707,814</u> | <u>707,814</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u><u>\$ 172,919</u></u> | <u><u>\$ 170,555</u></u> | <u><u>\$ 317,382</u></u> | <u><u>\$ 146,827</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
COMBINED AREA DREDGING PROJECTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | Actual Amounts | Variance |
|---|-----------------------|------------------|-----------------------|---|
| | Original | Final | | Final Budget Positive (Negative) |
| <u>REVENUES</u> | | | | |
| General Property Taxes | \$ 631,596 | \$ 631,596 | \$ 585,894 | \$ (45,702) |
| <u>EXPENDITURES</u> | | | | |
| Area Dredging Projects | \$ - | \$ - | \$ - | \$ - |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | \$ 631,596 | \$ 631,596 | \$ 585,894 | \$ (45,702) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers Out | \$ (968,060) | \$ (968,060) | \$ (1,008,870) | \$ (40,810) |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | \$ (336,464) | \$ (336,464) | \$ (422,976) | \$ (86,512) |
| <u>FUND BALANCE - JULY 1</u> | 435,275 | 435,275 | 435,275 | - |
| <u>FUND BALANCE - JUNE 30</u> | <u>\$ 98,811</u> | <u>\$ 98,811</u> | <u>\$ 12,299</u> | <u>\$ (86,512)</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
WETLANDS BOARD MITIGATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Actual Amounts</u> |
|---|--------------------------|
| <u>REVENUES</u> | |
| From Use of Money and Property | \$ 1,574 |
| Fines & Forfeitures | 35,354 |
| Total Revenues | <u>\$ 36,928</u> |
| <u>EXPENDITURES</u> | |
| Total Expenditures | <u>\$ -</u> |
| <u>EXCESS OF REVENUES OVER</u> | |
| <u>(UNDER) EXPENDITURES</u> | <u>\$ 36,928</u> |
| <u>EXCESS OF REVENUES AND</u> | |
| <u>OTHER FINANCING SOURCES</u> | |
| <u>OVER (UNDER) EXPENDITURES</u> | |
| <u>AND OTHER FINANCING USES</u> | \$ 36,928 |
| <u>FUND BALANCE - JULY 1</u> | <u>270,607</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u><u>\$ 307,535</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
MULTIMODAL TRANSPORTATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Amounts | | | Variance |
|---|-----------------------|------------------------|------------------------|--|
| | Original | Final | Actual Amounts | Final Budget Positive (Negative) |
| <u>REVENUES</u> | | | | |
| From Use of Money and Property | \$ - | \$ - | \$ 55,445 | \$ 55,445 |
| General Property Taxes | 21,772,176 | 21,772,176 | 21,768,694 | (3,482) |
| Other Local Taxes | 4,456,506 | 4,456,506 | 4,467,578 | 11,072 |
| Total Revenues | <u>\$ 26,228,682</u> | <u>\$ 26,228,682</u> | <u>\$ 26,291,717</u> | <u>\$ 63,035</u> |
| <u>EXPENDITURES</u> | | | | |
| Multi-Modal Transportation | <u>\$ 22,894,722</u> | <u>\$ 28,362,921</u> | <u>\$ 28,425,956</u> | <u>\$ (63,035)</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | | | | |
| | <u>\$ 3,333,960</u> | <u>\$ (2,134,239)</u> | <u>\$ (2,134,239)</u> | <u>\$ -</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | \$ 7,183,999 | \$ 7,609,443 | \$ 7,609,443 | \$ - |
| Transfers Out | (10,752,633) | (20,452,173) | (20,452,173) | - |
| Total Other Financing Sources (Uses) | <u>\$ (3,568,634)</u> | <u>\$ (12,842,730)</u> | <u>\$ (12,842,730)</u> | <u>\$ -</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | | | | |
| | <u>\$ (234,674)</u> | <u>\$ (14,976,969)</u> | <u>\$ (14,976,969)</u> | <u>\$ -</u> |
| <u>FUND BALANCE - JULY 1</u> | | | | |
| | <u>14,976,969</u> | <u>14,976,969</u> | <u>14,976,969</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | | | | |
| | <u>\$ 14,742,295</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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DEBT SERVICE FUND

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**CITY OF VIRGINIA BEACH, VIRGINIA
DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budget Amounts | | | Variance Final Budget Positive (Negative) |
|---|------------------------|------------------------|------------------------|--|
| | Original | Final | Actual Amounts | |
| <u>REVENUES</u> | | | | |
| From Use of Money and Property | \$ - | \$ - | \$ (1,984,790) | \$ (1,984,790) |
| Federal Reimbursement of Interest | - | - | 469,684 | 469,684 |
| Total Revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,515,106)</u> | <u>\$ (1,515,106)</u> |
| <u>EXPENDITURES</u> | | | | |
| Principal | \$ 31,918,253 | \$ 31,918,253 | \$ 31,918,253 | \$ - |
| Interest | 13,901,224 | 15,256,873 | 14,255,814 | 1,001,059 |
| Total Expenditures | <u>\$ 45,819,477</u> | <u>\$ 47,175,126</u> | <u>\$ 46,174,067</u> | <u>\$ 1,001,059</u> |
| <u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ (45,819,477)</u> | <u>\$ (47,175,126)</u> | <u>\$ (47,689,173)</u> | <u>\$ (514,047)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | <u>\$ 45,819,477</u> | <u>\$ 47,060,032</u> | <u>\$ 47,022,902</u> | <u>\$ (37,130)</u> |
| <u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u> | <u>\$ -</u> | <u>\$ (115,094)</u> | <u>\$ (666,271)</u> | <u>\$ (551,177)</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>34,468,350</u> | <u>34,468,350</u> | <u>34,468,350</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u>\$ 34,468,350</u> | <u>\$ 34,353,256</u> | <u>\$ 33,802,079</u> | <u>\$ (551,177)</u> |

GENERAL GOVERNMENT

CAPITAL PROJECTS

GENERAL GOVERNMENT CAPITAL PROJECTS

The General Government Capital Projects Fund is used to account for all revenues and expenditures related to the construction of the City's fixed assets and infrastructure. The categories of projects accounted for in this fund are engineering and highways, buildings, parks and recreation, coastal and economic, and tourism development.

CITY OF VIRGINIA BEACH, VIRGINIA
ENGINEERING AND HIGHWAYS CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

| Project Number | Project Name | Budget to Date | Current Year Expenditures | Total Expenditures | Construction In Progress | Outstanding Encumbrances | Available Balance |
|---|--|----------------|---------------------------|--------------------|--------------------------|--------------------------|-------------------|
| 2021000 | RURAL ROAD IMPROVEMENTS | \$ 8,403,916 | \$ 595,794 | \$ 6,677,676 | \$ 1,229,476 | \$ 190,795 | \$ 1,535,445 |
| 2022000 | MAJOR BRIDGE REHAB II | 5,732,111 | 509,923 | 1,812,678 | 1,812,678 | 671,448 | 3,247,985 |
| 2024000 | RURAL ROAD IMPROVEMENTS II | 800,000 | - | 17 | 17 | - | 799,983 |
| 2025000 | WITCHDUCK ROAD - PHASE II | 57,040,848 | 4,642,854 | 28,214,713 | 28,214,713 | 22,791,019 | 6,035,116 |
| 2026000 | STREET RECONSTRUCTION II | 7,600,000 | 2,136,412 | 5,612,012 | 5,612,012 | 1,682,423 | 305,565 |
| 2027000 | VARIOUS COST PARTICIPATION PROJECTS II | 175,000 | - | - | - | - | 175,000 |
| 2028000 | WETLANDS MITIGATION BANKING II | 400,000 | - | - | - | - | 400,000 |
| 2033000 | PRINCESS ANNE ROAD PHASE VII-A | 350,000 | - | 70,133 | 70,133 | 26,229 | 253,638 |
| 2038000 | ROSEMONT ROAD PHASE V | 14,784,393 | 6,000 | 753,745 | 753,745 | 164,272 | 13,866,376 |
| 2040000 | LASKING ROAD PHASE I | 5,000,000 | - | - | - | - | 5,000,000 |
| 2042000 | INDIAN RIVER/PROVIDENCE INTER IMPROVEMENT | 2,052,200 | 107,707 | 356,414 | 356,414 | 78,865 | 1,616,921 |
| 2045000 | PACIFIC AVENUE IMPROVEMENTS | 17,330,000 | 2,287,065 | 14,058,231 | 2,287,065 | 465,030 | 2,806,739 |
| 2046000 | CAVALIER DRIVE IMPROVEMENTS | 2,449,040 | 835,452 | 2,059,972 | 2,059,972 | - | 389,068 |
| 2047000 | UPTON DR EXT/DAM NECK IMPROVEMENTS | 1,300,000 | 433 | 1,855 | 1,855 | - | 1,298,145 |
| 2048000 | PRINCESS ANNE RD/KEMPSVILLE RD INTERSECTION IMPROVMENT | 88,671,045 | (1,599,387) | 83,590,419 | 4,348,553 | 297,551 | 4,783,075 |
| 2050000 | LANDSTOWN RD IMPROVEMENTS | 5,947,909 | 177,383 | 540,644 | 540,644 | 72,075 | 5,335,190 |
| 2054000 | FERRELL PARKWAY | 780,000 | - | - | - | - | 780,000 |
| 2072000 | FIRST COLONIAL RD/VB BLVD INTERSECTION IMPROVEMENT | 27,096,938 | 399,921 | 9,809,615 | 2,574,999 | 1,262,683 | 16,024,640 |
| 2078000 | SANDBRIDGE ROAD-NIMMO VVI-A | 1,732,000 | 73,197 | 551,038 | 551,038 | 2,920 | 1,178,042 |
| 2088000 | WEST NECK ROAD PHASE IV | 7,000,000 | 551,071 | 659,533 | 659,533 | 1,642,580 | 4,697,887 |
| 2089000 | SOUTHEASTERN PARKWAY AND GREENBELT (PARTIAL) | 23,549,335 | - | 23,202,000 | 4,527 | - | 347,335 |
| 2094000 | BUS STOP INFRASTRUCTURE/ACCESSIBILITY | 282,000 | 66,521 | 66,521 | 66,521 | 28,024 | 187,455 |
| 2107000 | SEABOARD ROAD | 7,788,267 | 50,127 | 6,236,876 | 259,497 | 765,531 | 785,860 |
| 2110000 | NIMMO PARKWAY VII-B | 1,010,380 | 811 | 811 | 811 | - | 1,009,569 |
| 2111000 | TRAFFIC SAFETY IMPROVEMENTS IV | 3,384,231 | 138,078 | 138,078 | 138,078 | - | 3,246,153 |
| 2112000 | INDEPENDENCE BLVD/BAKTER RD SIDEWALK | 1,151,416 | - | - | - | - | 1,151,416 |
| 2117000 | SHORE DRIVE CORRIDOR IMPRV-PHASE III | 14,951,437 | 152,641 | 1,119,284 | 1,119,284 | 168,127 | 13,664,026 |
| 2118000 | SHORE DRIVE CORRIDOR IMPRV-PHASE IV | 750,076 | - | 398,437 | 398,437 | 351,639 | - |
| 2119000 | PROVIDENCE RD SIDEWALK | 924,880 | - | - | - | - | 924,880 |
| 2120000 | WEST GREAT NECK RD SIDEWALK | 860,047 | - | - | - | - | 860,047 |
| 2145000 | WESLEYAN DRIVE | 15,620,506 | 30,500 | 12,025,648 | 395,017 | - | 3,594,858 |
| 2149000 | BIRDNECK ROAD - PHASE II | 9,986,710 | 14,981 | 8,069,212 | 126,066 | 344,363 | 1,573,135 |
| 2152000 | ELBOW ROAD EXTENDED - PHASE II | 21,906,565 | 126,740 | 5,202,994 | 5,202,994 | 237,544 | 16,466,027 |
| 2156000 | LASKIN ROAD - PHASE I (VDOT) | 5,029,500 | - | 2,253,896 | 2,253,896 | 11,628 | 2,763,976 |
| 2158000 | HOLLAND ROAD - PHASE VI (PARTIAL) | 6,555,039 | 115,286 | 3,845,022 | 3,845,022 | 34,979 | 2,675,038 |
| 2160000 | CITY WIDE STREET LGHTG IMPRVMENTS-PHASE II | 540,000 | 20,708 | 492,971 | 199,758 | 25,344 | 21,685 |
| 2161000 | TRAFFIC SIGNAL RETIMING | 4,010,936 | 35,448 | 3,389,268 | - | 82,218 | 539,450 |
| 2165000 | LASKIN ROAD - PHASE II | 1,417,017 | 11 | 625,148 | 625,148 | - | 791,869 |
| 2167000 | LYNNHAVEN PARKWAY - PHASE XI | 6,781,289 | 593,000 | 1,478,995 | 1,478,995 | 448,660 | 4,853,634 |
| 2168000 | LESNER BRIDGE REPLACEMENT | 115,754,867 | 21,300,955 | 82,326,299 | - | 26,651,978 | 6,776,590 |
| 2176000 | TRANSPORTATION NETWORK ANALYSIS | 4,387,000 | 236,239 | 2,277,401 | 1,032,934 | 5,000 | 2,104,599 |
| 2195000 | PRINCESS ANNE RD-INTERSECTION IMPRVMENTS | 30,125,750 | 1,550 | 7,182,603 | 3,162,448 | 5,652,107 | 17,291,040 |
| 2256000 | INDIAN RIVER ROAD - PHASE VII | 10,643,075 | 141,967 | 5,191,687 | 5,191,687 | 1,961,998 | 3,489,390 |
| 2300000 | TRAFFIC SAFETY IMPROVEMENTS - PHASE III | 17,220,246 | 2,348,609 | 11,831,652 | - | 2,542,823 | 2,845,771 |
| 2401000 | GREENWICH RD/CLEVELAND ST CROSSOVER | 11,698,750 | 70,813 | 3,380,227 | 3,380,227 | 93,715 | 8,224,808 |
| 2409000 | CENTERVILLE TURNPIKE INTERIM IMPROVEMENTS | 22,868,747 | 599,504 | 2,775,477 | 2,775,477 | 496,091 | 19,597,179 |
| 2410000 | TRAFFIC SIGNAL REHAB-PHASE II | 850,000 | 135,072 | 474,389 | 474,389 | 272,691 | 102,920 |
| 2414000 | SHIPPS CORNER ROAD IMPROVEMENTS | 2,325,421 | 33,947 | 305,620 | 305,620 | 294,380 | 1,725,421 |
| 2416000 | SANDBRIDGE ROAD BRIDGE REPLACEMENT | 2,000,000 | 89,549 | 626,906 | 626,906 | 371,018 | 1,002,076 |
| 2418000 | INDIAN RD/KEMPSVILLE RD IMPROVMENT | 18,535,447 | 160,560 | 6,085,880 | 6,085,880 | 2,793,253 | 9,656,314 |
| 2419000 | CENTERVILLE TURNPIKE PHASE III | 2,000,000 | 587 | 587 | 587 | 1,907,944 | 91,469 |
| 2422000 | PUNGO TURN LANE | 250,000 | - | 591 | 591 | - | 249,409 |
| 2501000 | NIMMO PARKWAY PHASE II | 250,000 | 88,398 | 88,398 | 88,398 | 10,366 | 151,236 |
| TOTAL ENGINEERING & HIGHWAYS CAPITAL PROJECTS | | \$ 620,054,334 | \$ 37,276,427 | \$ 345,861,573 | \$ 90,312,043 | \$ 74,899,311 | \$ 199,293,450 |

CITY OF VIRGINIA BEACH, VIRGINIA
BUILDINGS CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

| Project Number Project Name | Budget to Date | Current Year Expenditures | Total Expenditures | Construction In Progress | Outstanding Encumbrances | Available Balance |
|---|-----------------------|------------------------------|-----------------------|-----------------------------|-----------------------------|----------------------|
| 3006000 COASTAL GARDEN/OUTDOOR ADVENTURE PARK | \$ 543,736 | \$ 347,538 | \$ 452,176 | \$ 452,176 | \$ 15,913 | \$ 75,647 |
| 3019000 ADAM THOROUGHGOOD HOUSE VISITOR CENTER | 2,244,826 | 1,264,557 | 1,853,402 | 1,853,402 | 277,718 | 113,706 |
| 3028000 AQUARIUM MARSH PAVILION ENHANCEMENTS | 12,257,253 | 319,713 | 827,772 | 827,772 | 641,122 | 10,788,359 |
| 3047000 LANDFILL #2 PHASE 1 CAPPING | 15,435,000 | 2,157,671 | 5,899,895 | 5,899,895 | 1,730,853 | 7,804,252 |
| 3056000 PUBLIC SAFETY EQUIPMENT REPLACEMENT | 2,522,385 | 298,720 | 298,720 | 298,720 | 40,833 | 2,182,832 |
| 3068000 CIT-IT NETWORK INFRSTR REPLCMNT-PH II | 10,164,786 | 3,782,123 | 6,589,337 | - | 2,181,765 | 1,393,684 |
| 3072000 CITY HALL PLANNING & CONCEPT DEVELOPEMENT | 290,000 | 288,684 | 288,684 | - | - | 1,316 |
| 3074000 AQUARIUM MARSH PAVILION PH II | 1,100,000 | 275,556 | 275,556 | 275,556 | 824,444 | - |
| 3075999 FIRE/EMS STATION BURTON STATION | 960,000 | 103,900 | 107,446 | 107,446 | 757,186 | 95,368 |
| 3080000 COMMONWEALTH ATTORNEY BLDG RENO | 1,500,000 | 118,844 | 118,844 | - | 53,704 | 1,327,452 |
| 3087000 CIT-HNP-FIELD AUTOMATION ANALYSIS | 136,000 | 24,344 | 123,694 | - | 3,556 | 8,750 |
| 3095000 CIT-POLICE-INTGRD PUB SFTY RCRD MGT SYS | 16,396,385 | 2,169,598 | 5,463,703 | - | 5,455,759 | 5,476,923 |
| 3103000 HERITAGE BUILDING - MAINTENANCE PROGRAM | 3,075,261 | 247,320 | 1,179,264 | - | 57,584 | 1,838,413 |
| 3115000 JUDICIAL CNTR MAINTENANCE | 254,678 | 32,378 | 32,378 | - | 8,798 | 213,502 |
| 3119000 CIT-CABLE ACCESS INFRASTRUCTURE REPLACE | 3,475,261 | 100,683 | 1,287,075 | 329,125 | 37,373 | 2,150,813 |
| 3120000 CORRECTIONAL CENTER GENERATOR | 531,359 | 48,796 | 48,796 | 48,796 | 269,110 | 213,453 |
| 3133000 FIRE TRAINING CTR IMPROVE-PHASE III | 4,041,113 | 160,979 | 195,045 | 195,045 | 54,914 | 3,791,154 |
| 3134000 FIRE APPARATUS III | 7,488,308 | 1,329,483 | 7,099,370 | - | - | 388,938 |
| 3136000 VAR BLDGS HVAC REHAB & RENEWAL PH III | 9,009,331 | 1,420,211 | 6,469,437 | - | 690,357 | 1,849,537 |
| 3137000 VARIOUS BLDGS REHAB & RENEWAL PH III | 10,880,399 | 2,888,551 | 8,283,114 | - | 838,138 | 1,759,147 |
| 3139000 VARIOUS SITE ACQUISITIONS PHASE II | 9,359,072 | 3,501,966 | 8,742,275 | 4,203,031 | 85,250 | 531,547 |
| 3140000 ENERGY PERFORMANCE CONTRACTS (CITY) | 4,583,915 | 599,976 | 4,307,476 | - | 39,693 | 236,746 |
| 3142000 CIT-COMMUNICATIONS INFRA REPLACE-PHII | 32,106,051 | 1,215,055 | 21,587,197 | - | 2,233,901 | 8,284,953 |
| 3146000 VA AQUARIUM BLDG SYS REHAB & RENEW-PH I | 12,225,263 | 488,940 | 7,586,364 | 488,940 | 530,941 | 4,107,958 |
| 3200000 REV ASSESSMENT & COLLECTION SYSTEM | 11,924,799 | 375,903 | 10,577,947 | 791,425 | 1,018,182 | 328,670 |
| 3278000 VA AQUARIUM RENEWAL & REPLACEMENT-PH II | 2,975,000 | 340,063 | 1,721,577 | - | 183,585 | 1,069,838 |
| 3292000 VA AQUARIUM ANIMAL CARE ANNEX | 13,218,000 | 444,850 | 2,480,835 | 2,480,835 | 425,383 | 10,311,782 |
| 3344000 POLICE FOURTH PRECINCT-REPLACEMENT | 8,007,206 | 245,709 | 506,907 | 506,907 | 190,480 | 7,309,819 |
| 3503000 LIGHTHOUSE MULTI-SERVICE CENTER | 29,963,792 | 7,976,168 | 11,911,737 | 11,911,737 | 10,170,057 | 7,881,998 |
| 3506000 FIRE FACILITY REHAB & RENEWAL PH III | 3,322,477 | 657,284 | 3,066,503 | 3,066,503 | 33,996 | 221,978 |
| 3508000 ARC FLASH MITIGATION | 1,980,000 | 252,574 | 1,183,057 | - | 680,737 | 116,206 |
| 3510000 INTRMEDIATE CARE FACILITIES REN/REP PH I | 1,308,522 | 32,052 | 99,328 | - | 3,691 | 1,205,503 |
| 3518000 CONVENTION CTR CAPITAL MAINTENANCE | 2,330,689 | 187,274 | 414,818 | 414,818 | 1,274,576 | 641,295 |
| 3519000 CHESAPEAKE BAY AQUARIUM RENOVATION | 1,750,000 | 1,191,555 | 1,330,239 | 1,330,239 | 200,532 | 219,229 |
| 3523000 CORRECTION CTR MASTER CONTROL UPGRADE | 5,000,000 | 467,109 | 488,417 | 488,417 | 3,080 | 4,508,503 |
| 3610000 CIT-OCEANFRONT CAMERAS | 2,665,400 | 459,325 | 1,436,356 | 1,436,356 | 140,704 | 1,088,340 |
| 3615000 CIT-BUS REV/PERS PROP RACS IMPLEMENTATION | 3,852,000 | 429,565 | 1,752,519 | 1,752,519 | 1,209,958 | 889,523 |
| 3618000 CIT- DISASTER RECOVERY PHASE II | 500,000 | - | 498,722 | - | - | 1,278 |
| 3619000 CIT-ALI DATABASE MGMT/SELECTIVE ROUTING | 2,007,876 | 32,320 | 119,130 | 119,130 | 16,160 | 1,872,586 |
| 3637000 CIT-DISASTER RECOVERY CRITICAL SVC ANAL III | 436,150 | - | 435,348 | - | - | 802 |
| 3638000 CIT-APPLICATION PORTFOLIO SUSTAINMENT | 700,000 | 85,225 | 368,840 | 368,840 | 2,271 | 328,889 |
| 3648000 BIWEEKLY & LAG PAYROLL IMPLEMENTATIONS | 1,456,820 | 730,606 | 1,259,580 | - | 126,086 | 71,154 |
| 3652000 CIT-TELECOMMUNICATIONS REPLACEMENT PH II | 1,954,494 | 61,988 | 861,182 | 861,182 | 87,508 | 1,005,804 |
| 3657000 DISASTER RECOV IV-ELECT BACKUP/BLDG ACCESS | 810,000 | 69,500 | 158,597 | 158,597 | 305,043 | 346,360 |
| 3663000 CIT-ENTERPRISE SCHEDULING/TIMEKEEPING SY | 350,000 | - | - | - | - | 350,000 |
| 3664000 CIT-METROPOLITAN AREA NETWORK | 5,134,989 | 1,504,002 | 3,501,459 | 3,501,459 | 1,419,115 | 214,415 |
| 3677000 CIT-STORM SURGE AND SUSTAIN MODELING | 306,658 | 47,580 | 47,580 | 47,580 | 39,055 | 220,023 |
| 3678000 CIT-FIRE MOBILE RADIO REPEATERS | 494,000 | - | - | - | - | 494,000 |
| 3681000 CIT-ELECTRONIC PROCUREMENT SYSTEM | 340,000 | 33,785 | 33,785 | 33,785 | 205,340 | 100,875 |
| 3683000 CIT-MAINTAIN & SECURE CORPORATE DATA | 230,000 | - | - | - | - | 230,000 |
| 3693000 CIT-IT SERVICE CONTINUITY II | 1,000,000 | - | - | - | 31,136 | 968,864 |
| 3705000 CIT-HUMAN SERVICES CLIENT INFORM II | 849,810 | 4,570 | 4,570 | 4,570 | - | 845,240 |
| TOTAL BUILDINGS CAPITAL PROJECTS | \$ 265,449,064 | \$ 38,814,593 | \$ 133,376,053 | \$ 44,254,802 | \$ 34,595,587 | \$ 97,477,424 |

CITY OF VIRGINIA BEACH, VIRGINIA
PARKS AND RECREATION CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

| Project Number | Project Name | Budget to Date | Current Year Expenditures | Total Expenditures | Construction In Progress | Outstanding Encumbrances | Available Balance |
|---|--|-----------------------|------------------------------|-----------------------|-----------------------------|-----------------------------|----------------------|
| 4025000 | WOODSTOCK COVE SHORELINE RE-CONSTRUCT | \$ 742,623 | \$ 15,666 | \$ 697,767 | \$ 697,767 | \$ 4,951 | \$ 39,905 |
| 4039000 | PAAC MULTI-PURPOSE ATHLETIC FIELD RENOV | 5,250,000 | 3,019,835 | 4,325,911 | 4,325,911 | 33,442 | 890,647 |
| 4064000 | CITY BIKEWAYS & TRAILS PLAN IMPLEM PH II | 2,594,146 | 70,957 | 1,129,118 | 1,129,118 | 84,633 | 1,380,395 |
| 4079000 | THALIA CREEK GREENWAY I | 2,750,000 | 121,852 | 121,852 | 121,852 | 80,716 | 2,547,432 |
| 4080000 | SPORTSPLEX/NATL TRNG CTR REN & REPLACE | 3,553,093 | 451,435 | 2,662,904 | 1,266,019 | 296,216 | 593,973 |
| 4300000 | COM REC CTRS REPAIRS & RENOV-PHIII | 12,187,768 | 932,025 | 4,203,610 | - | 603,452 | 7,380,706 |
| 4301000 | PRKS/SPEC USE FACILIT DEV/RENOV-PHIII | 7,357,806 | 412,120 | 4,726,748 | 4,726,748 | 74,683 | 2,556,375 |
| 4302000 | GOLF COURSES CONTTUAL OBLIGATIONS-MAINT | 720,000 | - | 132,427 | - | 69,895 | 517,678 |
| 4303000 | GREENWAY SCENIC WATER & NAT AREA PH III | 795,000 | 107,467 | 293,151 | 293,151 | 68,233 | 433,616 |
| 4305000 | TENNIS COURT RENOVATIONS - PHASE III | 1,275,000 | 283,121 | 1,090,347 | - | - | 184,653 |
| 4306000 | OPEN SPACE PARK DEVELOPMENT/MAINT-PHII | 7,716,021 | 187,400 | 5,259,486 | - | 39,307 | 2,417,228 |
| 4307000 | ATHLETIC FIELDS LIGHTING/RENOV-PH III | 1,502,277 | 85,363 | 847,104 | 847,104 | 32,469 | 622,704 |
| 4308000 | OPEN SPACE PROG SITE ACQUISITION PH III | 7,652,880 | 2,500 | 5,208,311 | 5,208,311 | - | 2,444,569 |
| 4500000 | PARK PLAYGROUND RENOVATIONS-PHASE III | 2,399,792 | 413,535 | 1,910,820 | 1,910,820 | 425,394 | 63,578 |
| 4502000 | LYNNHAVEN BOAT RAMP/BEACH FAC REP/RENOV | 452,359 | - | 74,985 | 74,985 | - | 377,374 |
| 4503000 | P&R ADMINISTRATION OFFICES RELOCATION | 11,733,874 | 6,371,521 | 7,538,891 | 7,538,891 | 2,734,710 | 1,460,273 |
| 4506000 | PARKS INFRASTRUCTURE RENEWAL/REPLACMENT | 5,650,000 | 197,389 | 3,492,282 | - | 172,813 | 1,984,905 |
| 4509000 | KEMPSVILLE RECREATION CENTER | 32,148,483 | 11,456,255 | 26,997,088 | - | 175,986 | 4,975,409 |
| 4517000 | STUMPY LAKE GOLF COURSE LEASE OBLIGATIONS PH I | 204,265 | 15,414 | 15,414 | 15,414 | - | 188,851 |
| 4519000 | BIKEWAYS/TRAILS REPAIRS/RENOVATIONS I | 840,000 | 12,217 | 182,425 | - | 45,705 | 611,870 |
| 4520000 | GROMMET ISLAND PARK REPAIRS & RENOV-PHI | 144,000 | - | 21,829 | - | - | 122,171 |
| 4522000 | THALIA CREEK GREENWAY TRAIL | 800,000 | 63,631 | 165,019 | 165,019 | 22,193 | 612,788 |
| TOTAL PARKS & RECREATION CAPITAL PROJECTS | | <u>\$ 108,469,387</u> | <u>\$ 24,219,703</u> | <u>\$ 71,097,489</u> | <u>\$ 28,321,113</u> | <u>\$ 4,964,798</u> | <u>\$ 32,407,100</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
COASTAL CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

| Project Number | Project Name | Budget to Date | Current Year Expenditures | Total Expenditures | Construction In Progress | Outstanding Encumbrances | Available Balance |
|--------------------------------|--|---------------------------|--------------------------------------|-------------------------------|-------------------------------------|-------------------------------------|------------------------------|
| 8005000 | W BRANCH LYNNHAVEN RIVER MAINT DREDGING | \$ 6,166,082 | \$ 760,119 | \$ 6,101,147 | \$ - | \$ - | \$ 64,935 |
| 8010000 | SANDBRIDGE BEACH RESTORATION II | 22,550,000 | 3,224 | 3,224 | - | 45,556 | 22,501,220 |
| 8011000 | VARIOUS MINOR DREDGING II | 1,150,000 | 342,640 | 1,114,315 | - | - | 35,685 |
| 8013000 | LYNNHAVEN MAINTENANCE DREDGING II | 917,450 | 7,500 | 15,038 | - | 38,736 | 863,676 |
| 8015000 | BEACH PROFILE MONITORING II | 50,000 | 22,300 | 22,300 | - | 18,520 | 9,180 |
| 8016000 | GILLS COVE NEIGHBORHOOD DREDGING | 781,786 | 21,334 | 70,912 | - | 111,454 | 599,420 |
| 8110000 | EASTERN BRANCH LYNNHAVEN RIVER DREDGING | 5,150,000 | 138,892 | 242,828 | - | 197,189 | 4,709,983 |
| 8282000 | SANDBRIDGE EMERGENCY BEACH RESTORATION | 53,983,152 | 235,871 | 38,794,776 | - | 27,927 | 15,160,449 |
| 8405000 | SANDBRIDGE BEACH ACCESS IMPROV PH II | 1,475,000 | 375,179 | 1,266,138 | - | 90,501 | 118,361 |
| 8406000 | RUDEE INLET FEDERAL DREDGING PH II | 2,035,000 | 286,891 | 1,283,910 | - | 18,164 | 732,926 |
| 8407000 | RUDEE INLET OUTER CHAN MAINT DREDG PH II | 2,875,000 | - | 969,222 | - | - | 1,905,778 |
| 8408000 | PLEASURE HOUSE POINT MITIGATION | 3,020,000 | 35,568 | 186,806 | - | 30,508 | 2,802,686 |
| 8409000 | CHESAPEAKE BAY BEACHES | 820,000 | 212,083 | 411,674 | - | 127,325 | 281,001 |
| 8500000 | OLD DONATION CREEK AREA DREDGING | 1,015,000 | 461,501 | 697,497 | - | 308,358 | 9,145 |
| 8501000 | BAYVILLE CREEK NEIGHBORHOOD DREDGING | 1,043,300 | 77,483 | 995,048 | - | - | 48,252 |
| 8502000 | SHADOWLAWN AREA DREDGING | 437,503 | 183,839 | 309,933 | - | - | 127,570 |
| 8503000 | CHESOEPIAN COLONY NEIGHBORHOOD DREDGING | 2,677,034 | 67,753 | 232,949 | - | 56,080 | 2,388,005 |
| 8504000 | HARBOUR POINT NIEGHBORHOOD DREDGING | 312,810 | 167,482 | 257,099 | - | - | 55,711 |
| 8505000 | HURDS COVE NEIGHBORHOOD DREDGING | 3,462,000 | 77,044 | 172,238 | - | 30,491 | 3,259,271 |
| TOTAL COASTAL CAPITAL PROJECTS | | <u>\$ 109,921,117</u> | <u>\$ 3,476,703</u> | <u>\$ 53,147,054</u> | <u>\$ -</u> | <u>\$ 1,100,809</u> | <u>\$ 55,673,254</u> |

**CITY OF VIRGINIA BEACH, VIRGINIA
ECONOMIC AND TOURISM CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017**

| Project Number | Project Name | Budget to Date | Current Year Expenditures | Total Expenditures | Construction In Progress | Outstanding Encumbrances | Available Balance |
|---|--|-----------------------|------------------------------|-----------------------|-----------------------------|-----------------------------|----------------------|
| 9006000 | WINSTON-SALEM AVE IMPROVEMENTS | \$ 3,604,516 | \$ 7 | \$ 426,996 | \$ 426,996 | \$ 2,836,360 | \$ 341,160 |
| 9008000 | HISTORIC KEMPSVILLE | 2,500,000 | 24,797 | 336,844 | 336,844 | 136,444 | 2,026,712 |
| 9011000 | TRANSIT CORRIDOR DEVELOPMENT | 1,000,000 | 61,396 | 265,392 | - | 175,000 | 559,608 |
| 9015000 | ARENA INFRASTRUCTURE SITE IMP-ON SITE | 46,520,000 | 10,800 | 10,800 | 10,800 | 35,800 | 46,473,400 |
| 9017000 | BIRDNECK RD & 17TH STREET IMPROVEMENTS | 21,151,000 | 829,414 | 974,724 | 974,724 | 16,987,061 | 3,189,215 |
| 9020000 | VIBE DISTRICT STREET INFRASTRUCTURE I | 1,500,000 | 435,549 | 435,549 | 435,549 | 684,294 | 380,157 |
| 9021000 | LONDON BRIDGE COMMERCE CTR INFRA I | 1,300,000 | 164,346 | 164,346 | 164,346 | - | 1,135,654 |
| 9022000 | BURTON STATION ROADWAY IMPROV I | 9,094,896 | 555,664 | 555,664 | 555,664 | 7,822,925 | 716,307 |
| 9037000 | APZ-1 ECONOMIC INCENTIVES | 1,857,692 | - | - | - | - | 1,857,692 |
| 9059000 | OCEANA & ITA CONFORMITY & ACQUISITION II | 3,612,819 | 475,261 | 1,857,753 | 1,857,753 | 817,273 | 937,793 |
| 9069000 | 19TH STREET CORRIDOR IMPROVEMENTS | 12,700,000 | 136,360 | 11,380,491 | 332,555 | 1,309,765 | 9,744 |
| 9076000 | ECONOMIC DEVELOPMENT INITIATIVES | 100,000 | - | 53,800 | - | - | 46,200 |
| 9081000 | STATEGIC GROWTH AREA PROGRAM | 10,054,687 | 500,656 | 8,942,394 | 1,289,719 | 696,719 | 415,574 |
| 9082000 | OCEANFRONT GARAGES CAPITAL MAINTENANCE | 5,237,991 | 1,232,107 | 3,936,823 | - | 762,527 | 538,641 |
| 9083000 | TOWN CENTER GARAGE & PLAZA CAPITAL MAINT | 3,015,453 | 102,672 | 900,628 | - | 1,885,245 | 229,580 |
| 9091000 | SGA-BURTON STATION RD IMPROVEMENTS-PH III | 14,035,500 | 1,583,309 | 2,379,603 | 2,379,603 | 5,011,026 | 6,644,871 |
| 9096000 | OCEANFRONT CAPITAL PROJECTS REINVEST | 2,955,877 | 608,362 | 2,455,442 | 2,455,442 | 73,693 | 426,742 |
| 9100000 | 19TH STREET INFRASTRUCTURE IMPROVEMENTS | 10,863,200 | 433,725 | 433,725 | 433,725 | 3,369,633 | 7,059,842 |
| 9108000 | 29TH STREET IMPROVEMENTS | 3,200,000 | 68,546 | 343,968 | 343,968 | 2,851,650 | 4,382 |
| 9141000 | ECONOMIC DEVELOPMENT INVESTMENT PROGRAM (ON-GOING) | 52,875,116 | 2,528,783 | 52,875,116 | - | - | - |
| 9276000 | CAPE HENRY LIGHTHOUSE RESTORATION-PHII | 693,176 | - | 147,884 | - | 26,227 | 519,065 |
| 9500000 | VB AMPHITHEATER CAPITAL MAINTENANCE | 1,300,000 | 99,431 | 1,088,291 | - | - | 211,709 |
| TOTAL ECONOMIC & TOURISM CAPITAL PROJECTS | | <u>\$ 209,171,923</u> | <u>\$ 9,851,185</u> | <u>\$ 89,966,233</u> | <u>\$ 11,997,688</u> | <u>\$ 45,481,642</u> | <u>\$ 73,724,048</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
SUMMARY OF GENERAL GOVERNMENT CAPITAL PROJECTS REVENUES
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget Revenues | Actual Revenues | | |
|---|-------------------------|-----------------------|-----------------------|-----------------------|
| | | Prior Years | Current Year | Total |
| FEDERAL FUNDING | \$ 96,171,100 | \$ 85,384,763 | \$ 1,798,361 | \$ 88,505,055 |
| STATE FUNDING | 178,342,218 | 88,476,000 | 24,546,136 | 111,780,716 |
| LOCAL FUNDING | 1,038,552,507 | 701,777,323 | 76,504,853 | 778,282,176 |
| TOTAL GENERAL GOVERNMENT CAPITAL PROJECTS REVENUES | <u>\$ 1,313,065,825</u> | <u>\$ 875,638,086</u> | <u>\$ 102,849,350</u> | <u>\$ 978,567,947</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
SUMMARY OF GENERAL GOVERNMENT CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

| Project Name | Budget to Date | Current Year Expenditures | Total Expenditures | Construction In Progress | Outstanding Encumbrances | Available Balance |
|--|---------------------------|--------------------------------------|-------------------------------|-------------------------------------|-------------------------------------|------------------------------|
| ENGINEERING AND HIGHWAYS | \$ 620,054,334 | \$ 37,276,427 | \$ 345,861,573 | \$ 90,312,043 | \$ 74,899,311 | \$ 199,293,450 |
| BUILDINGS | 265,449,064 | 38,814,593 | 133,376,053 | 44,254,802 | 34,595,587 | 97,477,424 |
| PARKS AND RECREATION | 108,469,387 | 24,219,703 | 71,097,489 | 28,321,113 | 4,964,798 | 32,407,100 |
| COASTAL | 109,921,117 | 3,476,703 | 53,147,054 | - | 1,100,809 | 55,673,254 |
| ECONOMIC AND TOURISM | 209,171,923 | 9,851,185 | 89,966,233 | 11,997,688 | 45,481,642 | 73,724,048 |
| GENERAL GOVERNMENT EXPENDITURES | <u>\$ 1,313,065,825</u> | 113,638,611 | <u>\$ 693,448,402</u> | 174,885,646 | <u>\$ 161,042,147</u> | <u>\$ 458,575,276</u> |
| CLOSED CAPITAL PROJECTS EXPENDITURES | | <u>4,235,396</u> | | | | |
| TOTAL GENERAL GOVERNMENT EXPENDITURES | | 117,874,007 | | | | |
| TRANSFER TO SCHOOL BOARD | | <u>1,005,606</u> | | | | |
| DEVELOPMENT AUTHORITY | | | | <u>\$ 334,146</u> | | |
| TOTAL CURRENT YEAR CAPITAL PROJECTS EXPENDITURES AND OTHER FINANCING USES | | <u>\$ 118,879,613</u> | | <u>\$ 175,219,792</u> | | |
| TOTAL GENERAL GOVERNMENT CAPITAL PROJECTS REVENUES | | | \$ 978,567,947 | | | |
| TOTAL GENERAL GOVERNMENT CAPITAL PROJECTS EXPENDITURES | | | (693,448,402) | | | |
| GENERAL GOVERNMENT CAPITAL PROJECT FUND BALANCE | | | <u>\$ 285,119,545</u> | | | |

WATER AND SEWER
ENTERPRISE FUND

WATER AND SEWER ENTERPRISE FUND

The Water and Sewer Enterprise Fund operates the water distribution and sanitary sewer collection systems. The mission of this fund is to provide public water, including water for fire protection, and public sanitary sewer service to the urban areas of Virginia Beach.

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Current Assets:

| | |
|---|-----------------------|
| Cash and Investments | \$ 123,372,664 |
| Accounts Receivable - Net of Estimated Uncollectibles | 21,761,379 |
| Intergovernmental Receivables | 87,598 |
| Inventory | 2,522,528 |
| Total Current Assets | <u>\$ 147,744,169</u> |

Non-current Assets:

| | |
|-----------------------------------|-----------------------|
| Cash and Investments - Restricted | \$ 81,090,435 |
| Capital Assets: | |
| Land | 12,981,079 |
| Buildings | 18,940,552 |
| Utility System | 1,092,790,301 |
| Machinery and Equipment | 29,351,238 |
| Construction in Progress | 31,278,461 |
| Less: Accumulated Depreciation | (488,514,676) |
| Total Capital Assets | <u>\$ 696,826,955</u> |
| Total Non-current Assets | <u>\$ 777,917,390</u> |
| Total Assets | <u>\$ 925,661,559</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|---------------------|
| Difference between Expected and Actual Experience | \$ 141,570 |
| Net Difference between Projected and Actual Earnings on Plan Investments | 1,957,510 |
| Employer Contributions Subsequent to the Measurement Date | 2,257,456 |
| Total Deferred Outflow of Resources | <u>\$ 4,356,536</u> |

LIABILITIES

Current Liabilities:

| | |
|--|----------------------|
| Vouchers and Accounts Payable | \$ 3,783,226 |
| Deposits Payable | 147,557 |
| Accrued Interest Payable | 2,308,423 |
| Construction Contracts Payable | 5,578,499 |
| Unearned Revenue | 656,304 |
| Current Portion of Long-term Liabilities | 11,863,504 |
| Total Current Liabilities | <u>\$ 24,337,513</u> |

Long-Term Liabilities (less current portion):

| | |
|--|-----------------------|
| Revenue Bonds | \$ 202,235,276 |
| Premium on Refunding Bonds | 15,961,163 |
| Accrued Compensated Leave | 869,554 |
| Net Pension Liability | 21,130,440 |
| Total Long-Term Liabilities (less current portion) | <u>\$ 240,196,433</u> |
| Total Liabilities | <u>\$ 264,533,946</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|-------------------|
| Difference between Expected and Actual Experience | <u>\$ 721,849</u> |
|---|-------------------|

NET POSITION

| | |
|----------------------------------|-----------------------|
| Net Investment in Capital Assets | \$ 468,652,175 |
| Restricted for Capital Projects | 48,851,129 |
| Restricted for Debt Service | 17,979,295 |
| Restricted for Operations | 129,279,701 |
| Total Net Position | <u>\$ 664,762,300</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

| | |
|-----------------------------|-----------------------|
| Service Charges | \$ 75,766,589 |
| Sale of Water | 45,599,324 |
| Tap Fees | 801,075 |
| Fire Hydrant Rental | 4,340 |
| Navy Wheelage Charges | 146,672 |
| Interfund Services Provided | 1,497,095 |
| Miscellaneous | 663,485 |
| Total Operating Revenues | <u>\$ 124,478,580</u> |

OPERATING EXPENSES

| | |
|--------------------------------------|-----------------------|
| Cost of Goods Sold - Water Purchases | \$ 24,721,565 |
| Personal Services | 25,570,731 |
| Contractual Services | 6,025,659 |
| Internal Services | 2,936,453 |
| Other Charges | 16,706,971 |
| CIP Annual Expenditures | 852,837 |
| Depreciation | 27,552,400 |
| Total Operating Expenses | <u>\$ 104,366,616</u> |

OPERATING INCOME (LOSS)\$ 20,111,964**NONOPERATING REVENUES (EXPENSES)**

| | |
|----------------------------------|---------------------|
| Interest Income | \$ 2,081,618 |
| Gain From Sale of Assets | 62,048 |
| Interest and Fiscal Charges | (2,824,808) |
| Total Nonoperating Expenses, net | <u>\$ (681,142)</u> |

INCOME (LOSS) BEFORE CONTRIBUTIONS

\$ 19,430,822

| | |
|-----------------------|------------------|
| Capital Contributions | <u>6,248,128</u> |
|-----------------------|------------------|

CHANGE IN NET POSITION

\$ 25,678,950

TOTAL NET POSITION - BEGINNING639,083,350**TOTAL NET POSITION - ENDING**\$ 664,762,300

**CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|----------------------|
| Receipts from Customers and Users | \$ 119,233,482 |
| Receipts from Interfund Services Provided | 2,345,235 |
| Other Operating Cash Receipts | 632,286 |
| Cash Payments To Suppliers of Goods and Services | (51,478,107) |
| Cash Payments To Employees for Services | (29,771,738) |
| Net Cash Provided (Used) By Operating Activities | <u>\$ 40,961,158</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

| | |
|---|-------------|
| Intergovernmental Receipts | \$ - |
| Net Cash Provided (Used) By Noncapital Financing Activities | <u>\$ -</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | |
|--|------------------------|
| Net Interest on Long-term Debt | \$ (9,453,017) |
| Acquisition and Construction of Capital Assets | (34,889,811) |
| Proceeds from Sale of Salvage | 62,048 |
| Receipts of Capital Contributions | 4,791,322 |
| Principal Paid on Long-term Debt | (7,812,707) |
| Net Cash Provided (Used) By Capital and Related Financing Activities | <u>\$ (47,302,165)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|------------------------------|
| Interest and Dividends Received | <u>\$ 2,081,618</u> |
| Net Increase (Decrease) in Cash and Investments | (4,259,389) |
| Cash and Investments, July 1 | <u>208,722,488</u> |
| Cash and Investments, June 30 | <u><u>\$ 204,463,099</u></u> |

RECONCILIATION OF OPERATING INCOME**TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

| | |
|---|-----------------------------|
| Operating Income | \$ 20,111,964 |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities: | |
| Depreciation | 27,552,400 |
| Net changes in assets and liabilities: | |
| Accounts Receivable | (3,115,717) |
| Intergovernmental Receivables | 848,140 |
| Inventory | (46,926) |
| Deferred Outflows | 473,733 |
| Vouchers and Accounts Payable | (226,813) |
| Deposits Payable | (1,187) |
| Unearned Revenue | 40,304 |
| Accrued Compensated Leave | (76,388) |
| Net Pension Liability | (28,200) |
| Deferred Inflows | (4,570,152) |
| Net Cash Provided (Used) By Operating Activities | <u><u>\$ 40,961,158</u></u> |

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

| | |
|---------------------------------------|----------------------------|
| Capital Contributions of Fixed Assets | <u><u>\$ 1,456,806</u></u> |
|---------------------------------------|----------------------------|

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

CASH - DESIGNATED FOR CONSTRUCTION

| | |
|---|-----------------------------|
| Balance - July 1 | \$ 54,287,377 |
| Receipts: | |
| Water and Sewer Enterprise | 35,215,361 |
| Transfer from General Fund | 200,000 |
| Total Receipts | <u>35,415,361</u> |
| Disbursements: | |
| Water and Sewer Construction Expenditures | 36,988,850 |
| Expenditures Not Paid in Current Year | <u>(1,715,740)</u> |
| Total Disbursements | <u>35,273,110</u> |
| Balance - June 30 Designated for Construction | <u><u>\$ 54,429,628</u></u> |

CASH - WATER RESOURCE RECOVERY FEES

| | |
|--|--------------------|
| Balance - July 1 | \$ - |
| Receipts: | |
| Fees | 2,796,328 |
| Disbursements: | |
| Construction Expenditures | <u>2,796,328</u> |
| Balance - June 30 Water Resource Recovery Fees | <u><u>\$ -</u></u> |

CASH - WATER AND SEWER DEBT SERVICE RESERVE

| | |
|--|-----------------------------|
| Balance - July 1 | \$ 17,979,295 |
| Net Disbursements and Receipts | <u>321,626</u> |
| Balance - June 30 Water and Sewer Debt Service | <u><u>\$ 18,300,921</u></u> |

CASH - WITH FISCAL AGENT

| | |
|--|----------------------------|
| Balance - July 1 | \$ 5,717,187 |
| Net Disbursements and Receipts | <u>2,642,699</u> |
| Balance - June 30 Cash With Fiscal Agent | <u><u>\$ 8,359,886</u></u> |

TOTAL RESTRICTED CASH

\$ 81,090,435

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Positive (Negative) |
|---|----------------------|---------------------|------------------------------------|
| <u>Director of Public Utilities</u> | | | |
| Personal Services | \$ 298,084 | \$ 255,655 | \$ 42,429 |
| Fringe Benefits | 92,427 | 80,729 | 11,698 |
| Contractual Services | 3,850 | 8,850 | (5,000) |
| Internal Services | 17,483 | 17,040 | 443 |
| Other Charges | 43,167 | 27,400 | 15,767 |
| Total Director of Public Utilities | <u>\$ 455,011</u> | <u>\$ 389,674</u> | <u>\$ 65,337</u> |
| <u>Engineering Staff</u> | | | |
| Personal Services | \$ 6,405,729 | \$ 5,727,814 | \$ 677,915 |
| Fringe Benefits | 1,920,250 | 1,792,841 | 127,409 |
| Contractual Services | 1,549,602 | 1,090,253 | 459,349 |
| Internal Services | 286,832 | 226,522 | 60,310 |
| Other Charges | 282,198 | 191,565 | 90,633 |
| Total Engineering Staff | <u>\$ 10,444,611</u> | <u>\$ 9,028,995</u> | <u>\$ 1,415,616</u> |
| <u>Operations and Maintenance Administration</u> | | | |
| Personal Services | \$ 2,250,678 | \$ 2,054,134 | \$ 196,544 |
| Fringe Benefits | 724,192 | 669,427 | 54,765 |
| Contractual Services | 2,476,167 | 1,377,649 | 1,098,518 |
| Internal Services | 140,463 | 139,345 | 1,118 |
| Other Charges | 548,103 | 589,792 | (41,689) |
| Total Operations and Maintenance Administration | <u>\$ 6,139,603</u> | <u>\$ 4,830,347</u> | <u>\$ 1,309,256</u> |
| <u>Water Distribution</u> | | | |
| Personal Services | \$ 2,650,036 | \$ 2,667,104 | \$ (17,068) |
| Fringe Benefits | 878,361 | 879,375 | (1,014) |
| Contractual Services | 241,771 | 101,227 | 140,544 |
| Internal Services | 536,646 | 502,688 | 33,958 |
| Other Charges | 849,801 | 947,651 | (97,850) |
| Total Water Distribution | <u>\$ 5,156,615</u> | <u>\$ 5,098,045</u> | <u>\$ 58,570</u> |
| <u>Lake Gaston Facilities</u> | | | |
| Contractual Services | \$ 2,410,421 | \$ 1,337,519 | \$ 1,072,902 |
| Internal Services | 85,700 | 12,380 | 73,320 |
| Other Charges | 1,438,600 | 740,902 | 697,698 |
| Total Lake Gaston Facilities | <u>\$ 3,934,721</u> | <u>\$ 2,090,801</u> | <u>\$ 1,843,920</u> |
| <u>Sewer Collection Systems</u> | | | |
| Personal Services | \$ 3,421,828 | \$ 3,388,290 | \$ 33,538 |
| Fringe Benefits | 1,064,363 | 1,025,107 | 39,256 |
| Contractual Services | 177,304 | 92,663 | 84,641 |
| Internal Services | 1,168,935 | 1,115,845 | 53,090 |
| Other Charges | 765,355 | 734,011 | 31,344 |
| Total Sewer Collection Systems | <u>\$ 6,597,785</u> | <u>\$ 6,355,916</u> | <u>\$ 241,869</u> |
| <u>Sewer Pump Stations</u> | | | |
| Personal Services | \$ 2,546,375 | \$ 2,567,729 | \$ (21,354) |
| Fringe Benefits | 888,169 | 884,423 | 3,746 |
| Contractual Services | 275,439 | 187,224 | 88,215 |
| Internal Services | 429,870 | 401,300 | 28,570 |
| Other Charges | 2,595,606 | 2,604,817 | (9,211) |
| Total Sewer Pump Stations | <u>\$ 6,735,459</u> | <u>\$ 6,645,493</u> | <u>\$ 89,966</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------------|----------------------|-----------------------|------------------------------------|
| <u>Customer Services</u> | | | |
| Personal Services | \$ 3,167,258 | \$ 2,821,999 | \$ 345,259 |
| Fringe Benefits | 1,145,534 | 990,633 | 154,901 |
| Contractual Services | 3,092,670 | 1,722,701 | 1,369,969 |
| Internal Services | 256,196 | 199,834 | 56,362 |
| Other Charges | 834,873 | 625,053 | 209,820 |
| Total Customer Services | <u>\$ 8,496,531</u> | <u>\$ 6,360,220</u> | <u>\$ 2,136,311</u> |
| <u>Water Purchases</u> | <u>\$ 25,294,000</u> | <u>\$ 24,721,565</u> | <u>\$ 572,435</u> |
| <u>Meter Operations</u> | | | |
| Personal Services | \$ 1,741,089 | \$ 1,662,097 | \$ 78,992 |
| Fringe Benefits | 636,382 | 556,714 | 79,668 |
| Contractual Services | 47,494 | 65,379 | (17,885) |
| Internal Services | 266,043 | 247,844 | 18,199 |
| Other Charges | 834,922 | 809,399 | 25,523 |
| Total Meter Operations | <u>\$ 3,525,930</u> | <u>\$ 3,341,433</u> | <u>\$ 184,497</u> |
| <u>Electrical Support</u> | | | |
| Personal Services | \$ 986,296 | \$ 980,313 | \$ 5,983 |
| Fringe Benefits | 321,928 | 308,139 | 13,789 |
| Contractual Services | 80,500 | 42,194 | 38,306 |
| Internal Services | 59,937 | 73,655 | (13,718) |
| Other Charges | 56,394 | 88,307 | (31,913) |
| Total Meter Operations | <u>\$ 1,505,055</u> | <u>\$ 1,492,608</u> | <u>\$ 12,447</u> |
| <u>General Fund Charges</u> | | | |
| Office Rental | \$ 396,678 | \$ 396,678 | \$ - |
| Landscape Services | 467,312 | 417,991 | 49,321 |
| Support Personnel | 518,847 | 511,094 | 7,753 |
| Building Maintenance | 165,965 | 165,965 | - |
| Communication Technology Charges | 1,922,589 | 1,922,589 | - |
| Indirect Cost Allocation | 2,716,396 | 1,729,745 | 986,651 |
| Right of Way Utility | 4,000,000 | 4,000,000 | - |
| Water Assistance | 250,000 | 204,012 | 45,988 |
| Total General Fund Charges | <u>\$ 10,437,787</u> | <u>\$ 9,348,074</u> | <u>\$ 1,089,713</u> |
| <u>Other Charges</u> | | | |
| Retiree Health Insurance | \$ 439,567 | \$ 382,827 | \$ 56,740 |
| CIP Annual Expenditures | - | 852,837 | (852,837) |
| Net Deferred Retirement Contributions | - | (4,124,619) | 4,124,619 |
| Total Other Charges | <u>\$ 439,567</u> | <u>\$ (2,888,955)</u> | <u>\$ 3,328,522</u> |
| Total Budgeted Operating Expenses | <u>\$ 89,162,675</u> | <u>\$ 76,814,216</u> | <u>\$ 12,348,459</u> |

Note: Total General Fund Charges reclassified as Other Charges. Budget does not include Reserves.

Depreciation is not included in the Budgeted Operating Expenses. The City does not budget for depreciation.

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER FUND CAPITAL PROJECTS
WATER CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

| Project Number | Project Name | Budget to Date | Current Year Expenditures | Total Expenditures | Construction In Progress | Outstanding Encumbrances | Available Balance |
|--|---|----------------------|------------------------------|-----------------------|-----------------------------|-----------------------------|----------------------|
| 5010000 | RAW WATER TRANSMISSION SYSTEM REHAB I | \$ 2,000,000 | \$ 349,075 | \$ 437,821 | \$ 437,821 | \$ 490,677 | \$ 1,071,502 |
| 5019000 | ADVANCE WATER METERING | 300,000 | - | - | - | - | 300,000 |
| 5020000 | CLEVELAND ST WATER IMPROVEMENTS | 200,000 | - | - | - | - | 200,000 |
| 5024000 | HOLLAND ROAD - PHASE VI | 2,600,000 | 3,815 | 1,493,574 | 1,493,574 | 105 | 1,106,321 |
| 5027000 | LESNER BRIDGE WATER LINE REPLACEMENT | 250,000 | 54,242 | 100,546 | 100,546 | 21,168 | 128,286 |
| 5028000 | WITCHDUCK RD - PHASE II WATER IMPROVEMENT | 1,482,000 | 553,301 | 613,339 | 613,339 | (495,339) | 1,364,000 |
| 5030000 | SHORE DRIVE WATER LINE IMPROVEMENTS PH III | 385,000 | 13,465 | 43,597 | 43,597 | 56,843 | 284,560 |
| 5031000 | SYSTEM EXP COST PARTICIPATION AGREE PH II | 160,000 | - | 100,000 | 100,000 | 30,000 | 30,000 |
| 5043000 | LANDSTOWN ROAD WATER IMPROVEMENTS | 450,000 | 1,750 | 13,000 | 13,000 | 5,000 | 432,000 |
| 5046000 | UTILITIES EMERG RESPONSE PRG-PHASE II | 900,000 | 38,760 | 652,145 | - | 38,130 | 209,725 |
| 5090000 | LYNNHAVEN PARKWAY - PHASE XI | 635,198 | 282,348 | 323,873 | 323,873 | - | 311,325 |
| 5148000 | ELBOW ROAD EXT - PH I & II | 429,663 | - | 379,662 | - | - | 50,001 |
| 5149000 | INDIAN RIVER RD - PHASE VII | 68,548 | - | 58,224 | - | 10,324 | - |
| 5151000 | LANDSTOWN YARD IMPROVEMENTS - PHASE IV | 3,156,000 | 526,506 | 1,879,555 | 1,303,670 | 48,384 | 1,228,061 |
| 5203000 | LOTUS GARDEN WATER IMPROVEMENTS-51% PRG | 2,020,000 | - | 2,020,000 | - | - | - |
| 5207000 | LASKIN ROAD - PHASE I | 605,606 | - | 362,998 | 207,393 | 15,845 | 226,763 |
| 5251000 | VARIOUS RDWY STORM WATER COOR VI | 850,000 | 402,416 | 530,432 | 530,432 | 144,296 | 175,272 |
| 5254000 | WATER REQUESTS & AGREEMENT (51% PRG) VI | 150,000 | - | 100,000 | - | - | 50,000 |
| 5260000 | UTILITY CROSSINGS CONDITION ASSESS PH II | 1,196,018 | 412,881 | 633,351 | 633,351 | 253,189 | 309,478 |
| 5403000 | SERVICE ORDER AUTOMATION SOLUTION DESIGN | 197,500 | 82,605 | 84,405 | 84,405 | - | 113,095 |
| 5405000 | CUSTOMER INFO SYSTEM VERSION MIGRATION | 1,200,000 | 65,231 | 209,695 | 209,695 | 30,756 | 959,549 |
| 5407000 | COMPUTERIZED MAP/INFRASTRUCTURE MGMT III | 200,000 | - | 10,755 | 10,755 | - | 189,245 |
| 5452000 | COMPREHENSIVE WATER MASTER PLANNING VI | 1,300,000 | 145,845 | 337,117 | - | 47,184 | 915,699 |
| 5501000 | WTR PUMP STATION/TANK UPGRADE PRG - PH I | 16,769,996 | 1,038,689 | 13,854,743 | 1,038,689 | 828,912 | 2,086,341 |
| 5601000 | FIRST COLONIAL/VB BLVD INTERSECTION IMPROVEMENT | 120,000 | - | - | - | - | 120,000 |
| 5604000 | PA ROAD WATER IMPROVEMENTS - PHASE VII | 870,000 | - | 9,061 | 9,061 | - | 860,939 |
| 5708000 | RESORT AREA NEIGHBORHOOD REVITALIZATION | 4,946,636 | 657,585 | 4,008,476 | 657,585 | 600,754 | 337,406 |
| 5804000 | WATER LINE EXT REPLACE REHAB PROGRAM | 8,035,000 | 1,587,235 | 3,968,408 | - | 221,441 | 3,845,151 |
| 5805000 | WTR SYS AGING INFRASTRUCTURE PRG - PH I | 6,150,000 | 95,717 | 4,821,364 | 735,370 | 51,470 | 1,277,166 |
| 5806000 | BACKFLOW PREVENT/CROSS CONNCT CTRL PH II | 536,271 | 138,053 | 469,648 | 469,648 | 21,945 | 44,678 |
| 5952000 | WTR PUMP STA FLOW MONITOR/DATA STORAGE | 1,469,176 | 151,683 | 793,102 | 793,102 | 120,650 | 555,424 |
| 5953000 | WATER TAP INSTALLATION PROGRAM PH II | 1,029,754 | 243,087 | 931,550 | 706,618 | 80,547 | 17,657 |
| 5967000 | WTR RESOURCES INVESTIGATION/PLANNING - PH I | 800,000 | 52,488 | 261,327 | - | 10,089 | 528,584 |
| TOTAL WATER CAPITAL PROJECT EXPENDITURES | | <u>\$ 61,462,366</u> | 6,896,777 | <u>\$ 39,501,768</u> | <u>\$ 10,515,524</u> | <u>\$ 2,632,370</u> | <u>\$ 19,328,228</u> |
| CLOSED WATER CAPITAL PROJECTS EXPENDITURES | | | <u>88,578</u> | | | | |
| TOTAL CURRENT YEAR WATER CAPITAL PROJECTS EXPENDITURES | | | <u>\$ 6,985,355</u> | | | | |

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER FUND CAPITAL PROJECTS
SEWER CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

| Project Number | Project Name | Budget to Date | Current Year Expenditures | Total Expenditures | Construction In Progress | Outstanding Encumbrances | Available Balance |
|--|--|----------------|---------------------------|--------------------|--------------------------|--------------------------|-------------------|
| 6019000 | RESORT AREA NEIGHBORHOOD REVITALIZATION | \$ 15,460,000 | \$ 1,078,948 | \$ 11,041,379 | \$ 2,314,176 | \$ 346,241 | \$ 4,072,380 |
| 6041000 | PUMP STATION MODIFICATIONS-PHASE V | 55,642,465 | 8,247,187 | 41,825,272 | 294,116 | 9,956,115 | 3,861,078 |
| 6043000 | LANDSTOWN ROAD SEWER IMPROVEMENTS | 350,000 | 2,520 | 16,990 | 16,990 | 7,010 | 326,000 |
| 6051000 | INDIAN RIVER ROAD - PHASE VII | 14,717 | - | 9,473 | 9,473 | - | 5,244 |
| 6057000 | HOLLAND ROAD - PHASE VI | 2,150,000 | 15,260 | 1,188,055 | 1,188,055 | 420 | 961,525 |
| 6061000 | EMERG RESPONSE PRG-PHASE II | 900,000 | - | 527,094 | - | 7,844 | 365,062 |
| 6070000 | INFILTRATION & REHAB PH V | 26,635,000 | 1,361,211 | 20,398,949 | 2,653,869 | 1,970,557 | 4,265,494 |
| 6075000 | LASKIN ROAD - PHASE I | 100,030 | - | 79,918 | 79,888 | - | 20,112 |
| 6087000 | SANITARY SEWER PS GENERATOR REPLACEMENT | 100,000 | 11,277 | 11,277 | - | 4,438 | 84,285 |
| 6088000 | CLEVELAND STREET SEWER IMPROVEMENTS | 200,000 | - | - | - | - | 200,000 |
| 6091000 | SEWER REQUESTS & AGREEMENTS PH VI (51%) | 150,000 | - | 100,000 | 100,000 | - | 50,000 |
| 6092000 | VACUUM VALVE MONITORING SYSTEM | 1,060,000 | 12,592 | 125,923 | 125,923 | - | 934,077 |
| 6093000 | CONSENT ORDER REHAB PLAN IMPLEMENTATION - PH I | 8,575,000 | 3,007,593 | 4,434,047 | - | 2,391,266 | 1,749,687 |
| 6098000 | PRICE ST APTS SANITARY SEWER PUMP STATION | 1,780,000 | - | - | - | 1,780,000 | - |
| 6116000 | PROSPERITY ROAD SEWER IMPROVE 51% PROGR | 1,250,000 | 6,113 | 807,375 | 807,375 | 57,717 | 384,908 |
| 6151000 | LANDSTOWN YARD IMPROVEMENTS - PHASE IV | 2,325,000 | 516,849 | 1,405,053 | 1,106,294 | 62,930 | 857,017 |
| 6201000 | GREEN HILL FARMS SEWER IMPROVE (51% PRG) | 2,620,000 | 1,586,103 | 1,758,563 | 1,758,563 | 740,121 | 121,316 |
| 6203000 | LOTUS GARDEN SEWER IMPROVEMENTS-51% PRG | 1,650,000 | - | 1,650,000 | 1,060,733 | - | - |
| 6403000 | SERVICE ORDER AUTOMATION SOLUTION DESIGN | 197,500 | 82,605 | 84,605 | 84,605 | - | 112,895 |
| 6405000 | CUSTOMER INFO SYSTEM VERSION MIGRATION | 1,200,000 | 65,231 | 191,551 | 191,551 | 30,757 | 977,692 |
| 6501000 | AUX POWER PRG-SEWER PMP STATIONS-PH III | 12,806,816 | 628,273 | 7,962,294 | 628,273 | 2,014,489 | 2,830,033 |
| 6550000 | COMPREHENSIVE SEWER MASTER PLANNING V | 1,350,000 | 73,410 | 579,351 | - | 3,096 | 767,553 |
| 6551000 | SYSTEM EXP COST PARTICIPATION AGREE III | 2,000,000 | 44,858 | 529,162 | 529,162 | 1,419,192 | 51,646 |
| 6552000 | SANITARY SEWER SYS REVITAL'N PRG-PH II | 24,165,736 | 2,987,455 | 19,056,287 | - | 2,154,609 | 2,954,840 |
| 6555000 | UTILITY CROSSINGS CONDITION ASSESS PH II | 1,236,711 | 182,146 | 267,046 | - | - | 969,665 |
| 6556000 | VARIOUS ROADWAY/STORM WATER COORD VI | 1,970,000 | 763,973 | 884,569 | 884,569 | 302,432 | 782,999 |
| 6557000 | SGA SANITARY SEWER SYSTEM IMPROVEMENTS | 1,600,000 | - | - | - | - | 1,600,000 |
| 6559000 | SANITARY SEWER ASSET MGMT PROGRAM III | 1,100,000 | 173,243 | 184,423 | 184,423 | 289,444 | 626,133 |
| 6564000 | RELOCATION SEWER CLEAN OUTS N LANDING | 325,000 | - | 66,015 | 66,015 | - | 258,985 |
| 6565000 | COMPUTERIZED MAPPING & INFRASTRUCTURE | 200,000 | - | 10,755 | 10,755 | - | 189,245 |
| 6601000 | FIRST COLONIAL/VB BLVD INTERSECTION IMPROV | 210,000 | - | - | - | - | 210,000 |
| 6602000 | PA ROAD/KEMPSVILLE RD INTERSECTION IMPROV | 969,600 | - | 636,256 | 65,975 | - | 333,344 |
| 6604000 | WITCHDUCK ROAD-PHASE II SEWER IMPROVEMENTS | 1,581,499 | 141,376 | 184,507 | 184,507 | (83,855) | 1,480,847 |
| 6804000 | SANIT SWR REGULATORY COMPLIANCE PRG - PH I | 27,598,476 | 1,290,519 | 24,149,670 | - | 966,858 | 2,481,948 |
| 6952000 | SWR PUMP STA FLOW MONITOR/DATA STORAGE | 26,674,828 | 7,338,419 | 15,082,132 | 356,000 | 5,489,724 | 6,102,972 |
| 6953000 | SEWER TAP INSTALLATION PROGRAM PH II | 1,596,811 | 374,374 | 1,434,243 | 1,039,049 | 141,145 | 21,423 |
| TOTAL SEWER CAPITAL PROJECT EXPENDITURES | | \$ 227,745,189 | \$ 29,991,535 | \$ 156,682,234 | \$ 15,740,339 | \$ 30,052,550 | \$ 41,010,405 |
| CLOSED CAPITAL PROJECTS EXPENDITURES | | | 11,960 | | | | |
| TOTAL CURRENT YEAR SEWER CAPITAL PROJECTS EXPENDITURES | | | 30,003,495 | | | | |
| WATER AND SEWER CAPITAL PROJECTS | | \$ 289,207,555 | \$ 36,988,850 | \$ 196,184,002 | 26,255,863 | \$ 32,684,920 | \$ 60,338,633 |
| CAPITALIZED INTEREST REMAINING IN CONSTRUCTION IN PROGRESS | | | | | 5,022,598 | | |
| WATER AND SEWER FUND CONSTRUCTION IN PROGRESS | | | | | \$ 31,278,461 | | |
| TOTAL WATER AND SEWER CAPITAL PROJECTS REVENUES | | | | \$ 245,035,131 | | | |
| TOTAL WATER AND SEWER CAPITAL PROJECTS EXPENDITURES | | | | (196,184,002) | | | |
| WATER AND SEWER NET POSITION RESTRICTED FOR CAPITAL PROJECTS | | | | \$ 48,851,129 | | | |

**CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER FUND CAPITAL PROJECTS
BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budget Revenues | Actual Revenues | | |
|---|-----------------------|-----------------------|----------------------|-----------------------|
| | | Prior Years | Current Year | Total |
| FEDERAL FUNDING | \$ 474,466 | \$ 372,245 | \$ - | \$ 372,245 |
| STATE FUNDING | 88,640 | 90,121 | - | 90,121 |
| LOCAL FUNDING | 288,644,449 | 209,157,404 | 35,415,361 | 244,572,765 |
| TOTAL GENERAL GOVERNMENT CAPITAL PROJECTS REVENUES | <u>\$ 289,207,555</u> | <u>\$ 209,619,770</u> | <u>\$ 35,415,361</u> | <u>\$ 245,035,131</u> |

**STORM WATER
ENTERPRISE FUND**

STORM WATER ENTERPRISE FUND

The Storm Water Enterprise Fund operates the city's drainage and storm water management system. This fund addresses the City Council destination points and city strategies of creating an effective drainage system and storm water management system, protect natural resources and enhance quality of land and waterways, in order to maintain the city's utility systems, encourage development only in accordance with principles of natural environment protection, and provide adequate resources to maintain existing infrastructure.

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Current Assets:

| | |
|---|----------------------|
| Cash and Investments | \$ 31,771,846 |
| Accounts Receivable - Net of Estimated Uncollectibles | 7,387,972 |
| Total Current Assets | <u>\$ 39,159,818</u> |

Non-current Assets:

| | |
|-----------------------------------|-----------------------|
| Cash and Investments - Restricted | \$ 19,626,498 |
| Capital Assets: | |
| Land | 131,665,778 |
| Utility System | 233,272,190 |
| Machinery and Equipment | 15,300,317 |
| Construction in Progress | 36,446,557 |
| Less: Accumulated Depreciation | (68,395,681) |
| Total Capital Assets | <u>\$ 348,289,161</u> |
| Total Non-current Assets | <u>\$ 367,915,659</u> |
| Total Assets | <u>\$ 407,075,477</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|---------------------|
| Difference between Expected and Actual Experience | \$ 62,798 |
| Net Difference between Projected and Actual Earnings on Plan Investments | 868,312 |
| Employer Contributions Subsequent to the Measurement Date | 1,001,362 |
| Total Deferred Outflow of Resources | <u>\$ 1,932,472</u> |

LIABILITIES

Current Liabilities:

| | |
|--|---------------------|
| Vouchers and Accounts Payable | \$ 1,087,827 |
| Accrued Interest Payable | 208,853 |
| Construction Contracts Payable | 3,628,312 |
| Current Portion of Long-term Liabilities | 2,511,402 |
| Total Current Liabilities | <u>\$ 7,436,394</u> |

Long-Term Liabilities (less current portion):

| | |
|--|----------------------|
| Revenue Bonds | \$ 41,780,000 |
| Premium on Refunding Bonds | 938,455 |
| Accrued Compensated Leave | 596,800 |
| Net Pension Liability | 9,373,036 |
| Total Long-Term Liabilities (less current portion) | <u>\$ 52,688,291</u> |
| Total Liabilities | <u>\$ 60,124,685</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|-------------------|
| Difference between Expected and Actual Experience | <u>\$ 320,197</u> |
|---|-------------------|

NET POSITION

| | |
|----------------------------------|-----------------------|
| Net Investment in Capital Assets | \$ 303,704,740 |
| Restricted for Capital Projects | 12,621,810 |
| Restricted for Debt Service | 3,388,443 |
| Restricted for Operations | 28,848,074 |
| Total Net Position | <u>\$ 348,563,067</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

| | |
|-----------------|---------------|
| Service Charges | \$ 40,039,411 |
|-----------------|---------------|

OPERATING EXPENSES

| | |
|----------------------------|---------------|
| Personal Services | \$ 13,963,910 |
| Contractual Services | 7,024,212 |
| Internal Services | 1,501,771 |
| Other Charges | 5,143,505 |
| Land Structure Maintenance | 23,191 |
| Depreciation | 5,466,520 |
| Total Operating Expenses | \$ 33,123,109 |

OPERATING INCOME (LOSS)

| | |
|--|--------------|
| | \$ 6,916,302 |
|--|--------------|

NONOPERATING REVENUES (EXPENSES)

| | |
|--|--------------|
| Interest Income | \$ 431,694 |
| From Commonwealth | 275,938 |
| Gain (Loss) From Sale of Assets | 117,479 |
| Interest and Fiscal Charges | (1,460,580) |
| Total Nonoperating Revenues (Expenses) | \$ (635,469) |

INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS

| | |
|--|--------------|
| | \$ 6,280,833 |
|--|--------------|

| | |
|-----------------------------------|--------------|
| Capital Contributions | 363,254 |
| Transfers In | 1,339,873 |
| Total Transfers and Contributions | \$ 1,703,127 |

CHANGE IN NET POSITION

| | |
|--|--------------|
| | \$ 7,983,960 |
|--|--------------|

TOTAL NET POSITION - BEGINNING

| | |
|--|-------------|
| | 340,579,107 |
|--|-------------|

TOTAL NET POSITION - ENDING

| | |
|--|----------------|
| | \$ 348,563,067 |
|--|----------------|

**CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|----------------------|
| Receipts from Customers and Users | \$ 39,084,094 |
| Cash Payments To Suppliers of Goods and Services | (13,290,275) |
| Cash Payments To Employees for Services | (13,359,869) |
| Net Cash Provided (Used) By Operating Activities | <u>\$ 12,433,950</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

| | |
|---|---------------------|
| Intergovernmental Receipts | \$ 275,938 |
| Receipts from Other Funds | 1,339,873 |
| Net Cash Provided (Used) By Noncapital Financing Activities | <u>\$ 1,615,811</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | |
|--|------------------------|
| Net Interest on Long-term Debt | \$ (1,708,803) |
| Acquisition and Construction of Capital Assets | (27,159,580) |
| Proceeds from Sale of Salvage | 117,479 |
| Receipts of Capital Contributions | 363,254 |
| Principal Paid on Long-term Debt | (1,700,000) |
| Net Cash Provided (Used) By Capital and Related Financing Activities | <u>\$ (30,087,650)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|-----------------------------|
| Interest and Dividends Received | \$ 431,694 |
| Net Cash Provided By Investing Activities | <u>431,694</u> |
| Net Increase (Decrease) in Cash and Investments | (15,606,195) |
| Cash and Investments, July 1 | <u>67,004,539</u> |
| Cash and Investments, June 30 | <u><u>\$ 51,398,344</u></u> |

RECONCILIATION OF OPERATING INCOME**TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

| | |
|---|-----------------------------|
| Operating Income | \$ 6,916,302 |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities: | |
| Depreciation | 5,466,520 |
| Net Changes in assets and liabilities: | |
| Accounts Receivable | (955,317) |
| Deferred Outflows | (308,110) |
| Vouchers and Accounts Payable | 402,404 |
| Accrued Compensated Leave | 113,954 |
| Net Pension Liability | 2,257,637 |
| Deferred Inflows | (1,459,440) |
| Net Cash Provided (Used) By Operating Activities | <u><u>\$ 12,433,950</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | | | Variance |
|--|----------------------|----------------------|---------------------|
| | Budget | Actual | Positive |
| | | | (Negative) |
| <u>Project Management</u> | | | |
| Personal Services | \$ 1,476,022 | \$ 1,437,501 | \$ 38,521 |
| Fringe Benefits | 455,578 | 435,513 | 20,065 |
| Contractual Services | 190,403 | 31,192 | 159,211 |
| Internal Services | 28,662 | 26,092 | 2,570 |
| Other Charges | 185,031 | 122,366 | 62,665 |
| Total Project Management | <u>\$ 2,335,696</u> | <u>\$ 2,052,664</u> | <u>\$ 283,032</u> |
| <u>Operations and Maintenance</u> | | | |
| Personal Services | \$ 6,949,519 | \$ 6,662,933 | \$ 286,586 |
| Fringe Benefits | 2,124,104 | 2,039,698 | 84,406 |
| Contractual Services | 6,598,061 | 5,456,352 | 1,141,709 |
| Internal Services | 1,361,712 | 1,257,646 | 104,066 |
| Other Charges | 1,177,502 | 864,687 | 312,815 |
| Land Structures and Improvements | 25,740 | 23,191 | 2,549 |
| Total Operations and Maintenance | <u>\$ 18,236,638</u> | <u>\$ 16,304,507</u> | <u>\$ 1,932,131</u> |
| <u>Inspections and Environmental Spill Response</u> | | | |
| Personal Services | \$ 473,518 | \$ 357,393 | \$ 116,125 |
| Fringe Benefits | 137,715 | 110,906 | 26,809 |
| Contractual Services | 323,676 | 189,794 | 133,882 |
| Internal Services | 30,188 | 28,704 | 1,484 |
| Other Charges | 20,012 | 13,096 | 6,916 |
| Total Inspections and Environmental Spill Response | <u>\$ 985,109</u> | <u>\$ 699,893</u> | <u>\$ 285,216</u> |
| <u>Residential Street Sweeping</u> | | | |
| Personal Services | \$ 1,603,208 | \$ 1,641,065 | \$ (37,857) |
| Fringe Benefits | 702,178 | 613,121 | 89,057 |
| Contractual Services | 2,282,974 | 1,346,874 | 936,100 |
| Internal Services | 277,712 | 189,329 | 88,383 |
| Other Charges | 124,878 | 34,697 | 90,181 |
| Total Residential Street Sweeping | <u>\$ 4,990,950</u> | <u>\$ 3,825,086</u> | <u>\$ 1,165,864</u> |
| <u>General Fund Charges</u> | | | |
| Direct Cost Allocations | \$ 17,916 | \$ 17,916 | \$ - |
| Indirect Cost Allocations | 1,836,000 | 1,836,000 | - |
| Landscape Services | 52,790 | 52,790 | - |
| IT Core Services | 56,909 | 56,909 | - |
| Stormwater Regulations | 142,324 | 142,324 | - |
| Total General Fund Charges | <u>\$ 2,105,939</u> | <u>\$ 2,105,939</u> | <u>\$ -</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Positive (Negative) |
|--|--------------------------|--------------------------|---|
| <u>Other Charges</u> | | | |
| Retiree Health Insurance | \$ 177,092 | \$ 175,693 | \$ 1,399 |
| Annual CIP Expenditures | - | 1,091,586 | (1,091,586) |
| Water and Sewer Billing System Charges | 911,134 | 911,134 | - |
| Net Deferred Retirement Contributions | - | 490,087 | (490,087) |
| Total Other Charges | <u>\$ 1,088,226</u> | <u>\$ 2,668,500</u> | <u>\$ (1,581,673)</u> |
| Total Budgeted Operating Expenses | <u>\$ 29,742,558</u> | <u>\$ 27,656,589</u> | <u>\$ 2,084,570</u> |

Note: Total General Fund Charges reclassified as Other Charges.

Depreciation is not included in the Budgeted Operating Expenses. The City does not budget for depreciation.

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER CAPITAL PROJECTS BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2017

| Funding Sources | Budget Revenues | Actual Revenues | | |
|--|-----------------------|-----------------------|----------------------|-----------------------|
| | | Prior Years | Current Year | Total |
| FEDERAL FUNDING | \$ 4,477,182 | \$ 1,543,865 | \$ 96,990 | \$ 1,640,855 |
| STATE FUNDING | 395,822 | 60,552 | 275,938 | 336,490 |
| LOCAL FUNDING | 180,260,657 | 114,304,720 | 10,453,960 | 124,758,680 |
| TOTAL STORM WATER UTILITY CAPITAL PROJECTS | <u>\$ 185,133,661</u> | <u>\$ 115,909,137</u> | <u>\$ 10,826,888</u> | <u>\$ 126,736,025</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

| Project Number | Project Name | Budget to Date | Current Year Expenditures | Total Expenditures | Construction In Progress | Outstanding Encumbrances | Available Balance |
|--|--|-----------------------|---------------------------|-----------------------|--------------------------|--------------------------|----------------------|
| 7005000 | NORTH LAKE HOLLY WATERSHED | \$ 17,271,135 | \$ 1,836,408 | \$ 10,934,806 | \$ 2,604,999 | \$ 1,934,295 | \$ 4,402,034 |
| 7016000 | SOUTH LAKE HOLLY WATERSHED (PARTIAL) | 16,009,587 | 1,200,722 | 7,530,129 | 1,200,722 | 111,407 | 8,368,051 |
| 7023000 | PRIMARY SYSTEM INFRASTRUCTURE IMPROVE II | 6,080,000 | 1,588,536 | 3,832,272 | 1,625,727 | 1,441,630 | 806,098 |
| 7024000 | SOUTHERN CANAL/LEAD DITCH & CULVERT IMPRV | 2,050,000 | - | 1,465,349 | 883,577 | - | 584,651 |
| 7026000 | RESIDENTIAL DRAINAGE COST PART PRGM II | 200,000 | 86,473 | 148,577 | 148,577 | 51,109 | 314 |
| 7027000 | SWM MSTR PLANNING, ANALYSIS, & INVENTORY | 5,370,906 | 922,688 | 3,085,330 | 1,796,735 | 893,012 | 1,392,564 |
| 7028000 | WINDSOR WOODS DRAINAGE | 3,884,453 | 379,878 | 621,977 | 621,977 | 3,116,084 | 146,392 |
| 7030000 | SEA LEVEL RISE/RECURRENT FLOODING ANALYSIS | 3,844,447 | 311,036 | 641,194 | - | 401,553 | 2,801,700 |
| 7032000 | FLOOD MITIGATION ASSISTANCE GRANT PROGRAM | 1,227,144 | 72,330 | 212,930 | 212,930 | - | 1,014,214 |
| 7034000 | STORMWATER OPERATIONS MODULAR BUILDING | 890,000 | 403,520 | 441,416 | 441,416 | 186,457 | 262,127 |
| 7036000 | BAKER ROAD CULVERT & DITCH IMPROVEMENTS | 450,000 | 20,956 | 150,686 | 150,686 | 74,789 | 224,525 |
| 7037000 | BELLAMY MANOR OUTFALL DITCH | 750,000 | 19,022 | 21,432 | 21,432 | 708,582 | 19,986 |
| 7041000 | CENTRAL RESORT DIST DRAINAGE IMPROV | 300,000 | - | - | - | - | 300,000 |
| 7042000 | SURFACE WATER REG COMPLIANCE PROG | 2,631,942 | 677,819 | 677,819 | 677,819 | 1,040,768 | 913,355 |
| 7043000 | WATER QUALITY & RESTORE PART II | 1,366,773 | - | - | - | - | 1,366,773 |
| 7044000 | FLOOD MITIGATION GRANT PROGRAM II | 874,061 | 65,185 | 65,185 | - | 82,643 | 726,233 |
| 7067000 | PRIMARY SYSTEM INFRASTRUCTURE IMPROVEMENTS | 12,401,286 | 206,686 | 12,283,876 | - | 107,932 | 9,478 |
| 7151000 | EASTERN SHORE DRIVE DRAINAGE | 13,139,357 | 2,178,971 | 3,352,707 | 3,352,707 | 956,995 | 8,829,655 |
| 7152000 | DAM & SPILLWAY STRUCTURAL IMPROVEMENTS | 6,953,735 | - | 6,745,582 | - | 80,902 | 127,251 |
| 7153000 | LYNNHAVEN WATERSHED RESTORATION | 4,967,514 | 6,359 | 4,156,072 | 820,095 | 519,560 | 291,882 |
| 7183000 | STORM WATER QUALITY ENHANCEMENTS | 8,384,499 | 447,940 | 8,116,407 | 886,488 | 223,135 | 44,957 |
| 7200000 | SEVERE REPETITIVE LOSS GRANT PROGRAM | 1,847,009 | 17,734 | 1,640,304 | - | 7,500 | 199,205 |
| 7400000 | ARAGONA DRAINAGE IMPROVEMENTS | 2,360,000 | 141,552 | 175,346 | 175,346 | 316,127 | 1,868,527 |
| 7402000 | COLLEGE PARK/LEVEL GREEN DRAINAGE IMPROV | 498,687 | 11,424 | 62,586 | 62,586 | 8,657 | 427,444 |
| 7406000 | ELIZABETH RIVER TMDL IMPLEMENTATION PLAN | 4,700,000 | 2,495,880 | 2,724,767 | 2,724,767 | 1,172,720 | 802,513 |
| 7410000 | SOUTHERN RIVER TMDL IMPLEMENTATION PLAN | 600,000 | 18,940 | 136,872 | 136,872 | 1,125 | 462,003 |
| 7411000 | OCEANFRONT STORM WATER FACILITIES MAINT | 2,208,000 | 342,144 | 1,050,802 | 663,774 | 184,772 | 972,426 |
| 7412000 | STORM WATER PUMP STATION MODIFICATIONS | 3,275,229 | 900,017 | 2,642,183 | 1,974,576 | 483,909 | 149,137 |
| 7413000 | NEIGHBORHD SW INFRASTRUCTURE IMPRO PH II | 3,499,995 | 1,006,746 | 2,296,918 | 2,296,918 | 1,173,753 | 29,324 |
| 7414000 | STORM WATER QUALITY ENHANCEMENTS PH II | 7,612,560 | 801,197 | 4,287,510 | 801,197 | 1,460,592 | 1,864,458 |
| 7415000 | LAKE MANAGEMENT PH II | 22,312,476 | 4,288,542 | 13,657,306 | 4,425,937 | 3,296,624 | 5,358,546 |
| 7416000 | SW INFRASTRUCTURE REHAB & INPROV PH II | 27,172,866 | 6,368,893 | 20,955,875 | 6,368,893 | 3,528,962 | 2,688,029 |
| TOTAL STORM WATER EXPENDITURES | | \$ 185,133,661 | \$ 26,817,598 | \$ 114,114,215 | 35,076,753 | \$ 23,565,594 | \$ 47,453,852 |
| CLOSED CAPITAL PROJECTS EXPENDITURES | | | 31,054 | | | | |
| TOTAL CURRENT YEAR STORM WATER CAPITAL PROJECTS EXPENDITURES | | | <u>26,848,652</u> | | | | |
| STORM WATER CAPITAL PROJECTS | | <u>\$ 185,133,661</u> | <u>\$ 26,848,652</u> | <u>\$ 114,114,215</u> | 35,076,753 | <u>\$ 23,565,594</u> | <u>\$ 47,453,852</u> |
| CAPITALIZED INTEREST | | | | | 1,369,804 | | |
| STORM WATER FUND CONSTRUCTION IN PROGRESS | | | | | <u>\$ 36,446,557</u> | | |
| TOTAL STORM WATER CAPITAL PROJECTS REVENUES | | | | \$ 126,736,025 | | | |
| TOTAL STORM WATER CAPITAL PROJECTS EXPENDITURES | | | | (114,114,215) | | | |
| STORM WATER NET POSITION RESTRICTED FOR CAPITAL PROJECTS | | | | <u>\$ 12,621,810</u> | | | |

WASTE MANAGEMENT

ENTERPRISE FUND

WASTE MANAGEMENT ENTERPRISE FUND

The Waste Management Enterprise Fund provides citywide residential automated, manual and special solid waste collections, providing containers for residents to dispose of large quantities of yard debris, centralizing the city's recycling effort, operating a city landfill, and serving as a conduit between the city and the Southeastern Public Service Authority, which is the agency responsible for the regional waste disposal program.

CITY OF VIRGINIA BEACH, VIRGINIA
WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Current Assets:

| | |
|---|---------------------|
| Cash and Investments | \$ 3,073,237 |
| Accounts Receivable - Net of Estimated Uncollectibles | 6,886,010 |
| Total Current Assets | <u>\$ 9,959,247</u> |

Non-current Assets:

Capital Assets:

| | |
|--|----------------------|
| Machinery and Equipment | \$ 10,541,594 |
| General Site Improvements Other Than Buildings | 366,891 |
| Less: Accumulated Depreciation | (4,566,262) |
| Total Capital Assets | <u>\$ 6,342,223</u> |
| Total Non-current Assets | <u>\$ 6,342,223</u> |
| Total Assets | <u>\$ 16,301,470</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|---------------------|
| Difference between Expected and Actual Experience | \$ 36,357 |
| Net Difference between Projected and Actual Earnings on Plan Investments | 502,707 |
| Employer Contributions Subsequent to the Measurement Date | 579,736 |
| Total Deferred Outflow of Resources | <u>\$ 1,118,800</u> |

LIABILITIES

Current Liabilities:

| | |
|--|---------------------|
| Vouchers and Accounts Payable | \$ 1,952,074 |
| Current Portion of Long-term Liabilities | 626,444 |
| Total Current Liabilities | <u>\$ 2,578,518</u> |

Long-Term Liabilities (less current portion):

| | |
|--|---------------------|
| Net Pension Liability | \$ 5,426,494 |
| Accrued Compensated Leave | 347,042 |
| Total Long-Term Liabilities (less current portion) | <u>\$ 5,773,536</u> |
| Total Liabilities | <u>\$ 8,352,054</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|-------------------|
| Net Difference between Expected and Actual Experience | <u>\$ 185,377</u> |
|---|-------------------|

NET POSITION

| | |
|----------------------------------|----------------------------|
| Net Investment in Capital Assets | \$ 6,342,223 |
| Restricted for Operations | 2,540,616 |
| Total Net Position | <u><u>\$ 8,882,839</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

| | |
|--------------------------|----------------------|
| Service Charges | \$ 34,308,543 |
| Miscellaneous | 1,076,913 |
| Total Operating Revenues | <u>\$ 35,385,456</u> |

OPERATING EXPENSES

| | |
|--------------------------|----------------------|
| Personal Services | \$ 6,809,721 |
| Contractual Services | 23,634,257 |
| Internal Services | 4,668,717 |
| Other Charges | 3,490,267 |
| Depreciation | 898,710 |
| Total Operating Expenses | <u>\$ 39,501,672</u> |

OPERATING INCOME (LOSS)\$ (4,116,216)**NONOPERATING REVENUES (EXPENSES)**

| | |
|--|------------------|
| Interest Income | \$ 2,970 |
| Gain (Loss) From Sale of Assets | 15,744 |
| From Commonwealth | 43,950 |
| Total Nonoperating Revenues (Expenses) | <u>\$ 62,664</u> |

INCOME (LOSS) BEFORE TRANSFERS

\$ (4,053,552)

| | |
|--------------|-------------------|
| Transfers In | <u>10,062,505</u> |
|--------------|-------------------|

CHANGE IN NET POSITION

\$ 6,008,953

TOTAL NET POSITION - BEGINNING2,873,886**TOTAL NET POSITION - ENDING**\$ 8,882,839

**CITY OF VIRGINIA BEACH, VIRGINIA
WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|-----------------------|
| Receipts from Customers and Users | \$ 33,003,203 |
| Other Operating Cash Receipts | 1,076,913 |
| Cash Payments To Suppliers of Goods and Services | (31,839,308) |
| Cash Payments To Employees for Services | (9,104,653) |
| Net Cash Provided (Used) By Operating Activities | <u>\$ (6,863,845)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

| | |
|---|----------------------|
| Intergovernmental Receipts | \$ 43,950 |
| Receipts from Other Funds | 10,062,505 |
| Net Cash Provided (Used) By Noncapital Financing Activities | <u>\$ 10,106,455</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | |
|--|-----------------------|
| Acquisition and Construction of Capital Assets | <u>\$ (2,222,900)</u> |
|--|-----------------------|

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|----------------------------|
| Interest and Dividends Received | <u>\$ 2,970</u> |
| Net Increase (Decrease) in Cash and Temporary Investments | 1,022,680 |
| Cash and Temporary Investments, July 1 | <u>2,050,557</u> |
| Cash and Temporary Investments, June 30 | <u><u>\$ 3,073,237</u></u> |

RECONCILIATION OF OPERATING INCOME (LOSS)**TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

| | |
|---|------------------------------|
| Operating Income (Loss) | \$ (4,116,216) |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities: | |
| Depreciation | 898,710 |
| Net changes in assets and liabilities: | |
| Accounts Receivable | (1,305,340) |
| Deferred Outflows | 394,521 |
| Vouchers and Accounts Payable | (46,067) |
| Deferred Inflows | (1,472,604) |
| Accrued Compensated Leave | (14,352) |
| Net Pension Liability | (1,202,497) |
| Net Cash Provided (Used) By Operating Activities | <u><u>\$ (6,863,845)</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
WASTE MANAGEMENT ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Positive (Negative) |
|---|-----------------------------|-----------------------------|------------------------------------|
| <u>Program Support</u> | | | |
| Personal Services | \$ 632,747 | \$ 545,096 | \$ 87,651 |
| Fringe Benefits | 244,683 | 204,675 | 40,008 |
| Contractual Services | 84,106 | 11,922 | 72,184 |
| Internal Services | 80,760 | 77,301 | 3,459 |
| Other Charges | 41,464 | 21,254 | 20,210 |
| Total Program Support | <u>\$ 1,083,760</u> | <u>\$ 860,248</u> | <u>\$ 223,512</u> |
| <u>Bureau of Waste Disposal</u> | | | |
| Personal Services | \$ 717,795 | \$ 675,181 | \$ 42,614 |
| Fringe Benefits | 190,235 | 196,156 | (5,921) |
| Contractual Services | 18,383,560 | 17,657,675 | 725,885 |
| Internal Services | 355,455 | 284,275 | 71,180 |
| Other Charges | 156,304 | 210,039 | (53,735) |
| Total Bureau of Waste Disposal | <u>\$ 19,803,349</u> | <u>\$ 19,023,326</u> | <u>\$ 780,023</u> |
| <u>Bureau of Waste Collections</u> | | | |
| Personal Services | \$ 5,444,279 | \$ 5,008,725 | \$ 435,554 |
| Fringe Benefits | 1,985,411 | 1,819,724 | 165,687 |
| Contractual Services | 395,619 | 143,257 | 252,362 |
| Internal Services | 4,418,816 | 4,190,357 | 228,459 |
| Other Charges | 326,204 | 315,274 | 10,930 |
| Total Bureau of Waste Collections | <u>\$ 12,570,329</u> | <u>\$ 11,477,337</u> | <u>\$ 1,092,992</u> |
| <u>Yard Debris & Hazardous Household Waste</u> | | | |
| Personal Services | \$ 234,131 | \$ 233,120 | \$ 1,011 |
| Fringe Benefits | 73,925 | 77,400 | (3,475) |
| Contractual Services | 1,360,819 | 1,196,409 | 164,410 |
| Internal Services | 128,162 | 115,967 | 12,195 |
| Other Charges | 32,906 | 12,280 | 20,626 |
| Total Yard Debris & Hazardous Household Waste | <u>\$ 1,829,943</u> | <u>\$ 1,635,176</u> | <u>\$ 194,767</u> |
| <u>Recycling</u> | | | |
| Personal Services | \$ 148,764 | \$ 136,025 | \$ 12,739 |
| Fringe Benefits | 228,429 | 194,199 | 34,230 |
| Contractual Services | 4,859,492 | 4,624,994 | 234,498 |
| Internal Services | 911 | 817 | 94 |
| Other Charges | 169,119 | 112,511 | 56,608 |
| Total Recycling | <u>\$ 5,406,715</u> | <u>\$ 5,068,546</u> | <u>\$ 338,169</u> |
| <u>General Fund Charges</u> | | | |
| Direct Costs Allocation | \$ 1,973,833 | \$ 1,973,833 | \$ - |
| Landfill | 259,115 | 259,115 | - |
| Total General Fund Charges | <u>\$ 2,232,948</u> | <u>\$ 2,232,948</u> | <u>\$ -</u> |
| <u>Other Charges</u> | | | |
| Water and Sewer Billing System Charges | \$ 585,961 | \$ 585,961 | \$ - |
| Net Deferred Retirement Contributions | - | (2,280,580) | 2,280,580 |
| Total Other Charges | <u>\$ 585,961</u> | <u>\$ (1,694,619)</u> | <u>\$ 2,280,580</u> |
| Total Budgeted Operating Expenses | <u><u>\$ 43,513,005</u></u> | <u><u>\$ 38,602,962</u></u> | <u><u>\$ 4,910,043</u></u> |

Note: Total General Fund Charges reclassified as Other Charges.

Budget does not include Reserves.

Depreciation is not included in the Budgeted Operating Expenses, as the City does not budget for depreciation.

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DEVELOPMENT AUTHORITY

ENTERPRISE FUND

DEVELOPMENT AUTHORITY ENTERPRISE FUND

The Development Authority Enterprise Fund (Authority) was established for the specific purpose of attracting new industries and the expansion of existing industries. The Authority's Commissioners are appointed by the City Council. The Authority is authorized to issue industrial development bonds after approval by the City Council and to purchase land to improve and sell for development. In addition, the Authority facilitates economic development projects as needed by City Council. The Development Authority is presented as a blended component unit and is included in the City's reporting entity. The City has responsibility through support agreements for debt payments on outstanding Public Facility Revenue Bonds which are recorded on the Authority's financial records.

CITY OF VIRGINIA BEACH, VIRGINIA
DEVELOPMENT AUTHORITY ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Current Assets:

| | |
|---------------------------|----------------------|
| Cash and Investments | \$ 9,302,712 |
| Accounts Receivable - Net | 2,909,506 |
| Total Current Assets | <u>\$ 12,212,218</u> |

Non-current Assets:

| | |
|-----------------------------------|-----------------------|
| Cash and Investments - Restricted | \$ 2,028,495 |
| Due From Other Funds | 7,515,732 |
| Land Held for Resale | 22,362,431 |
| Capital Assets: | |
| Land | 20,457,260 |
| Buildings | 119,368,147 |
| Machinery and Equipment | 565,065 |
| Less: Accumulated Depreciation | <u>(33,633,877)</u> |
| Total Capital Assets | <u>\$ 106,756,595</u> |
| Total Non-current Assets | <u>\$ 138,663,253</u> |
| Total Assets | <u>\$ 150,875,471</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|-------------------|
| Debt Refundings Resulting in Loss Transactions | <u>\$ 862,121</u> |
|--|-------------------|

LIABILITIES

Current Liabilities:

| | |
|--|----------------------|
| Vouchers and Accounts Payable | \$ 9,725,432 |
| Accrued Interest Payable | 1,024,449 |
| Current Portion of Long-term Liabilities | 7,413,840 |
| Total Current Liabilities | <u>\$ 18,163,721</u> |

Long-Term Liabilities (less current portion):

| | |
|--|----------------------|
| Public Facility Revenue Bonds | \$ 62,645,949 |
| Premium on Revenue Bonds | 1,838,477 |
| Total Long-Term Liabilities (less current portion) | <u>\$ 64,484,426</u> |
| Total Liabilities | <u>\$ 82,648,147</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|--|---------------------|
| Debt Refundings Resulting in Gain Transactions | <u>\$ 1,203,216</u> |
|--|---------------------|

NET POSITION

| | |
|----------------------------------|----------------------|
| Net Investment in Capital Assets | \$ 34,517,234 |
| Restricted for Debt Service | 2,855,578 |
| Unrestricted | <u>30,513,417</u> |
| Total Net Position | <u>\$ 67,886,229</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DEVELOPMENT AUTHORITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

| | |
|--------------------------|---------------------|
| Charges for Services | \$ 3,500,031 |
| Miscellaneous | 149,976 |
| Total Operating Revenues | <u>\$ 3,650,007</u> |

OPERATING EXPENSES

| | |
|--------------------------|---------------------|
| Contractual Services | \$ 2,015,014 |
| Other Charges | 4,509,093 |
| Depreciation | 3,129,219 |
| Total Operating Expenses | <u>\$ 9,653,326</u> |

OPERATING INCOME (LOSS)

\$ (6,003,319)

NONOPERATING REVENUES (EXPENSES)

| | |
|---------------------------------|---------------------|
| Interest Income | \$ 33,711 |
| Payment Under Support Agreement | 11,911,816 |
| Interest and Fiscal Charges | (2,929,577) |
| Total Nonoperating Revenues | <u>\$ 9,015,950</u> |

CHANGE IN NET POSITION

\$ 3,012,631

TOTAL NET POSITION - BEGINNING

64,873,598

TOTAL NET POSITION - ENDING

\$ 67,886,229

**CITY OF VIRGINIA BEACH, VIRGINIA
DEVELOPMENT AUTHORITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|-----------------------|
| Receipts from Customers and Users | \$ 3,628,535 |
| Receipts from Interfund Services Provided | (189,323) |
| Other Operating Cash Receipts | 18,101 |
| Cash Payments To Suppliers of Goods and Services | (6,067,352) |
| Net Cash Provided (Used) By Operating Activities | <u>\$ (2,610,039)</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | |
|--|---------------------|
| Capital Contributions | \$ 12,661,817 |
| Interest Paid on Long-term Debt | (3,420,455) |
| Principal Paid on Capital Debt | (6,951,280) |
| Net Cash Provided (Used) By Capital and Related Financing Activities | <u>\$ 2,290,082</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|-----------------------------|
| Interest and Dividends Received | <u>\$ 33,711</u> |
| Net Increase (Decrease) in Cash and Temporary Investments | (286,246) |
| Cash and Temporary Investments, July 1 | <u>11,617,453</u> |
| Cash and Temporary Investments, June 30 | <u><u>\$ 11,331,207</u></u> |

RECONCILIATION OF OPERATING INCOME (LOSS)**TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

| | |
|---|------------------------------|
| Operating Income (Loss) | \$ (6,003,319) |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities: | |
| Depreciation | 3,129,219 |
| Amortization | 95,852 |
| Net changes in assets and liabilities: | |
| Intergovernmental Receivables | 996,629 |
| Land Inventory | (167,741) |
| Vouchers and Accounts Payable | (660,679) |
| Net Cash Provided (Used) By Operating Activities | <u><u>\$ (2,610,039)</u></u> |

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

| | |
|---|--------------------|
| Capital Contributions of Capital Assets | <u><u>\$ -</u></u> |
|---|--------------------|

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis. The City has established Internal Service Funds for the following activities:

City Garage - provides vehicle repairs, parts, fuel and related services to City departments.

Risk Management - provides insurance, claims handling, risk identification, and consulting services to City departments.

School Site Landscaping - provides for landscaping services for City and Schools.

Telecommunications – provides maintenance, support, contract administration, cable management, billing, dial tone provision, service coordination, moves, adds, and changes for the City's telephone system.

Subscriptions – provides for the collection and support of specific service agreements between customer departments and the Information Technology department. These agreements relate to specialized applications, services, and/or hardware associated with customer departments, not enterprise needs.

CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

| | City Garage | Risk Management |
|---|--------------|-----------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Investments | \$ 3,663,478 | \$ 15,996,234 |
| Accounts Receivable | - | - |
| Inventory | 776,142 | - |
| Total Current Assets | 4,439,620 | 15,996,234 |
| Noncurrent Assets: | | |
| Capital Assets: | | |
| Site Improvements | 265,782 | - |
| Machinery and Equipment | 2,783,057 | 293,215 |
| Total Property, Plant and Equipment | 3,048,839 | 293,215 |
| Less: Accumulated Depreciation | (2,393,532) | (293,215) |
| Net Property, Plant and Equipment | 655,307 | - |
| Total Assets | \$ 5,094,927 | \$ 15,996,234 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| VRS Employer Contributions | \$ 478,721 | \$ 43,919 |
| Difference between Expected and Actual Experience | 30,022 | 2,754 |
| Net Difference between Expected and Actual Earnings on Plan Investments | 415,114 | 38,084 |
| Total Deferred Outflows of Resources | \$ 923,857 | \$ 84,757 |
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| Vouchers and Accounts Payable | \$ 873,004 | \$ 102,994 |
| Current Portion of Long-term Liabilities | 339,851 | 6,993,939 |
| Total Current Liabilities | 1,212,855 | 7,096,933 |
| Noncurrent Liabilities: | | |
| Net Pension Liability | 4,480,969 | 411,098 |
| Long-term Liabilities (less current portion) | 224,531 | 30,791,530 |
| Total Noncurrent Liabilities | 4,705,500 | 31,202,628 |
| Total Liabilities | \$ 5,918,355 | \$ 38,299,561 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Difference between Expected and Actual Experience | \$ 153,077 | \$ 14,044 |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | \$ 655,307 | \$ - |
| Unrestricted (Deficit) | (707,955) | (22,232,614) |
| Total Net Position | \$ (52,648) | \$ (22,232,614) |

CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

| School Site Landscaping | Telecommunications | Subscriptions | Totals |
|----------------------------|--------------------|---------------|-----------------|
| \$ 1,017,254 | \$ 3,761,770 | \$ 4,957,394 | \$ 29,396,130 |
| - | 105 | - | 105 |
| - | - | - | 776,142 |
| 1,017,254 | 3,761,875 | 4,957,394 | 30,172,377 |
| - | - | - | 265,782 |
| 2,723,970 | - | 706,856 | 6,507,098 |
| 2,723,970 | - | 706,856 | 6,772,880 |
| (2,537,231) | - | (495,787) | (5,719,765) |
| 186,739 | - | 211,069 | 1,053,115 |
| \$ 1,203,993 | \$ 3,761,875 | \$ 5,168,463 | \$ 31,225,492 |
| \$ 215,205 | \$ 83,447 | \$ - | \$ 821,292 |
| 13,496 | 5,233 | - | 51,505 |
| 186,611 | 72,359 | - | 712,168 |
| \$ 415,312 | \$ 161,039 | \$ - | \$ 1,584,965 |
| \$ 80,417 | \$ 38,371 | \$ 124,606 | \$ 1,219,392 |
| 68,702 | 56,554 | - | 7,459,046 |
| 149,119 | 94,925 | 124,606 | 8,678,438 |
| 2,014,380 | 781,086 | - | 7,687,533 |
| - | 29,872 | - | 31,045,933 |
| 2,014,380 | 810,958 | - | 38,733,466 |
| \$ 2,163,499 | \$ 905,883 | \$ 124,606 | \$ 47,411,904 |
| \$ 68,814 | \$ 26,683 | \$ - | \$ 262,618 |
| \$ 186,739 | \$ - | \$ 211,069 | \$ 1,053,115 |
| (799,747) | 2,990,348 | 4,832,788 | (15,917,180) |
| \$ (613,008) | \$ 2,990,348 | \$ 5,043,857 | \$ (14,864,065) |

CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>City Garage</u> | <u>Risk Management</u> |
|--|---------------------------|-------------------------------|
| <u>OPERATING REVENUES</u> | | |
| Billings to Departments | \$ 17,104,119 | \$ 18,607,164 |
| Insurance Recovery | 102,425 | 1,498,123 |
| Miscellaneous | - | 100 |
| Total Operating Revenues | <u>\$ 17,206,544</u> | <u>\$ 20,105,387</u> |
| <u>OPERATING EXPENSES</u> | | |
| Cost of Goods Sold | \$ 9,397,867 | \$ - |
| Personal Services | 5,347,144 | 450,984 |
| Contractual Services | 477,758 | 328,946 |
| Internal Services | 357,174 | 11,090 |
| Other Charges | 514,870 | 21,084,153 |
| Depreciation | 218,874 | - |
| Total Operating Expenses | <u>\$ 16,313,687</u> | <u>\$ 21,875,173</u> |
| <u>OPERATING INCOME (LOSS)</u> | <u>\$ 892,857</u> | <u>\$ (1,769,786)</u> |
| <u>NONOPERATING REVENUES (EXPENSES) AND TRANSFERS</u> | | |
| Interest Income | \$ 46,749 | \$ 111,407 |
| Transfers In | - | 1,800,000 |
| Gain (Loss) on Disposition of Assets | 82,022 | - |
| Total Nonoperating Revenues (Expenses) | <u>\$ 128,771</u> | <u>\$ 1,911,407</u> |
| <u>CHANGE IN NET POSITION</u> | 1,021,628 | 141,621 |
| <u>TOTAL NET POSITION - BEGINNING</u> | <u>(1,074,276)</u> | <u>(22,374,235)</u> |
| <u>TOTAL NET POSITION - ENDING</u> | <u><u>\$ (52,648)</u></u> | <u><u>\$ (22,232,614)</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

| School Site Landscaping | Telecommunications | Subscriptions | Totals |
|------------------------------------|---------------------------|----------------------|------------------------|
| \$ 4,167,908 | \$ 3,029,694 | \$ 2,406,519 | \$ 45,315,404 |
| - | - | - | 1,600,548 |
| - | - | - | 100 |
| <u>\$ 4,167,908</u> | <u>\$ 3,029,694</u> | <u>\$ 2,406,519</u> | <u>\$ 46,916,052</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 9,397,867 |
| 2,265,882 | 1,043,642 | 13,000 | 9,120,652 |
| 295,799 | 379,168 | 1,464,753 | 2,946,424 |
| 519,707 | 55,287 | - | 943,258 |
| 340,393 | 764,834 | 1,202,381 | 23,906,631 |
| 86,439 | - | 91,994 | 397,307 |
| <u>\$ 3,508,220</u> | <u>\$ 2,242,931</u> | <u>\$ 2,772,128</u> | <u>\$ 46,712,139</u> |
| | | | |
| <u>\$ 659,688</u> | <u>\$ 786,763</u> | <u>\$ (365,609)</u> | <u>\$ 203,913</u> |
| | | | |
| \$ 6,099 | \$ 16,919 | \$ 30,426 | \$ 211,600 |
| - | - | - | 1,800,000 |
| - | - | - | 82,022 |
| <u>\$ 6,099</u> | <u>\$ 16,919</u> | <u>\$ 30,426</u> | <u>\$ 2,093,622</u> |
| | | | |
| 665,787 | 803,682 | (335,183) | 2,297,535 |
| | | | |
| <u>(1,278,795)</u> | <u>2,186,666</u> | <u>5,379,040</u> | <u>(17,161,600)</u> |
| | | | |
| <u>\$ (613,008)</u> | <u>\$ 2,990,348</u> | <u>\$ 5,043,857</u> | <u>\$ (14,864,065)</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>City Garage</u> | <u>Risk Management</u> |
|--|----------------------------|-----------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Receipts from Customers and Users | \$ 17,206,544 | \$ 20,105,287 |
| Other Operating Cash Receipts | - | 44,019 |
| Cash Payments to Suppliers of Goods and Services | (10,735,988) | (15,216,566) |
| Cash Payments to Employees for Services | (5,880,024) | (565,815) |
| Net Cash Provided (Used) By Operating Activities | <u>\$ 590,532</u> | <u>\$ 4,366,925</u> |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u> | | |
| Receipts from Other Funds | <u>\$ -</u> | <u>\$ 1,800,000</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | |
| Acquisition and Construction of Capital Assets | \$ (198,948) | \$ - |
| Proceeds from Sale of Salvage | 82,022 | - |
| Net Cash Provided (Used) By Capital and Related Financing Activities | <u>\$ (116,926)</u> | <u>\$ -</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Interest and Dividends Received | <u>\$ 46,749</u> | <u>\$ 111,407</u> |
| Net Increase (Decrease) in Cash and Temporary Investments | \$ 520,355 | \$ 6,278,332 |
| Cash and Temporary Investments, July 1 | <u>3,143,123</u> | <u>9,717,902</u> |
| Cash and Temporary Investments, June 30 | <u><u>\$ 3,663,478</u></u> | <u><u>\$ 15,996,234</u></u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u> | | |
| Operating Income | \$ 892,857 | \$ (1,769,786) |
| Adjustments to Reconcile Operating Income to | | |
| Net Cash Provided By Operating Activities: | | |
| Depreciation Expense | 218,874 | - |
| Net Changes in assets and liabilities: | | |
| Accounts Receivable | - | - |
| Inventory | (110,068) | - |
| Deferred Outflow of Resources | 240,300 | 14,415 |
| Vouchers and Accounts Payable | (90,110) | (423,799) |
| Net Pension Liability | 309,497 | (23,318) |
| Deferred Inflow of Resources | (890,253) | (94,608) |
| Estimated Claims and Judgments | - | 6,632,290 |
| Accrued Compensated Leave | 19,435 | 31,731 |
| Net Cash Provided (Used) By Operating Activities | <u><u>\$ 590,532</u></u> | <u><u>\$ 4,366,925</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

| School Site Landscaping | Telecommunications | Subscriptions | Totals |
|----------------------------|---------------------|---------------------|----------------------|
| \$ 4,167,908 | \$ 3,029,611 | \$ 2,444,830 | \$ 46,954,180 |
| - | - | - | 44,019 |
| (1,123,699) | (1,203,764) | (2,777,129) | (31,057,146) |
| (2,676,647) | (1,042,416) | (13,000) | (10,177,902) |
| <u>\$ 367,562</u> | <u>\$ 783,431</u> | <u>\$ (345,299)</u> | <u>\$ 5,763,151</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 1,800,000 |
| | | | |
| \$ (65,440) | \$ - | \$ - | \$ (264,388) |
| - | - | - | 82,022 |
| <u>\$ (65,440)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (182,366)</u> |
| | | | |
| <u>\$ 6,099</u> | <u>\$ 16,919</u> | <u>\$ 30,426</u> | <u>\$ 211,600</u> |
| | | | |
| \$ 308,221 | \$ 800,350 | \$ (314,873) | \$ 7,592,385 |
| | | | |
| <u>709,033</u> | <u>2,961,420</u> | <u>5,272,267</u> | <u>21,803,745</u> |
| | | | |
| <u>\$ 1,017,254</u> | <u>\$ 3,761,770</u> | <u>\$ 4,957,394</u> | <u>\$ 29,396,130</u> |
| | | | |
| \$ 659,688 | \$ 786,763 | \$ (348,660) | \$ 220,862 |
| | | | |
| 86,439 | - | 91,994 | 397,307 |
| | | | |
| - | (83) | - | (83) |
| - | - | - | (110,068) |
| 46,889 | (15,913) | - | 285,691 |
| 32,200 | (4,475) | (88,633) | (574,817) |
| (10,253) | 145,369 | - | 421,295 |
| (437,568) | (132,317) | - | (1,554,746) |
| - | - | - | 6,632,290 |
| (9,833) | 4,087 | - | 45,420 |
| <u>\$ 367,562</u> | <u>\$ 783,431</u> | <u>\$ (345,299)</u> | <u>\$ 5,763,151</u> |

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TRUST AND AGENCY FUNDS

TRUST FUNDS and AGENCY FUNDS

Trust Funds and Agency Funds are used to account for the assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency Funds do not involve the measurement of results of operations, as they are custodial in nature (assets = liabilities).

The City has the following Trust Funds:

Other Postemployment Benefits – established by the City in accordance with Article 8, Chapter 15, Subtitle II of Title 15.2, of the Virginia Code, for the purpose of accumulating and investing assets to fund OPEB obligations.

Sheriff's Office Pension – accounts for the plan assets of the defined contribution pension plan established by the Sheriff's Office and approved by Council.

The City has the following Agency Funds:

Escheat Property – funds held on behalf of others payable to the Commonwealth of Virginia.

Special Welfare - is established under the authority of Section 63.1-51, Code of Virginia, as amended. This fund accounts for Social Security or Veteran's Administration benefits for specific individuals for which the City is acting as the custodian. It also accounts for donations and the provision for emergency assistance to indigent citizens.

CITY OF VIRGINIA BEACH, VIRGINIA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 JUNE 30, 2017

| | <u>Escheat Property</u> | <u>Special Welfare</u> | <u>Total</u> |
|-------------------------------|-------------------------|------------------------|----------------|
| <u>ASSETS</u> | | | |
| Cash and Investments | \$ 232,194 | \$ 127,582 | \$ 359,776 |
| | <u>232,194</u> | <u>127,582</u> | <u>359,776</u> |
| <u>LIABILITIES</u> | | | |
| Vouchers and Accounts Payable | \$ 232,194 | \$ 127,582 | \$ 359,776 |
| | <u>232,194</u> | <u>127,582</u> | <u>359,776</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2017</u> |
|---------------------------------------|---------------------------------------|------------------|-------------------|--|
| <u>SPECIAL WELFARE</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash and Investments | \$ 131,709 | \$ 532,414 | \$ 536,541 | \$ 127,582 |
| <u>LIABILITIES</u> | | | | |
| Vouchers and Accounts Payable | \$ 131,709 | \$ 532,414 | \$ 536,541 | \$ 127,582 |
| <u>ESCHEAT PROPERTY</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash and Investments | \$ 3,822 | \$ 452,726 | \$ 224,354 | \$ 232,194 |
| <u>LIABILITIES</u> | | | | |
| Vouchers and Accounts Payable | \$ 3,822 | \$ 452,726 | \$ 224,354 | \$ 232,194 |
| <u>TOTALS-ALL AGENCY FUNDS</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash and Investments | \$ 135,531 | \$ 985,140 | \$ 760,895 | \$ 359,776 |
| <u>LIABILITIES</u> | | | | |
| Vouchers and Accounts Payable | \$ 135,531 | \$ 985,140 | \$ 760,895 | \$ 359,776 |

CITY OF VIRGINIA BEACH, VIRGINIA
TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

| | <u>Other Postemployment Benefits</u> | <u>Sheriff's Office Pension Trust Fund</u> | <u>Total</u> |
|-------------------------------|--|--|----------------------|
| <u>ASSETS</u> | | | |
| General Account | \$ - | \$ 3,907 | \$ 3,907 |
| Investments, at Fair Value: | | | |
| Fixed Income | 12,732,786 | - | 12,732,786 |
| Stocks | 18,134,573 | - | 18,134,573 |
| Real Estate | 2,700,894 | - | 2,700,894 |
| Alternative Investments | 5,015,946 | - | 5,015,946 |
| Mutual Funds | - | 2,098,378 | 2,098,378 |
| Stable Value Funds | - | 1,299,531 | 1,299,531 |
| Total Assets | <u>\$ 38,584,199</u> | <u>\$ 3,401,816</u> | <u>\$ 41,986,015</u> |
| <u>LIABILITIES</u> | | | |
| Vouchers and Accounts Payable | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>NET POSITION</u> | | | |
| Restricted | <u>\$ 38,584,199</u> | <u>\$ 3,401,816</u> | <u>\$ 41,986,015</u> |

**CITY OF VIRGINIA BEACH, VIRGINIA
TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Other Postemployment Benefits</u> | <u>Sheriff's Office Pension Trust Fund</u> | <u>Total</u> |
|--|--|--|----------------------|
| <u>ADDITIONS</u> | | | |
| Contributions From Primary Government | \$ 6,074,717 | \$ 4,962 | \$ 6,079,679 |
| Investment Income (Loss): | | | |
| Increase (Decrease) in the Fair Value of Investments | 4,405,718 | (59,587) | 4,346,131 |
| Interest and Dividends | - | 88,282 | 88,282 |
| Total Investment Income (Loss) | <u>\$ 4,405,718</u> | <u>\$ 28,695</u> | <u>\$ 4,434,413</u> |
| Total Additions | <u>\$ 10,480,435</u> | <u>\$ 33,657</u> | <u>\$ 10,514,092</u> |
| <u>DEDUCTIONS</u> | | | |
| Benefits | \$ 6,074,717 | \$ 320,657 | \$ 6,395,374 |
| Administrative Expenses | 34,423 | 4,251 | 38,674 |
| Total Deductions | <u>\$ 6,109,140</u> | <u>\$ 324,908</u> | <u>\$ 6,434,048</u> |
| Net Increase (Decrease) in Net Position | 4,371,295 | (291,251) | 4,080,044 |
| <u>RESTRICTED NET POSITION:</u> | | | |
| Beginning of Year - Restated | 34,212,904 | 3,693,067 | 37,905,971 |
| End of Year | <u>\$ 38,584,199</u> | <u>\$ 3,401,816</u> | <u>\$ 41,986,015</u> |

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DISCRETELY PRESENTED

SCHOOL BOARD

COMPONENT UNIT

DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT

Major Governmental Funds:

School Operating Fund - is the general operating fund of the School Board which is used to account for all of the financial resources, except those required to be accounted for in another fund.

School Grants Special Revenue Fund - accounts for certain private, Commonwealth of Virginia, and Federal grants (with matching local funds, if required).

School Textbooks Special Revenue Fund - accounts for the financing (e.g., Commonwealth of Virginia) and acquisition of textbooks and related materials used in the school division.

School Capital Projects Fund – accounts for all revenues and expenditures related to the acquisition or construction of the School’s fixed assets and infrastructure.

Nonmajor Governmental Funds:

School Cafeterias – accounts for the revenues (e.g., Commonwealth of Virginia, Federal Government) and expenditures associated with the food services operations of the school division.

School Communication Towers/Technology – accounts for the rent receipts (long-term contracts with telecommunication companies) relating to the communication towers constructed on School Board property and technology related expenditures.

School Vending Operations – accounts for the receipts (long-term exclusive contract with a vending company) relating to the bottled drinks vending operations of the school division and expenditures (including school-level allocations).

School Equipment Replacement – accounts for the financing (e.g., local government) and acquisition of various replacement equipment.

Internal Service Funds:

School Risk Management - provides insurance and the administration thereof for the School Board.

School Health Insurance - provides health insurance and the administration thereof for the School Board and City employees.

Agency Funds:

Payroll Deductions - accounts for employee payroll deductions.

Fringe Benefits - accounts for the School Board contributions for certain fringe benefits (e.g., life insurance, retirement).

School Activity Accounts - accounts for the individual school activity accounts.

Trust Fund:

Other Postemployment Benefits- established by the School Board in accordance with Article 8, Chapter 15, Subtitle II of Title 15.2, of the Virginia Code, for the purpose of accumulating and investing assets to fund OPEB obligations.

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
STATEMENT OF NET POSITION
JUNE 30, 2017

| | Governmental Activities |
|---|------------------------------------|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash and Temporary Investments | \$ 137,931,396 |
| Accounts Receivable | 1,416,000 |
| Due from Commonwealth | 11,767,246 |
| Due from Federal Government | 7,804,067 |
| Inventories | 518,261 |
| Prepaid Items | 1,214,530 |
| Total Current Assets | <u>\$ 160,651,500</u> |
| Noncurrent Assets: | |
| Capital Assets: | |
| Land | \$ 39,048,224 |
| Buildings, Improvements, Equipment and Vehicles (net of accumulated depreciation) | 488,954,583 |
| Construction in Progress | 4,434,661 |
| Total Noncurrent Assets | <u>\$ 532,437,468</u> |
| Total Assets | <u>\$ 693,088,968</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Employer Contributions Subsequent to the Measurement Date | \$ 60,655,000 |
| Net Difference between Projected and Actual Earnings on Plan Investments | 46,023,000 |
| Total Deferred Outflows of Resources | <u>\$ 106,678,000</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities: | |
| Salaries Payable | \$ 57,936,332 |
| Vouchers and Accounts Payable | 18,076,250 |
| Deposits Payable | 75,000 |
| Due to Federal Government | 87,914 |
| Unearned Revenue | 9,537,252 |
| Long-term Liabilities (due within one year) | 19,556,089 |
| Total Current Liabilities | <u>\$ 105,268,837</u> |
| Noncurrent Liabilities: | |
| Net Pension Liability | 740,779,000 |
| Long-term Liabilities (due in more than one year) | 15,786,872 |
| Total Liabilities | <u>\$ 861,834,709</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Difference between Expected and Actual Experience | \$ 36,076,000 |
| <u>NET POSITION</u> | |
| Investment in Capital Assets | 532,437,468 |
| Restricted for: | |
| Grants | 954,050 |
| Cafeterias | 9,290,189 |
| Textbooks | 7,120,780 |
| Unrestricted | <u>(647,946,228)</u> |
| Total Net Position | <u>\$ (98,143,741)</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | | Program Revenues | | | Net (Expenses) Revenues and Change In Net Position |
|---------------------------------------|-----------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| | Expenses | | | | |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | | |
| Instruction | \$ 556,632,508 | \$ 1,814,028 | \$ 118,402,059 | \$ - | \$ (436,416,421) |
| Admin, Attendance, & Health | 22,840,163 | - | - | - | (22,840,163) |
| Pupil Transportation | 32,950,076 | - | - | - | (32,950,076) |
| Operations and Maintenance | 91,477,591 | 452,171 | - | - | (91,025,420) |
| Cafeterias | 27,285,112 | 10,911,183 | 19,000,035 | - | 2,626,106 |
| Technology | 43,036,289 | 1,240,136 | 9,209,541 | - | (32,586,612) |
| Total Governmental Activities | <u>\$ 774,221,739</u> | <u>\$ 14,417,518</u> | <u>\$ 146,611,635</u> | <u>\$ -</u> | <u>\$ (613,192,586)</u> |

General Revenues:

Local Sources:

| | |
|------------------|----------------|
| Local Government | \$ 369,406,287 |
| Miscellaneous | 450,772 |

Federal and State Aid not Restricted to Specific Purposes:

| | |
|--------------------|-------------|
| State Basic Aid | 178,909,703 |
| State Sales Tax | 73,084,563 |
| Federal Impact Aid | 11,264,563 |
| Interest Earnings | 245,828 |

| | |
|------------------------|-----------------------|
| Total General Revenues | <u>\$ 633,361,716</u> |
|------------------------|-----------------------|

| | |
|------------------------|------------|
| Change in Net Position | 20,169,130 |
|------------------------|------------|

| | |
|-----------------------------|----------------------|
| Total Net Position - July 1 | <u>(118,312,871)</u> |
|-----------------------------|----------------------|

| | |
|------------------------------|-------------------------------|
| Total Net Position - June 30 | <u><u>\$ (98,143,741)</u></u> |
|------------------------------|-------------------------------|

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

| | School Operating | School Grants | School Textbooks | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|-----------------------------|--------------------------|-----------------------------|-----------------------------|---|---|
| <u>ASSETS</u> | | | | | | |
| Cash and Temporary Investments | \$ 57,567,822 | \$ - | \$ 7,121,113 | \$ 3,059,483 | \$ 14,073,383 | \$ 81,821,801 |
| Accounts Receivable | 349,718 | 77,589 | 950 | - | 83,017 | 511,274 |
| Due from Other Funds | 2,013,193 | - | - | - | - | 2,013,193 |
| Due from Commonwealth | 10,504,047 | 1,263,199 | - | - | - | 11,767,246 |
| Due from Federal Government | - | 6,785,175 | - | - | 1,018,892 | 7,804,067 |
| Inventories | - | - | - | - | 518,261 | 518,261 |
| Prepaid Items | 1,078,381 | - | 115,445 | - | 4,633 | 1,198,459 |
| Total Assets | <u>\$ 71,513,161</u> | <u>\$ 8,125,963</u> | <u>\$ 7,237,508</u> | <u>\$ 3,059,483</u> | <u>\$ 15,698,186</u> | <u>\$ 105,634,301</u> |
| <u>LIABILITIES</u> | | | | | | |
| Salaries Payable | \$ 53,816,722 | \$ 3,179,250 | \$ - | \$ 24,493 | \$ 913,868 | \$ 57,934,333 |
| Vouchers and Accounts Payable | 7,352,845 | 1,283,453 | 1,283 | 5,416,228 | 408,129 | 14,461,938 |
| Deposits Payable | - | - | - | - | 75,000 | 75,000 |
| Due to Other Funds | - | 2,013,193 | - | - | - | 2,013,193 |
| Due to Federal Government | - | - | - | 87,914 | - | 87,914 |
| Unearned Revenue | 530,058 | 696,017 | - | - | 458,823 | 1,684,898 |
| Total Liabilities | <u>\$ 61,699,625</u> | <u>\$ 7,171,913</u> | <u>\$ 1,283</u> | <u>\$ 5,528,635</u> | <u>\$ 1,855,820</u> | <u>\$ 76,257,276</u> |
| <u>FUND BALANCES</u> | | | | | | |
| Nonspendable | \$ 1,078,381 | \$ - | \$ 115,445 | \$ - | \$ 522,894 | \$ 1,716,720 |
| Restricted | - | 954,050 | 7,120,780 | - | 9,290,189 | 17,365,019 |
| Committed | - | - | - | - | 4,029,283 | 4,029,283 |
| Assigned | 8,735,155 | - | - | (2,469,152) | - | 6,266,003 |
| Total Fund Balances | <u>\$ 9,813,536</u> | <u>\$ 954,050</u> | <u>\$ 7,236,225</u> | <u>\$ (2,469,152)</u> | <u>\$ 13,842,366</u> | <u>\$ 29,377,025</u> |
| Total Liabilities and Fund Balances | <u>\$ 71,513,161</u> | <u>\$ 8,125,963</u> | <u>\$ 7,237,508</u> | <u>\$ 3,059,483</u> | <u>\$ 15,698,186</u> | <u>\$ 105,634,301</u> |

**CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 44)
are different from amounts reported for governmental funds in this exhibit because:

| | | |
|---|----|------------|
| Total Fund Balances - Governmental Funds (this exhibit) | \$ | 29,377,025 |
|---|----|------------|

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

| | | | |
|--------------------------------|----|-------------|-------------|
| | \$ | 966,470,119 | |
| Cost of Capital Assets | | | |
| less: Accumulated Depreciation | | 434,032,651 | 532,437,468 |

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 at year end
consist of the following:

| | | | |
|--------------------------------|----|---------------|---------------|
| | \$ | (20,651,961) | |
| Compensated Absences | | | |
| Net Pension Liability | | (740,779,000) | |
| Deferred Outflows of Resources | | 106,678,000 | |
| Deferred Inflows of Resources | | (36,076,000) | (690,828,961) |

Internal Service Funds are used to account for the risk management and health
insurance programs; and related charges to the various governmental funds. The assets
and liabilities of the internal service funds are included in governmental activities in
the Statement of Net Position.

| | | | |
|-------------------------|----|------------|------------|
| | \$ | 57,030,392 | |
| Total Assets | | | |
| less: Total Liabilities | | 26,159,665 | |
| Total Net Position | | | 30,870,727 |

| | | |
|---|----|--------------|
| Total Net Position - Governmental Activities (Exhibit 44) | \$ | (98,143,741) |
|---|----|--------------|

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | School Operating | School Grants | School Textbooks | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|-----------------------------|--------------------------|-----------------------------|-----------------------------|---|---|
| <u>REVENUES</u> | | | | | | |
| From Use of Money and Property | \$ 451,300 | \$ - | \$ 32,355 | \$ 41,830 | \$ 567,742 | \$ 1,093,227 |
| Charges for Services | 1,214,428 | - | 280 | - | 10,327,260 | 11,541,968 |
| Miscellaneous | 1,583,849 | 286,034 | 46,664 | - | 721,184 | 2,637,731 |
| From Local Government | 361,314,303 | - | - | 4,591,984 | - | 365,906,287 |
| From Commonwealth | 333,368,316 | 7,325,128 | 4,478,479 | - | 651,642 | 345,823,565 |
| From Federal Government | 13,464,377 | 31,948,094 | - | - | 18,348,393 | 63,760,864 |
| Total Revenues | <u>\$ 711,396,573</u> | <u>\$ 39,559,256</u> | <u>\$ 4,557,778</u> | <u>\$ 4,633,814</u> | <u>\$ 30,616,221</u> | <u>\$ 790,763,642</u> |
| <u>EXPENDITURES</u> | | | | | | |
| Current: | | | | | | |
| Instruction | \$ 531,207,956 | \$ 38,635,670 | \$ 2,536,961 | \$ 1,833,803 | \$ 133,900 | \$ 574,348,290 |
| Admin, Attendance, & Health | 23,250,610 | - | - | - | - | 23,250,610 |
| Pupil Transportation | 35,791,636 | - | - | - | - | 35,791,636 |
| Operations and Maintenance | 85,737,273 | - | - | 7,527,110 | - | 93,264,383 |
| Cafeterias | - | - | - | - | 27,623,959 | 27,623,959 |
| Technology | 31,635,871 | 4,052,306 | 4,358,536 | 773,403 | 948,890 | 41,769,006 |
| Capital Outlay | - | - | - | 21,728,403 | - | 21,728,403 |
| Total Expenditures | <u>\$ 707,623,346</u> | <u>\$ 42,687,976</u> | <u>\$ 6,895,497</u> | <u>\$ 31,862,719</u> | <u>\$ 28,706,749</u> | <u>\$ 817,776,287</u> |
| <u>EXCESS (DEFICIENCY) OF REVENUES</u> | | | | | | |
| <u>OVER (UNDER) EXPENDITURES</u> | <u>\$ 3,773,227</u> | <u>\$ (3,128,720)</u> | <u>\$ (2,337,719)</u> | <u>\$ (27,228,905)</u> | <u>\$ 1,909,472</u> | <u>\$ (27,012,645)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | | |
| Transfers In | \$ - | \$ 3,323,272 | \$ - | \$ - | \$ - | \$ 3,323,272 |
| Transfers Out | (3,323,272) | - | - | - | - | (3,323,272) |
| Sale of Capital Assets | 127,226 | - | - | 3,500,000 | - | 3,627,226 |
| Total Other Financing Sources (Uses) | <u>\$ (3,196,046)</u> | <u>\$ 3,323,272</u> | <u>\$ -</u> | <u>\$ 3,500,000</u> | <u>\$ -</u> | <u>\$ 3,627,226</u> |
| <u>NET CHANGE IN FUND BALANCES</u> | <u>577,181</u> | <u>194,552</u> | <u>(2,337,719)</u> | <u>(23,728,905)</u> | <u>1,909,472</u> | <u>(23,385,419)</u> |
| <u>FUND BALANCES - JULY 1</u> | <u>9,236,355</u> | <u>759,498</u> | <u>9,573,944</u> | <u>21,259,753</u> | <u>11,932,894</u> | <u>52,762,444</u> |
| <u>FUND BALANCES - JUNE 30</u> | <u>\$ 9,813,536</u> | <u>\$ 954,050</u> | <u>\$ 7,236,225</u> | <u>\$ (2,469,152)</u> | <u>\$ 13,842,366</u> | <u>\$ 29,377,025</u> |

**CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Amounts reported for governmental activities in the Statement of Activities (Exhibit 45) are different from amounts reported for governmental funds in this exhibit because

| | |
|---|-----------------|
| Net Change in Fund Balances - Governmental Funds (this exhibit) | \$ (23,385,419) |
|---|-----------------|

| | |
|--|-----------|
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlay exceeded depreciation expense (including other transactions (e.g., loss on disposals)) for the fiscal year. | 4,259,692 |
|--|-----------|

Compensated absences (annual, sick, and personal leave) are reported in governmental funds as expenditures, which are measured by the amount of financial resources used (essentially, the amounts actually paid). However, for governmental activities those costs are shown and measured by the net of the amounts of leave used and earned for the fiscal year in the Statement of Activities.

| | | | |
|--|--------------|--------------------|-----------|
| | Leave Used | \$ 8,370,430 | |
| | Leave Earned | <u>(8,476,510)</u> | (106,080) |

Internal Service Funds are used to account for the risk management and health insurance programs, and related charges to the various governmental funds. The change in net position for the Internal Service Funds for the fiscal year is reported with governmental activities in the Statement of Activities.

| | | | |
|--|------------------|-------------------|------------|
| | Risk Management | \$ 527,892 | |
| | Health Insurance | <u>13,328,366</u> | 13,856,258 |

| | |
|---|------------|
| Section 15.2-1800.1 of the Code of Virginia, as amended, affects the reporting of local School Board capital assets and related debt for financial reporting purposes. Under this legislation, the City has a "tenancy in common" with the School Board whenever the City incurs "on-behalf" of debt for any school property owned by the School Board which is payable over more than one year. For financial reporting purposes, the City will report the Net Book Value of School Board property (the School Board incurs the depreciation expense) equal to the total outstanding principal balance of the applicable "on-behalf" of debt at June 30, 2016. This amount is the applicable Net Book Value change and depreciation expense for the fiscal year. | 25,071,679 |
|---|------------|

Certain net expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | | |
|--|------------------|-------------------|----------------|
| | Pension Expense | \$ (73,516,000) | |
| | Deferred Inflow | 61,708,000 | |
| | Deferred Outflow | <u>12,281,000</u> | <u>473,000</u> |

| | |
|---|----------------------|
| Change in Net Position of governmental activities in the Statement of Activities (Exhibit 45) | \$ <u>20,169,130</u> |
|---|----------------------|

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
SCHOOL OPERATING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------|---------------------|----------------|---|
| <u>REVENUES</u> | | | | |
| <u>From Use of Money and Property</u> | | | | |
| Rents | \$ 450,000 | \$ 450,000 | \$ 451,300 | \$ 1,300 |
| <u>Charges for Services</u> | | | | |
| Tuition and Educational Fees | \$ 1,481,100 | \$ 1,481,100 | \$ 1,214,428 | \$ (266,672) |
| <u>Miscellaneous Revenue</u> | | | | |
| Sale of Salvage | \$ 12,000 | \$ 12,000 | \$ 87,877 | \$ 75,877 |
| Donations | - | - | 12,000 | 12,000 |
| Miscellaneous | 224,703 | 224,703 | 216,191 | (8,512) |
| Indirect Costs | 600,000 | 600,000 | 645,768 | 45,768 |
| Athletics | 504,000 | 504,000 | 526,140 | 22,140 |
| Instructional Technology | - | - | 95,873 | 95,873 |
| Total Miscellaneous Revenue | \$ 1,340,703 | \$ 1,340,703 | \$ 1,583,849 | \$ 243,146 |
| <u>From Local Government</u> | | | | |
| City - General Fund | \$ 365,988,012 | \$ 372,742,655 | \$ 355,678,765 | \$ (17,063,890) |
| City - School Reserve Fund | 5,000,000 | 5,000,000 | 5,000,000 | - |
| City for Consolidated Benefits Office | 635,538 | 635,538 | 635,538 | - |
| Total From Local Government | \$ 371,623,550 | \$ 378,378,193 | \$ 361,314,303 | \$ (17,063,890) |
| <u>From Commonwealth</u> | | | | |
| Basic Aid | \$ 178,303,720 | \$ 178,303,720 | \$ 178,909,703 | \$ 605,983 |
| Reimbursement-Social Security | 10,633,352 | 10,633,352 | 10,606,709 | (26,643) |
| Reimbursement-Retirement | 21,961,962 | 21,961,962 | 21,906,933 | (55,029) |
| Reimbursement-Life Insurance | 736,155 | 736,155 | 734,311 | (1,844) |
| Remedial Education | 4,703,213 | 4,703,213 | 4,691,429 | (11,784) |
| Remedial Education-Summer School | 341,793 | 341,793 | 245,921 | (95,872) |
| Special Education | 19,221,829 | 19,221,829 | 19,173,666 | (48,163) |
| Special Education-Regional Program | 9,564,375 | 9,564,375 | 9,135,013 | (429,362) |
| Special Education-Homebound | 151,428 | 151,428 | 157,513 | 6,085 |
| Special Education-Foster Children | - | - | 272,597 | 272,597 |
| Foster Home Children | 322,314 | 322,314 | 132,354 | (189,960) |
| Vocational | 1,881,285 | 1,881,285 | 1,876,572 | (4,713) |
| Vocational-Occupational/Tech | 392,736 | 392,736 | 166,852 | (225,884) |
| Vocational-Adult Education | - | - | 45,403 | 45,403 |
| Sales Tax | 74,741,805 | 74,741,805 | 73,084,563 | (1,657,242) |
| Class Size Initiative | 4,702,190 | 4,702,190 | 4,551,750 | (150,440) |
| At-Risk Initiative | 2,968,406 | 2,968,406 | 2,961,005 | (7,401) |
| English as a Second Language | 726,035 | 726,035 | 613,673 | (112,362) |
| Supplemental Lottery per Pupil Allocation | 2,143,847 | 2,143,847 | 2,144,187 | 340 |
| Salary Supplement | 2,665,416 | 2,665,416 | - | (2,665,416) |
| Math/Reading Instructional Specialists | 40,689 | 40,689 | - | (40,689) |
| Gifted and Talented Aid | 1,963,080 | 1,963,080 | 1,958,162 | (4,918) |
| Total From Commonwealth | \$ 338,165,630 | \$ 338,165,630 | \$ 333,368,316 | \$ (4,797,314) |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
SCHOOL OPERATING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------|-----------------------|-----------------------|---|
| <u>REVENUES (continued)</u> | | | | |
| <u>From Federal Government</u> | | | | |
| Public Law 874 | \$ 10,211,723 | \$ 10,211,723 | \$ 10,080,214 | \$ (131,509) |
| Public Law 874-Special Education | - | - | 585,273 | 585,273 |
| Dept of the Navy-NJROTC | 100,000 | 100,000 | 306,341 | 206,341 |
| Department of Defense | 1,500,000 | 1,500,000 | - | (1,500,000) |
| Dept of Defense Special Education | - | - | 599,076 | 599,076 |
| Medicaid Reimbursement | 664,809 | 664,809 | 1,787,121 | 1,122,312 |
| Medicaid Reimbursement - Transportation | - | - | 105,947 | 105,947 |
| Other Federal Funds | - | - | 405 | 405 |
| Total From Federal Government | <u>\$ 12,476,532</u> | <u>\$ 12,476,532</u> | <u>\$ 13,464,377</u> | <u>\$ 987,845</u> |
| Total Revenues | <u>\$ 725,537,515</u> | <u>\$ 732,292,158</u> | <u>\$ 711,396,573</u> | <u>\$ (20,895,585)</u> |
| <u>EXPENDITURES</u> | | | | |
| <u>Current</u> | | | | |
| <u>Instruction</u> | | | | |
| Elementary Classroom | \$ 142,060,609 | \$ 140,632,693 | \$ 139,273,011 | \$ 1,359,682 |
| Senior High Classroom | 74,909,964 | 74,967,845 | 73,607,766 | 1,360,079 |
| Technical and Career Education | 17,937,007 | 17,315,176 | 16,183,968 | 1,131,208 |
| Gifted Education and Academy Programs | 13,891,461 | 13,870,509 | 13,605,368 | 265,141 |
| Special Education | 91,476,751 | 91,380,624 | 89,736,757 | 1,643,867 |
| Summer School | 2,006,768 | 1,958,260 | 1,921,729 | 36,531 |
| General Adult Education | 1,902,327 | 1,900,478 | 1,819,595 | 80,883 |
| Alternative Education-Renaissance | 6,621,170 | 6,610,012 | 6,124,555 | 485,457 |
| Student Activities | 3,282,646 | 3,305,537 | 3,277,971 | 27,566 |
| Student Athletics | 4,922,642 | 4,936,112 | 4,683,593 | 252,519 |
| Office/Principal - Elementary | 25,108,034 | 27,455,431 | 25,152,674 | 2,302,757 |
| Office/Principal - Senior High | 11,670,128 | 11,559,932 | 11,123,596 | 436,336 |
| Office/Principal - Tech & Career | 648,235 | 642,641 | 621,343 | 21,298 |
| Guidance Services | 16,870,916 | 16,729,840 | 16,446,563 | 283,277 |
| Social Work Services | 3,750,657 | 4,106,782 | 4,100,945 | 5,837 |
| Media and Communications | 2,011,060 | 2,002,861 | 1,914,974 | 87,887 |
| Instructional Support | 12,350,867 | 12,727,228 | 12,395,567 | 331,661 |
| Instructional Center for Teacher Leadership | 1,245,608 | 1,093,807 | 1,022,225 | 71,582 |
| Opportunity & Achievement | 89,860 | 89,612 | 44,542 | 45,070 |
| Special Education Support | 3,586,296 | 3,552,259 | 3,472,663 | 79,596 |
| Gifted Education and Academy Programs Support | 2,275,604 | 2,261,872 | 2,153,791 | 108,081 |
| Media Services Support | 13,069,624 | 13,061,625 | 12,610,614 | 451,011 |
| Educational Leadership and Assessment | 2,462,386 | 2,468,317 | 2,319,031 | 149,286 |
| Middle School Classroom | 58,639,962 | 57,707,071 | 56,597,431 | 1,109,640 |
| Remedial Education | 7,577,647 | 7,880,847 | 7,880,794 | 53 |
| Office/Principal - Middle Schools | 10,479,268 | 10,561,480 | 10,465,416 | 96,064 |
| Homebound Services | 409,786 | 390,486 | 375,846 | 14,640 |
| Technical and Career Ed Support | 973,995 | 1,115,440 | 914,411 | 201,029 |
| Student Leadership | 1,403,561 | 1,403,561 | 1,384,906 | 18,655 |
| Psychological Services | 4,133,277 | 3,981,779 | 3,410,786 | 570,993 |
| Audiological Services | 458,732 | 550,153 | 544,753 | 5,400 |
| School Administration | 1,732,516 | 1,767,980 | 1,720,029 | 47,951 |
| Alternative Education | 1,475,480 | 1,479,162 | 1,302,004 | 177,158 |
| Green Run Collegiate Public Charter | 3,365,054 | 3,309,516 | 2,998,739 | 310,777 |
| Total Instruction | <u>\$ 544,799,898</u> | <u>\$ 544,776,928</u> | <u>\$ 531,207,956</u> | <u>\$ 13,568,972</u> |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
SCHOOL OPERATING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------|-----------------------|-----------------------|---|
| <u>EXPENDITURES (continued)</u> | | | | |
| <u>Admin, Attendance, & Health</u> | | | | |
| Board, Legal, & Governmental | \$ 1,134,263 | \$ 1,134,263 | \$ 1,047,520 | \$ 86,743 |
| Office of the Superintendent | 1,037,745 | 1,037,745 | 903,192 | 134,553 |
| Department of Budget & Finance | 4,916,483 | 4,981,837 | 4,586,959 | 394,878 |
| Department of Human Resources | 5,112,529 | 5,094,528 | 4,831,295 | 263,233 |
| Internal Audit | 441,842 | 441,842 | 426,778 | 15,064 |
| Purchasing | 1,062,890 | 1,062,890 | 1,034,886 | 28,004 |
| Center for Teacher Leadership | 843,231 | 816,168 | 799,596 | 16,572 |
| Consolidated Benefits Office | 2,173,630 | 2,165,630 | 2,058,610 | 107,020 |
| Health Services | 7,558,422 | 7,604,534 | 7,561,774 | 42,760 |
| Green Run Collegiate Public Charter | 11,000 | 11,000 | - | 11,000 |
| Total Admin, Attendance, & Health | <u>\$ 24,292,035</u> | <u>\$ 24,350,437</u> | <u>\$ 23,250,610</u> | <u>\$ 1,099,827</u> |
| <u>Pupil Transportation</u> | | | | |
| Management | \$ 2,355,836 | \$ 2,565,187 | \$ 2,363,850 | \$ 201,337 |
| Vehicle Operation | 20,838,915 | 24,191,431 | 21,168,066 | 3,023,365 |
| Vehicle Operation - Special Education | 5,194,458 | 6,607,415 | 5,612,533 | 994,882 |
| Vehicle Maintenance | 3,187,393 | 3,209,220 | 2,994,277 | 214,943 |
| Monitoring Services | 2,878,172 | 3,559,133 | 3,368,956 | 190,177 |
| Green Run Collegiate Public Charter | 260,766 | 288,766 | 283,954 | 4,812 |
| Total Pupil Transportation | <u>\$ 34,715,540</u> | <u>\$ 40,421,152</u> | <u>\$ 35,791,636</u> | <u>\$ 4,629,516</u> |
| <u>Operations and Maintenance</u> | | | | |
| Facility Planning & Construction | \$ 875,830 | \$ 869,066 | \$ 805,403 | \$ 63,663 |
| School Plant | 44,390,952 | 47,549,218 | 42,978,129 | 4,571,089 |
| Distribution Services | 1,687,729 | 1,714,652 | 1,611,383 | 103,269 |
| Grounds Services | 4,167,908 | 4,167,908 | 4,167,908 | - |
| Custodial Services | 28,226,355 | 27,671,070 | 26,905,686 | 765,384 |
| Safety and Loss Control | 6,937,465 | 6,913,119 | 6,525,509 | 387,610 |
| Vehicle Services | 1,102,674 | 2,227,589 | 1,730,641 | 496,948 |
| Telecommunications | 989,687 | 1,079,425 | 1,012,381 | 67,044 |
| Green Run Collegiate Public Charter | 19,400 | 19,400 | 233 | 19,167 |
| Total Operations & Maintenance | <u>\$ 88,398,000</u> | <u>\$ 92,211,447</u> | <u>\$ 85,737,273</u> | <u>\$ 6,474,174</u> |
| <u>Technology</u> | | | | |
| Instruction | \$ 15,440,986 | \$ 17,070,586 | \$ 15,601,599 | \$ 1,468,987 |
| Admin, Attendance & Health | 1,603,490 | 1,680,646 | 1,471,848 | 208,798 |
| Pupil Transportation | 451,033 | 438,952 | 416,841 | 22,111 |
| Operations and Maintenance | 12,587,272 | 15,781,479 | 14,088,646 | 1,692,833 |
| Green Run Collegiate Public Charter | 30,466 | 58,004 | 56,937 | 1,067 |
| Total Technology | <u>\$ 30,113,247</u> | <u>\$ 35,029,667</u> | <u>\$ 31,635,871</u> | <u>\$ 3,393,796</u> |
| Total Expenditures | <u>\$ 722,318,720</u> | <u>\$ 736,789,631</u> | <u>\$ 707,623,346</u> | <u>\$ 29,166,285</u> |
| <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u> | | | | |
| | <u>\$ 3,218,795</u> | <u>\$ (4,497,473)</u> | <u>\$ 3,773,227</u> | <u>\$ 8,270,699</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers Out | \$ (3,287,473) | \$ (3,442,988) | \$ (3,323,272) | \$ 119,717 |
| Sale of Capital Assets | 15,000 | 15,000 | 127,226 | 112,226 |
| Total Other Financing Sources (Uses) | <u>\$ (3,272,473)</u> | <u>\$ (3,427,988)</u> | <u>\$ (3,196,046)</u> | <u>\$ 231,943</u> |
| <u>NET CHANGE IN FUND BALANCE</u> | <u>(53,678)</u> | <u>(7,925,461)</u> | <u>577,181</u> | <u>8,502,642</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>9,236,355</u> | <u>9,236,355</u> | <u>9,236,355</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u>\$ 9,182,677</u> | <u>\$ 1,310,894</u> | <u>\$ 9,813,536</u> | <u>\$ 8,502,642</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
SCHOOL GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|----------------------|----------------------|----------------------|------------------------------------|
| REVENUES | | | | |
| Miscellaneous | \$ 484,121 | \$ 642,198 | \$ 286,034 | \$ (356,164) |
| From Commonwealth | 9,120,594 | 10,804,896 | 7,325,128 | (3,479,768) |
| From Federal Government | 35,051,377 | 37,472,359 | 31,948,094 | (5,524,265) |
| Contingency | 7,200,000 | 2,074,019 | - | (2,074,019) |
| Total Revenues | <u>\$ 51,856,092</u> | <u>\$ 50,993,472</u> | <u>\$ 39,559,256</u> | <u>\$ (11,434,216)</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Adult Education & Family Literacy Act - FY16 | \$ - | \$ 18,825 | \$ 18,825 | \$ - |
| Adult Education & Family Literacy Act - FY17 | 355,545 | 356,545 | 356,545 | - |
| Advanced Placement Program FY17 | 66,497 | 71,370 | 71,370 | - |
| Algebra Readiness FY16 | - | 77,425 | 77,425 | - |
| Algebra Readiness FY17 | 961,979 | 988,309 | 828,770 | 159,539 |
| Asia Society Confucius Classroom Network FY13 | - | 2,865 | - | 2,865 |
| Assessment for Learning Project FY16 | - | 46,397 | 7,667 | 38,730 |
| Career & Technical Ed State Equip Alloc FY17 | 25,813 | - | - | - |
| Career Switcher Program Mentor Reimb. FY17 | 11,000 | 20,000 | 20,000 | - |
| C. Perkins Secondary Program Reserve FY17 | - | 18,077 | 18,077 | - |
| C. Perkins Vocational & Tech. Act FY16 | - | 25,775 | 25,775 | - |
| C. Perkins Vocational & Tech. Act FY17 | 655,902 | 442,567 | 394,817 | 47,750 |
| DoDEA MCASP Operation GRIT FY17 | - | 213,097 | 142,018 | 71,079 |
| DoDEA MCASP Operation PRIDE FY15 | - | 5,611 | 5,611 | - |
| DoDEA MCASP Operation PRIDE FY16 | 596,597 | 414,576 | 354,352 | 60,224 |
| DoDEA S-FLEP FY15 | - | 7,629 | 2,988 | 4,641 |
| DoDEA Special Education FY16 | 130,016 | 131,181 | 131,036 | 145 |
| DoDEA Special Education FY17 | 301,011 | 299,750 | 156,094 | 143,656 |
| Dual Enrollment - TCC FY17 | 275,918 | 507,676 | 507,676 | - |
| Early Reading Initiative FY16 | - | 187,543 | 187,543 | - |
| Early Reading Initiative FY17 | 1,213,049 | 1,401,049 | 1,181,980 | 219,069 |
| General Adult Education FY17 | 34,586 | 34,586 | 34,586 | - |
| Green Run Collegiate Support FY17 | - | 10,000 | 10,000 | - |
| HS Program Planning FY17 GRHS | - | 50,000 | 43,876 | 6,124 |
| IDEA Co-Teaching Initiative Three Oaks FY17 Pt1 | - | 4,891 | 4,891 | - |
| IDEA Co-Teaching Initiative Three Oaks FY17 Pt2 | - | 3,750 | 3,750 | - |
| Inclusion Leadership Support-Salem HS FY13 | - | 457 | - | 457 |
| Industry Credentials for Students FY17 | 80,333 | 70,253 | 70,253 | - |
| Industry Credentials for Students STEM FY17 | - | 27,099 | 27,099 | - |
| ISAEP FY17 | 62,869 | 67,343 | 61,974 | 5,369 |
| Jail Education Program FY17 | 176,050 | 165,554 | 157,718 | 7,836 |
| Jail Education Program FY17 LQ | - | 206,749 | 51,635 | 155,114 |
| Juvenile Detention Center FY17 | 731,431 | 700,476 | 689,234 | 11,242 |
| Juvenile Detention Center FY17 LQ | - | 703,624 | 253,304 | 450,320 |
| LTG (RET) Pete Taylor Partnership Excell. FY14 | - | 3,828 | 328 | 3,500 |
| McKinney Homeless FY15 | 38,464 | 3,122 | 3,122 | - |
| McKinney Homeless FY16 | 63,000 | 13,487 | 13,487 | - |
| McKinney Homeless FY17 | 63,000 | 69,100 | 2,493 | 66,607 |
| MTSS-B Evaluation FY16 | 340,043 | 325,084 | 101,518 | 223,566 |
| MyCAA - ALC Courses FY17 | 5,000 | 3,333 | 3,333 | - |
| MyCAA - LPN Program FY17 | 10,000 | 1,000 | 1,000 | - |
| Nat'l Board Certified Teachers Stipend FY17 | 352,500 | 317,500 | 317,500 | - |
| New Teacher Mentor FY17 | 38,401 | 40,649 | 40,649 | - |
| NJROTC FY17 | - | 51,871 | 51,871 | - |
| ODU Research Foundation Cyber Sec Internships | - | 6,000 | 1,500 | 4,500 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
SCHOOL GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|--------------|------------|------------------------------------|
| <u>EXPENDITURES (continued)</u> | | | | |
| <u>Instruction (continued)</u> | | | | |
| Opportunity Inc. - STEM Grant FY16 | 67,764 | 163,203 | 30,352 | 132,851 |
| Opportunity Inc. - STEM (ISY) Grant FY17 | 311,814 | 130,000 | 84,845 | 45,155 |
| Opportunity Inc. - STEM (OSY) Grant FY17 | - | 149,500 | 91,666 | 57,834 |
| Opportunity Inc. - Adult Learning Center FY16 | 12,857 | 48,070 | 6,860 | 41,210 |
| Opportunity Inc. - Adult Learning Center FY17 | 90,000 | 91,291 | 60,843 | 30,448 |
| Positive Behavior Interventions & Support FY14 | - | 53 | 53 | - |
| Positive Behavior Interventions & Support FY16 | - | 15,437 | 873 | 14,564 |
| Positive Behavior Interventions & Support FY17 | - | 25,000 | 12,527 | 12,473 |
| Post 9/11 GI Bill FY17 | - | 1,086 | 1,086 | - |
| Preschool Incentive Grant FY16 | 94,277 | 74,328 | 74,328 | - |
| Preschool Incentive Grant FY17 | 474,408 | 488,436 | 438,237 | 50,199 |
| Project Graduation FY17 | - | 36,500 | 7,482 | 29,018 |
| Project Hope - City Wide SCA FY14 | - | 4,184 | 705 | 3,479 |
| Race to GED FY17 | 64,188 | 64,188 | 64,188 | - |
| SASED MTSS-B FY17 | - | 9,740 | 9,740 | - |
| School Security Equipment Grant FY17 | - | 60,591 | 60,591 | - |
| Startalk Elementary Chinese Academy FY16 | 60,988 | 63,209 | 59,858 | 3,351 |
| Startalk Elementary Chinese Academy FY17 | 81,303 | 80,727 | 17,863 | 62,864 |
| STEM Teacher Recruitment/Retention FY17 | - | 7,000 | 7,000 | - |
| Title I Distinguished School Rosemont FY17 | - | 8,500 | 8,500 | - |
| Title I Part A 128-16 FY16 | 3,194,736 | 2,797,412 | 2,797,412 | - |
| Title I Part A 128-16 FY17 | 10,294,726 | 10,710,929 | 8,098,834 | 2,612,095 |
| Title I Part D Subpart 1 FY16 | 3,800 | 6,486 | 6,486 | - |
| Title I Part D Subpart 1 FY17 | 22,000 | 21,000 | 10,952 | 10,048 |
| Title I Part D Subpart 2 FY15 | 11,870 | 28,093 | 28,093 | - |
| Title I Part D Subpart 2 FY16 | 158,898 | 146,594 | 122,494 | 24,100 |
| Title I Part D Subpart 2 FY17 | 160,207 | 172,091 | 367 | 171,724 |
| Title II NCLB128-15 FY15 | 21,125 | 18,824 | 18,824 | - |
| Title II NCLB128-16 FY16 | 132,783 | 156,167 | 124,029 | 32,138 |
| Title II NCLB128-16 FY17 | 2,160,657 | 2,128,931 | 1,931,293 | 197,638 |
| Title III Part A Immigrant & Youth FY15 | 4,200 | - | - | - |
| Title III Part A Immigrant & Youth FY16 | 25,247 | 24,170 | 20,170 | 4,000 |
| Title III Part A Immigrant & Youth FY17 | 25,247 | - | - | - |
| Title III Part A Language Acquisition FY16 | 77,208 | 81,582 | 81,582 | - |
| Title III Part A Language Acquisition FY17 | 104,712 | 114,891 | 26,568 | 88,323 |
| Title IV Part B 21st CCLC-GRC FY16 | 70,284 | 66,299 | 66,299 | - |
| Title IV Part B 21st CCLC-GRC FY17 | 124,952 | 142,314 | 51,139 | 91,175 |
| Title IV Part B 21st CCLC-Lynn ES FY17 | - | 106,073 | 76,107 | 29,966 |
| Title IV Part B 21st CCLC-Williams ES FY15 | - | 232 | 232 | - |
| Title IV Pell Grant FY17 | - | 52,392 | 52,392 | - |
| Title VI B PL 105-17 FY15 | 43,029 | 71,551 | 71,551 | - |
| Title VI B PL 105-17 FY16 | 79,907 | 74,362 | 74,362 | - |
| Title VI B PL 105-17 FY17 | 14,137,977 | 14,531,816 | 13,395,377 | 1,136,439 |
| VA Beach Historic Preserv Research Prog FY16 | - | 1,480 | 1,480 | - |
| VA Geographic Alliance FY11 | - | 36 | 36 | - |
| VA Initiative-At Risk Four-Year Olds FY16 | 214,411 | 213,910 | 213,910 | - |
| VA Initiative-At Risk Four-Year Olds FY17 | 4,224,000 | 4,312,000 | 3,867,161 | 444,839 |
| VA Star FY12 | - | 504 | 504 | - |
| Virginia Middle School Teacher Corps. FY17 | 25,000 | 10,000 | 10,000 | - |
| Virtual VA Advanced Placement FY16 | - | 11,537 | - | 11,537 |
| Virtual VA Advanced Placement FY17 | - | 9,072 | - | 9,072 |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
SCHOOL GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|----------------------|----------------------|----------------------|------------------------------------|
| <u>EXPENDITURES (continued)</u> | | | | |
| <u>Instruction (continued)</u> | | | | |
| Workplace Readiness Skills Comm Exam FY17 | 18,623 | 16,729 | 16,729 | - |
| Contingency | 7,200,000 | 2,074,019 | - | 2,074,019 |
| Total Instruction | <u>\$ 50,382,202</u> | <u>\$ 47,738,562</u> | <u>\$ 38,635,670</u> | <u>\$ 9,102,892</u> |
| <u>Technology</u> | | | | |
| Adult Education & Family Literacy Act - FY17 | \$ 1,000 | \$ - | \$ - | \$ - |
| Algebra Readiness FY17 | 24,230 | 7,520 | 7,520 | - |
| Career & Technical Education Equipment FY17 | 65,000 | 81,780 | 81,780 | - |
| C. Perkins Vocational & Tech. Act FY16 | - | 122,964 | 122,964 | - |
| C. Perkins Vocational & Tech. Act FY17 | 157,725 | 356,832 | 356,832 | - |
| CTE Special Education Equipment FY17 | - | 64,045 | 64,045 | - |
| DoDEA MCASP Operation GRIT FY17 | - | 99,258 | 97,654 | 1,604 |
| DoDEA MCASP Operation PRIDE FY15 | - | 4,240 | 4,240 | - |
| DoDEA MCASP Operation PRIDE FY16 | 12,750 | 224,658 | 224,658 | - |
| DoDEA Special Education FY16 | 2,554 | 38,718 | 29,983 | 8,735 |
| DoDEA Special Education FY17 | 2,554 | 3,814 | - | 3,814 |
| Early Reading Initiative FY16 | - | 81,193 | 81,193 | - |
| Early Reading Initiative FY17 | 86,500 | 120,535 | 126 | 120,409 |
| IDEA Co-Teaching Initiative Three Oaks FY17 Pt2 | - | 3,859 | 3,859 | - |
| Jail Education Program FY17 | 900 | - | - | - |
| Juvenile Detention Center FY17 | 14,793 | 29,488 | 27,698 | 1,790 |
| Juvenile Detention Center FY17 LQ | - | 5,069 | 437 | 4,632 |
| McKinney Homeless FY17 | - | 900 | - | 900 |
| Opportunity Inc. - STEM Grant FY16 | 1,500 | 340 | 340 | - |
| Opportunity Inc. - STEM (ISY) Grant FY17 | 186 | - | - | - |
| Opportunity Inc. - STEM (OSY) Grant FY17 | - | 500 | 410 | 90 |
| Preschool Incentive Grant FY16 | - | 2,730 | 2,730 | - |
| Preschool Incentive Grant FY17 | 780 | 4,132 | 20 | 4,112 |
| Project Graduation FY17 | - | 38,500 | 38,500 | - |
| SASED MTSS-B FY17 | - | 1,360 | 1,360 | - |
| School Security Equipment Grant FY17 | - | 61,136 | 61,136 | - |
| Startalk Elementary Chinese Academy FY16 | 446 | 379 | 379 | - |
| Startalk Elementary Chinese Academy FY17 | 594 | 487 | 16 | 471 |
| Technology Initiative FY15 | 85,800 | 52,496 | 52,496 | - |
| Technology Initiative FY16 | 109,100 | 489,398 | 423,180 | 66,218 |
| Technology Initiative FY17 | 2,618,400 | 2,618,400 | 8,085 | 2,610,315 |
| Title I Part A 128-14 FY16 | 335,987 | 1,439,940 | 1,439,940 | - |
| Title I Part A 128-14 FY17 | 384,865 | 506,132 | 163,049 | 343,083 |
| Title I Part D Subpart 2 FY15 | 2,000 | 13,684 | 13,684 | - |
| Title I Part D Subpart 2 FY16 | 5,576 | 17,913 | 5,340 | 12,573 |
| Title I Part D Subpart 2 FY17 | 4,267 | 12,733 | - | 12,733 |
| Title IV Part B 21st CCLC-GRC FY15 | - | 15,411 | 15,411 | - |
| Title IV Part B 21st CCLC-GRC FY16 | 500 | 2,499 | 2,499 | - |
| Title IV Part B 21st CCLC-GRC FY17 | 1,000 | - | - | - |
| Title IV Part B 21st CCLC-Lynn ES FY17 | - | 500 | 489 | 11 |
| Title VI B PL 105-17 FY15 | 12,000 | - | - | - |
| VA Elearning Backpack Bayside FY16 | 10,000 | 46,291 | 40,241 | 6,050 |
| VA Elearning Backpack Bayside FY17 | 258,240 | 265,440 | 220,398 | 45,042 |
| VA Elearning Backpack Green Run FY16 | 10,000 | 35,203 | 35,203 | - |
| VA Elearning Backpack Green Run FY17 | 217,920 | 235,200 | 201,387 | 33,813 |

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CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
SCHOOL GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|--------------------------|--------------------------|--------------------------|---|
| <u>EXPENDITURES (continued)</u> | | | | |
| <u>Technology (continued)</u> | | | | |
| VA Elearning Backpack Kempsville FY16 | 10,000 | 34,719 | 34,719 | - |
| VA Elearning Backpack Kempsville FY17 | 204,480 | 197,280 | 188,305 | 8,975 |
| Total Technology | <u>\$ 4,641,647</u> | <u>\$ 7,337,676</u> | <u>\$ 4,052,306</u> | <u>\$ 3,285,370</u> |
| Total Expenditures | <u>\$ 55,023,849</u> | <u>\$ 55,076,238</u> | <u>\$ 42,687,976</u> | <u>\$ 12,388,262</u> |
| <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u> | | | | |
| | <u>\$ (3,167,757)</u> | <u>\$ (4,082,766)</u> | <u>\$ (3,128,720)</u> | <u>\$ 954,046</u> |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| Transfers In | <u>\$ 3,167,757</u> | <u>\$ 4,082,766</u> | <u>\$ 3,323,272</u> | <u>\$ (759,494)</u> |
| <u>NET CHANGE IN FUND BALANCE</u> | - | - | 194,552 | 194,552 |
| <u>FUND BALANCE - JULY 1</u> | <u>759,498</u> | <u>759,498</u> | <u>759,498</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u><u>\$ 759,498</u></u> | <u><u>\$ 759,498</u></u> | <u><u>\$ 954,050</u></u> | <u><u>\$ 194,552</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
SCHOOL TEXTBOOKS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| Source | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|------------------------------------|
| <u>REVENUES</u> | | | | |
| From Use of Money and Property | \$ 100,000 | \$ 100,000 | \$ 32,355 | \$ (67,645) |
| Charges for Services | - | - | 280 | 280 |
| Miscellaneous | 10,000 | 10,000 | 46,664 | 36,664 |
| From Commonwealth | 4,489,728 | 4,489,728 | 4,478,479 | (11,249) |
| Total Revenues | <u>\$ 4,599,728</u> | <u>\$ 4,599,728</u> | <u>\$ 4,557,778</u> | <u>\$ (41,950)</u> |
| <u>EXPENDITURES</u> | | | | |
| <u>Instruction</u> | | | | |
| Personnel Services | \$ 79,856 | \$ 79,856 | \$ 85,391 | \$ (5,535) |
| Fringe Benefits | 29,010 | 29,010 | 34,664 | (5,654) |
| Purchased Services | 1,500 | 1,500 | - | 1,500 |
| Materials and Supplies | 6,116,175 | 6,116,485 | 2,416,906 | 3,699,579 |
| Total Instruction | <u>\$ 6,226,541</u> | <u>\$ 6,226,851</u> | <u>\$ 2,536,961</u> | <u>\$ 3,689,890</u> |
| <u>Technology</u> | | | | |
| Purchased Services | \$ 2,956,333 | \$ 2,956,333 | \$ 2,988,648 | \$ (32,315) |
| Materials and Supplies | - | - | 1,369,888 | (1,369,888) |
| Total Technology | <u>\$ 2,956,333</u> | <u>\$ 2,956,333</u> | <u>\$ 4,358,536</u> | <u>\$ (1,402,203)</u> |
| Total Expenditures | <u>\$ 9,182,874</u> | <u>\$ 9,183,184</u> | <u>\$ 6,895,497</u> | <u>\$ 2,287,687</u> |
| <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u> | <u>\$ (4,583,146)</u> | <u>\$ (4,583,456)</u> | <u>\$ (2,337,719)</u> | <u>\$ 2,245,737</u> |
| <u>NET CHANGE IN FUND BALANCE</u> | <u>(4,583,146)</u> | <u>(4,583,456)</u> | <u>(2,337,719)</u> | <u>2,245,737</u> |
| <u>FUND BALANCE - JULY 1</u> | <u>9,573,944</u> | <u>9,573,944</u> | <u>9,573,944</u> | <u>-</u> |
| <u>FUND BALANCE - JUNE 30</u> | <u>\$ 4,990,798</u> | <u>\$ 4,990,488</u> | <u>\$ 7,236,225</u> | <u>\$ 2,245,737</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | School Cafeterias | School Communication Towers/ Technology | School Vending Operations | School Equipment Replacement | Totals |
|---|----------------------|--|---------------------------------|------------------------------------|----------------------|
| <u>ASSETS</u> | | | | | |
| Cash and Temporary Investments | \$ 9,999,775 | \$ 2,799,873 | \$ 15,506 | \$ 1,258,229 | \$ 14,073,383 |
| Accounts Receivable | 51,992 | 1,125 | 29,900 | - | 83,017 |
| Due from Federal Government | 1,018,892 | - | - | - | 1,018,892 |
| Inventories | 518,261 | - | - | - | 518,261 |
| Prepaid Items | 4,633 | - | - | - | 4,633 |
| Total Assets | <u>\$ 11,593,553</u> | <u>\$ 2,800,998</u> | <u>\$ 45,406</u> | <u>\$ 1,258,229</u> | <u>\$ 15,698,186</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Salaries Payable | \$ 913,868 | \$ - | \$ - | \$ - | \$ 913,868 |
| Vouchers and Accounts Payable | 407,779 | 350 | - | - | 408,129 |
| Deposits Payable | - | 75,000 | - | - | 75,000 |
| Unearned Revenue | 458,823 | - | - | - | 458,823 |
| Total Liabilities | <u>\$ 1,780,470</u> | <u>\$ 75,350</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,855,820</u> |
| Fund Balances: | | | | | |
| Nonspendable | \$ 522,894 | \$ - | \$ - | \$ - | \$ 522,894 |
| Restricted | 9,290,189 | - | - | - | 9,290,189 |
| Committed | - | 2,725,648 | 45,406 | 1,258,229 | 4,029,283 |
| Total Fund Balances | <u>\$ 9,813,083</u> | <u>\$ 2,725,648</u> | <u>\$ 45,406</u> | <u>\$ 1,258,229</u> | <u>\$ 13,842,366</u> |
| Total Liabilities and Fund Balances | <u>\$ 11,593,553</u> | <u>\$ 2,800,998</u> | <u>\$ 45,406</u> | <u>\$ 1,258,229</u> | <u>\$ 15,698,186</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | School Cafeterias | School Communication Towers/ Technology | School Vending Operations | School Equipment Replacement | Totals |
|---|----------------------|--|---------------------------------|------------------------------------|----------------------|
| <u>REVENUES</u> | | | | | |
| From Use of Money and Property | \$ 39,202 | \$ 521,779 | \$ 26 | \$ 6,735 | \$ 567,742 |
| Charges for Services | 10,189,999 | - | 137,261 | - | 10,327,260 |
| Miscellaneous | 721,184 | - | - | - | 721,184 |
| From Commonwealth | 651,642 | - | - | - | 651,642 |
| From Federal Government | 18,348,393 | - | - | - | 18,348,393 |
| Total Revenues | <u>\$ 29,950,420</u> | <u>\$ 521,779</u> | <u>\$ 137,287</u> | <u>\$ 6,735</u> | <u>\$ 30,616,221</u> |
| <u>EXPENDITURES</u> | | | | | |
| Instruction | \$ - | \$ - | \$ 133,900 | \$ - | \$ 133,900 |
| Cafeterias | 27,623,959 | - | - | - | 27,623,959 |
| Technology | 150,418 | 798,472 | - | - | 948,890 |
| Total Expenditures | <u>\$ 27,774,377</u> | <u>\$ 798,472</u> | <u>\$ 133,900</u> | <u>\$ -</u> | <u>\$ 28,706,749</u> |
| <u>EXCESS (DEFICIENCY) OF REVENUES</u> | | | | | |
| <u>OVER (UNDER) EXPENDITURES</u> | <u>\$ 2,176,043</u> | <u>\$ (276,693)</u> | <u>\$ 3,387</u> | <u>\$ 6,735</u> | <u>\$ 1,909,472</u> |
| <u>NET CHANGE IN FUND BALANCES</u> | <u>2,176,043</u> | <u>(276,693)</u> | <u>3,387</u> | <u>6,735</u> | <u>1,909,472</u> |
| <u>FUND BALANCES - JULY 1</u> | <u>7,637,040</u> | <u>3,002,341</u> | <u>42,019</u> | <u>1,251,494</u> | <u>11,932,894</u> |
| <u>FUND BALANCES - JUNE 30</u> | <u>\$ 9,813,083</u> | <u>\$ 2,725,648</u> | <u>\$ 45,406</u> | <u>\$ 1,258,229</u> | <u>\$ 13,842,366</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

| | School Risk Management | School Health Insurance | Totals |
|--|------------------------------|-------------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Cash and Investments | \$ 12,463,577 | \$ 43,646,018 | \$ 56,109,595 |
| Accounts Receivable | - | 904,726 | 904,726 |
| Prepaid Items | 16,071 | - | 16,071 |
| Total Assets | <u>\$ 12,479,648</u> | <u>\$ 44,550,744</u> | <u>\$ 57,030,392</u> |
| <u>LIABILITIES</u> | | | |
| Current Liabilities: | | | |
| Salaries Payable | \$ 1,952 | \$ 47 | \$ 1,999 |
| Vouchers and Accounts Payable | 470,118 | 3,144,194 | 3,614,312 |
| Unearned Revenue | - | 7,852,354 | 7,852,354 |
| Estimated Claims and Judgments (due within one year) | 5,525,250 | 5,493,000 | 11,018,250 |
| Total Current Liabilities | <u>\$ 5,997,320</u> | <u>\$ 16,489,595</u> | <u>\$ 22,486,915</u> |
| Noncurrent Liabilities: | | | |
| Estimated Claims and Judgments (due in more than one year) | 1,841,750 | 1,831,000 | 3,672,750 |
| Total Liabilities | <u>\$ 7,839,070</u> | <u>\$ 18,320,595</u> | <u>\$ 26,159,665</u> |
| <u>NET POSITION</u> | | | |
| Unrestricted | <u>\$ 4,640,578</u> | <u>\$ 26,230,149</u> | <u>\$ 30,870,727</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | School Risk Management | School Health Insurance | Totals |
|--|------------------------------|-------------------------------|-----------------------------|
| <u>OPERATING REVENUES</u> | | | |
| Charges for Services | \$ 6,805,724 | \$ 146,194,503 | \$ 153,000,227 |
| Miscellaneous Revenue | 15,608 | - | 15,608 |
| Total Operating Revenues | <u>\$ 6,821,332</u> | <u>\$ 146,194,503</u> | <u>\$ 153,015,835</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Personnel Services | \$ 394,571 | \$ 307,694 | \$ 702,265 |
| Fringe Benefits | 138,530 | 110,337 | 248,867 |
| Other Charges | 5,837,054 | 132,594,340 | 138,431,394 |
| Total Operating Expenses | <u>\$ 6,370,155</u> | <u>\$ 133,012,371</u> | <u>\$ 139,382,526</u> |
| <u>OPERATING INCOME (LOSS)</u> | <u>\$ 451,177</u> | <u>\$ 13,182,132</u> | <u>\$ 13,633,309</u> |
| <u>NONOPERATING REVENUES (EXPENSES)</u> | | | |
| Interest Income | <u>\$ 76,715</u> | <u>\$ 146,234</u> | <u>\$ 222,949</u> |
| <u>CHANGE IN NET POSITION</u> | 527,892 | 13,328,366 | 13,856,258 |
| <u>TOTAL NET POSITION - JULY 1</u> | <u>4,112,686</u> | <u>12,901,783</u> | <u>17,014,469</u> |
| <u>TOTAL NET POSITION - JUNE 30</u> | <u><u>\$ 4,640,578</u></u> | <u><u>\$ 26,230,149</u></u> | <u><u>\$ 30,870,727</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | School Risk Management | School Health Insurance | Totals |
|--|------------------------------|-------------------------------|-----------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | |
| Receipts from Customers and Users | \$ 6,821,332 | \$ 146,710,799 | \$ 153,532,131 |
| Payments to Vendors for Goods and Services | (5,428,739) | (132,825,277) | (138,254,016) |
| Payments to Employees for Services | (531,158) | (418,204) | (949,362) |
| Net Cash Provided By Operating Activities | <u>\$ 861,435</u> | <u>\$ 13,467,318</u> | <u>\$ 14,328,753</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | |
| Interest Received on Investments | <u>76,715</u> | <u>146,234</u> | <u>222,949</u> |
| Net Increase (Decrease) in Cash and Temporary Investments | \$ 938,150 | \$ 13,613,552 | \$ 14,551,702 |
| Cash and Temporary Investments, July 1 | <u>11,525,427</u> | <u>30,032,466</u> | <u>41,557,893</u> |
| Cash and Temporary Investments, June 30 | <u><u>\$ 12,463,577</u></u> | <u><u>\$ 43,646,018</u></u> | <u><u>\$ 56,109,595</u></u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u> | | | |
| <u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u> | | | |
| Operating Income (Loss) | \$ 451,177 | \$ 13,182,132 | \$ 13,633,309 |
| Adjustments to Reconcile Operating Income (Loss) to | | | |
| Net Changes in Assets and Liabilities: | | | |
| Accounts Receivable | - | 27,477 | 27,477 |
| Prepaid Items | 194,809 | - | 194,809 |
| Salaries Payable | 1,943 | (173) | 1,770 |
| Vouchers and Accounts Payable | 400,506 | (15,937) | 384,569 |
| Unearned Revenue | | 488,819 | 488,819 |
| Estimated Claims and Judgments | (187,000) | (215,000) | (402,000) |
| Total Adjustments | <u>\$ 410,258</u> | <u>\$ 285,186</u> | <u>\$ 695,444</u> |
| Net Cash Provided By Operating Activities | <u><u>\$ 861,435</u></u> | <u><u>\$ 13,467,318</u></u> | <u><u>\$ 14,328,753</u></u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Balance July 1, 2016 | Additions | Deductions | Balance June 30, 2017 |
|--|-------------------------|-----------------------|-----------------------|--------------------------|
| <u>PAYROLL DEDUCTIONS</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash and Temporary Investments | \$ 5,589,444 | \$ 142,478,922 | \$ 142,744,200 | \$ 5,324,166 |
| Accounts Receivable | 2,157 | 72,030 | 2,157 | 72,030 |
| Due from Federal Government | 465 | | 465 | - |
| Total Assets | <u>\$ 5,592,066</u> | <u>\$ 142,550,952</u> | <u>\$ 142,746,822</u> | <u>\$ 5,396,196</u> |
| <u>LIABILITIES</u> | | | | |
| Vouchers and Accounts Payable | <u>\$ 5,592,066</u> | <u>\$ 142,550,952</u> | <u>\$ 142,746,822</u> | <u>\$ 5,396,196</u> |
| <u>FRINGE BENEFITS</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash and Temporary Investments | \$ 8,286,203 | \$ 107,185,862 | \$ 106,192,183 | \$ 9,279,882 |
| Due From Federal Government | 465 | - | 465 | - |
| Total Assets | <u>\$ 8,286,668</u> | <u>\$ 107,185,862</u> | <u>\$ 106,192,648</u> | <u>\$ 9,279,882</u> |
| <u>LIABILITIES</u> | | | | |
| Vouchers and Accounts Payable | <u>\$ 8,286,668</u> | <u>\$ 107,185,862</u> | <u>\$ 106,192,648</u> | <u>\$ 9,279,882</u> |
| <u>SCHOOL ACTIVITY ACCOUNTS</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash and Temporary Investments | \$ 3,709,768 | \$ 10,863,605 | \$ 11,019,984 | \$ 3,553,389 |
| <u>LIABILITIES</u> | | | | |
| Vouchers and Accounts Payable | <u>\$ 3,709,768</u> | <u>\$ 10,863,605</u> | <u>\$ 11,019,984</u> | <u>\$ 3,553,389</u> |
| <u>TOTAL - AGENCY FUNDS</u> | | | | |
| <u>ASSETS</u> | | | | |
| Cash and Temporary Investments | \$ 17,585,415 | \$ 260,528,389 | \$ 259,956,367 | \$ 18,157,437 |
| Accounts Receivable | 2,157 | 72,030 | 2,157 | 72,030 |
| Due from Federal Government | 930 | - | 930 | - |
| Total Assets | <u>\$ 17,588,502</u> | <u>\$ 260,600,419</u> | <u>\$ 259,959,454</u> | <u>\$ 18,229,467</u> |
| <u>LIABILITIES</u> | | | | |
| Vouchers and Accounts Payable | <u>\$ 17,588,502</u> | <u>\$ 260,600,419</u> | <u>\$ 259,959,454</u> | <u>\$ 18,229,467</u> |

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
OTHER POSTEMPLOYMENT BENEFITS TRUST FUND
STATEMENT OF ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

ASSETS

| | |
|----------------------|---------------|
| Cash and Investments | \$ 27,134,224 |
|----------------------|---------------|

LIABILITIES

| | |
|-------------------------------|------|
| Vouchers and Accounts Payable | \$ - |
|-------------------------------|------|

NET POSITION

| | |
|--|---------------|
| Restricted for Postemployment Benefits Other than Pensions | \$ 27,134,224 |
|--|---------------|

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
OTHER POSTEMPLOYMENT BENEFITS TRUST FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS

Contributions:

| | |
|----------|--------------|
| Employer | \$ 5,661,710 |
|----------|--------------|

Investment Earnings:

| | |
|--|--------------|
| Increase (Decrease) in Fair Value of Investments | \$ 3,098,316 |
|--|--------------|

| | |
|-----------------|--------------|
| Total Additions | \$ 8,760,026 |
|-----------------|--------------|

DEDUCTIONS

| | |
|----------|--------------|
| Benefits | \$ 5,661,710 |
|----------|--------------|

| | |
|-------------------------|--------|
| Administrative Expenses | 24,357 |
|-------------------------|--------|

| | |
|------------------|--------------|
| Total Deductions | \$ 5,686,067 |
|------------------|--------------|

| | |
|------------------------|--------------|
| Change in Net Position | \$ 3,073,959 |
|------------------------|--------------|

| | |
|-----------------------------------|------------|
| Net Position at Beginning of Year | 24,060,265 |
|-----------------------------------|------------|

| | |
|----------------------------|---------------|
| Net Postion at End of Year | \$ 27,134,224 |
|----------------------------|---------------|

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STATISTICAL SECTION

Statistical Section

This part of the City of Virginia Beach 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 City's overall financial health.

| <u>Contents</u> | <u>Page</u> |
|--|--------------------|
| Financial Trends | 243 |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | |
| Revenue Capacity | 250 |
| These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes. | |
| Debt Capacity | 255 |
| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | |
| Demographic and Economic Information | 260 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. | |
| Operating Information | 263 |
| These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. | |
| Schedule of the Treasurer's Cash Accountability | 265 |
| This schedule contains information about the City's deposits and investments. | |

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

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CITY OF VIRGINIA BEACH, VIRGINIA
NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <u>Governmental Activities</u> | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 2,135,340,973 | \$ 2,325,729,590 | \$ 2,389,856,033 | \$ 2,458,877,944 | \$ 2,383,146,998 | \$ 2,428,253,890 | \$ 2,273,830,446 | \$ 2,252,154,557 | \$ 2,286,145,556 | \$ 2,324,672,499 |
| Restricted | 70,189,359 | 48,960,721 | 48,158,594 | 63,015,179 | 38,529,754 | 40,925,256 | 272,044,037 | 343,675,422 | 362,820,736 | 347,382,648 |
| Unrestricted | 89,556,643 | 63,956,631 | 21,851,492 | 16,225,877 | 216,468,300 | 203,260,167 | 168,304,006 | (171,554,644) | (122,670,333) | (84,470,897) |
| Total Governmental Activities Net Position | \$ 2,295,086,975 | \$ 2,438,646,942 | \$ 2,459,866,119 | \$ 2,538,119,000 | \$ 2,638,145,052 | \$ 2,672,439,313 | \$ 2,714,178,489 | \$ 2,424,275,335 | \$ 2,526,295,959 | \$ 2,587,584,250 |
| <u>Business-type Activities</u> | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 665,969,934 | \$ 677,714,227 | \$ 690,413,751 | \$ 699,132,196 | \$ 740,710,253 | \$ 790,083,898 | \$ 716,074,522 | \$ 758,928,371 | \$ 760,003,698 | \$ 813,703,550 |
| Restricted | 133,124,575 | 118,523,348 | 131,592,999 | 134,034,758 | 134,288,475 | 132,851,393 | 249,548,491 | 212,357,644 | 259,716,984 | 246,364,646 |
| Unrestricted | 1,316,241 | 18,205,841 | 3,688,816 | 4,547,713 | 32,339,713 | 23,258,816 | 29,249,082 | 30,523,779 | 31,289,060 | 33,551,935 |
| Total Business-type Activities Net Position | \$ 800,410,750 | \$ 814,443,416 | \$ 825,695,566 | \$ 837,714,667 | \$ 907,338,441 | \$ 946,194,107 | \$ 994,872,095 | \$ 1,001,809,794 | \$ 1,051,009,742 | \$ 1,093,620,131 |
| <u>Primary Government</u> | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 2,801,310,907 | \$ 3,003,443,817 | \$ 3,080,269,784 | \$ 3,158,010,140 | \$ 3,123,857,251 | \$ 3,218,337,788 | \$ 2,989,904,968 | \$ 3,011,082,928 | \$ 3,046,149,254 | \$ 3,138,376,049 |
| Restricted | 203,313,934 | 167,484,069 | 179,751,593 | 197,049,937 | 172,818,229 | 173,776,649 | 521,592,528 | 556,033,066 | 622,537,720 | 593,747,294 |
| Unrestricted | 90,872,884 | 82,162,472 | 25,540,308 | 20,773,590 | 248,808,013 | 226,518,983 | 197,553,088 | (141,030,865) | (91,381,273) | (50,918,962) |
| Total Primary Government Net Position | \$ 3,095,497,725 | \$ 3,253,090,358 | \$ 3,285,561,685 | \$ 3,375,833,667 | \$ 3,545,483,493 | \$ 3,618,633,420 | \$ 3,709,050,584 | \$ 3,426,085,129 | \$ 3,577,305,701 | \$ 3,681,204,381 |

CITY OF VIRGINIA BEACH, VIRGINIA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

Table 2

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2017 | 2017 | 2017 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Legislative | \$ 1,190,152 | \$ 1,238,465 | \$ 1,101,059 | \$ 1,105,878 | \$ 1,090,648 | \$ 1,273,769 | \$ 1,189,512 | \$ 1,186,251 | \$ 1,199,261 | \$ 1,181,030 |
| Executive | 3,595,144 | 3,453,309 | 2,960,506 | 2,513,730 | 2,780,170 | 2,596,006 | 2,621,111 | 2,621,111 | 3,788,704 | 4,185,699 |
| Law | 3,708,452 | 3,676,002 | 3,486,020 | 3,599,766 | 3,666,859 | 3,679,233 | 3,937,096 | 3,776,063 | 3,763,766 | 3,978,553 |
| Finance | 16,661,856 | 16,701,143 | 16,925,748 | 16,912,340 | 17,775,815 | 18,015,281 | 18,521,840 | 17,241,258 | 17,077,306 | 18,382,696 |
| Human Resources | 13,400,793 | 12,892,046 | 8,494,623 | 8,222,168 | 9,055,986 | 9,916,732 | 10,479,994 | 11,031,258 | 11,750,627 | 11,264,020 |
| Judicial | 49,472,871 | 51,554,786 | 48,468,317 | 49,738,210 | 51,871,482 | 53,427,866 | 54,160,608 | 54,160,608 | 56,308,364 | 61,622,028 |
| Health | 3,220,239 | 3,074,767 | 2,987,001 | 2,959,495 | 2,931,361 | 2,871,475 | 3,216,176 | 3,179,240 | 3,391,817 | 3,391,817 |
| Police | 88,937,127 | 89,576,973 | 86,602,182 | 87,550,834 | 89,806,841 | 94,306,684 | 98,885,662 | 96,431,059 | 93,988,335 | 101,644,605 |
| Human Services | 108,144,955 | 115,570,958 | 120,191,660 | 113,614,181 | 112,331,388 | 108,913,384 | 110,266,430 | 110,140,108 | 109,133,450 | 116,434,440 |
| Public Works | 125,719,748 | 135,253,381 | 156,433,035 | 144,084,373 | 195,557,135 | 197,205,942 | 201,565,478 | 151,146,990 | 175,477,790 | 173,634,272 |
| Parks and Recreation | 44,780,014 | 44,262,172 | 45,258,239 | 42,919,471 | 42,619,362 | 44,461,864 | 46,944,369 | 46,372,607 | 45,082,490 | 47,512,728 |
| Library | 15,845,140 | 15,698,203 | 16,053,738 | 15,258,538 | 15,639,419 | 16,135,167 | 17,811,215 | 17,581,450 | 17,001,977 | 18,354,780 |
| Planning | 10,286,282 | 10,298,643 | 10,138,645 | 9,350,124 | 9,454,772 | 9,390,272 | 9,788,352 | 9,963,622 | 9,689,950 | 11,162,446 |
| Agriculture | 937,265 | 1,049,910 | 911,927 | 2,844,410 | 882,778 | 889,198 | 1,249,439 | 1,427,900 | 1,427,900 | 4,605,108 |
| Economic Development | 2,168,890 | 2,669,821 | 2,260,972 | 1,989,067 | 2,195,509 | 942,848 | 1,531,524 | 1,624,276 | 2,076,114 | 1,562,948 |
| Convention and Visitor Development | 30,236,487 | 28,340,921 | 26,441,351 | 24,450,034 | 25,211,870 | 24,259,211 | 21,970,212 | 29,153,694 | 25,836,560 | 28,761,957 |
| Communication and Information Technology | 19,895,881 | 31,951,307 | 23,892,765 | 24,975,516 | 27,113,853 | 28,524,903 | 33,271,946 | 33,630,014 | 33,641,832 | 38,964,868 |
| Emergency Communications and Citizen Services | - | - | 8,286,906 | 8,233,437 | 8,585,726 | 8,948,709 | 8,750,026 | 8,140,536 | 8,140,536 | 8,970,142 |
| Boards and Commissions | 31,611,562 | 28,300,724 | 28,838,862 | 29,809,481 | 30,813,011 | 28,150,540 | 28,205,251 | 29,450,284 | 30,230,164 | 34,738,707 |
| Fire | 43,731,113 | 44,862,957 | 46,923,435 | 46,496,015 | 48,604,326 | 49,299,627 | 52,577,157 | 49,880,380 | 50,306,088 | 57,104,376 |
| Management Services | 3,704,939 | 3,610,377 | 3,905,792 | 1,452,377 | 1,488,732 | 1,600,743 | 1,466,132 | 1,420,917 | 1,415,041 | 1,365,506 |
| Education | 363,554,215 | 370,277,459 | 358,870,557 | 362,627,543 | 346,343,221 | 371,831,366 | 376,409,572 | 390,015,055 | 398,127,741 | 396,304,003 |
| Housing and Neighborhood Preservation | 22,857,744 | 22,855,827 | 22,992,624 | 25,286,359 | 25,102,010 | 27,094,230 | 26,185,221 | 26,348,557 | 26,300,165 | 28,325,394 |
| Museums | 7,854,366 | 8,158,217 | 8,491,250 | 8,812,689 | 9,524,054 | 9,557,237 | 10,314,480 | 10,704,799 | 10,841,342 | 11,113,741 |
| Emergency Medical Services | 7,251,081 | 7,346,945 | 7,595,142 | 7,693,052 | 8,667,955 | 8,911,501 | 10,082,359 | 10,028,682 | 10,201,025 | 12,532,240 |
| Strategic Growth Area | - | - | - | - | 1,011,323 | 940,819 | 1,254,362 | 1,102,864 | 638,519 | - |
| General Government | 22,967,787 | 16,831,294 | 35,592,598 | 22,315,404 | 6,689,626 | 2,785,087 | 1,657,913 | 2,095,946 | 1,826,647 | 20,905,051 |
| Interest on Long-term Debt | 46,906,778 | 48,918,428 | 73,058,398 | 42,665,372 | 48,481,522 | 35,483,724 | 32,290,625 | 33,395,513 | 33,580,400 | 29,622,762 |
| Total Governmental Activities Expenses | \$ 1,088,640,881 | \$ 1,118,425,035 | \$ 1,167,163,352 | \$ 1,107,459,864 | \$ 1,145,283,688 | \$ 1,161,044,015 | \$ 1,190,428,695 | \$ 1,153,518,070 | \$ 1,182,031,334 | \$ 1,247,625,917 |
| Business-Type Activities: | | | | | | | | | | |
| Water and Sewer | \$ 94,410,608 | \$ 95,322,140 | \$ 96,891,679 | \$ 104,625,349 | \$ 102,310,240 | \$ 103,110,267 | \$ 107,549,122 | \$ 110,779,437 | \$ 109,232,931 | \$ 107,922,521 |
| Storm Water | 14,231,356 | 13,027,354 | 13,116,763 | 14,178,468 | 15,650,645 | 16,592,160 | 19,561,223 | 22,908,803 | 23,288,944 | 34,666,545 |
| Development Authority | - | - | - | - | - | 11,210,520 | 10,154,302 | 11,025,011 | 9,920,441 | 12,582,903 |
| Waste Management | - | - | - | - | - | - | - | 41,907,754 | 39,965,302 | 39,724,605 |
| Resort Parking | 1,675,539 | 1,430,534 | 1,357,625 | 1,603,150 | 1,973,867 | 1,668,933 | 1,902,855 | 4,419,983 | 3,770,402 | 3,383,691 |
| Total Business-type Activities Expenses | \$ 110,317,503 | \$ 109,790,028 | \$ 111,366,067 | \$ 120,406,967 | \$ 119,934,752 | \$ 132,581,880 | \$ 139,167,502 | \$ 191,040,988 | \$ 186,178,020 | \$ 198,280,265 |
| Total Primary Government Expenses | \$ 1,198,958,384 | \$ 1,228,215,063 | \$ 1,278,529,419 | \$ 1,227,866,831 | \$ 1,265,218,440 | \$ 1,293,625,895 | \$ 1,329,596,197 | \$ 1,344,559,058 | \$ 1,368,209,354 | \$ 1,445,906,182 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Judicial | \$ 4,025,927 | \$ 3,946,053 | \$ 4,993,137 | \$ 4,402,463 | \$ 5,377,347 | \$ 3,688,139 | \$ 3,101,433 | \$ 3,735,209 | \$ 3,549,429 | \$ 4,907,694 |
| Police | 1,425,005 | 1,567,617 | 3,436,506 | 4,026,448 | 3,670,550 | 3,747,317 | 3,472,080 | 3,854,581 | 3,965,201 | 3,308,747 |
| Human Services | 3,383,220 | 4,723,828 | 4,952,643 | 23,797,305 | 24,322,382 | 23,782,371 | 25,031,069 | 25,615,214 | 24,956,662 | 25,167,062 |
| Public Works | 1,810,874 | 3,469,383 | 10,299,832 | 6,743,429 | 13,465,436 | 30,845,235 | 44,380,916 | 2,766,927 | 3,564,521 | 4,058,165 |
| Parks and Recreation | 14,586,938 | 14,620,279 | 14,660,279 | 14,405,985 | 13,876,204 | 14,891,219 | 15,114,163 | 14,974,524 | 15,569,444 | 15,021,272 |
| Library | 672,183 | 679,091 | 617,088 | 760,480 | 706,607 | 728,317 | 760,734 | 789,508 | 726,001 | 695,152 |
| Planning | 5,307,304 | 4,026,124 | 4,076,448 | 4,097,287 | 4,265,630 | 4,432,198 | 4,496,079 | 5,226,904 | 5,020,717 | 5,097,944 |
| Agriculture | 145,130 | 145,454 | 164,684 | 127,156 | 170,091 | 52,893 | 55,585 | 72,725 | 62,171 | 86,449 |
| Economic Development | 691,207 | - | - | - | - | - | - | - | 367,208 | - |
| Convention and Visitor Development | 3,012,735 | 3,506,706 | 4,706,217 | 5,067,297 | 5,313,030 | 5,437,203 | 5,484,357 | 5,270,419 | 5,904,184 | 6,620,853 |
| Fire | 202,543 | 354,061 | 406,679 | 409,613 | 346,680 | 414,091 | 414,747 | 404,789 | 413,115 | 665,923 |
| Housing and Neighborhood Preservation | 183,588 | 174,560 | 312,489 | 215,523 | 1,170,964 | 1,831,674 | 2,033,427 | 2,300,624 | 2,427,410 | 2,841,867 |
| Museums | 5,547,623 | 5,493,504 | 6,609,514 | 7,208,895 | 7,548,640 | 8,073,443 | 7,701,899 | 8,343,814 | 9,171,646 | 9,679,208 |
| General Government | 10,412,161 | 9,756,013 | 8,777,127 | 8,096,615 | 7,395,885 | 7,532,896 | 7,480,845 | 6,795,827 | 6,690,903 | 6,795,827 |
| Other Activities | 975,039 | 524,362 | 508,565 | 545,787 | 497,376 | 551,983 | 3,590,913 | 4,088,006 | 3,867,123 | 3,726,144 |
| Total Charges for Services | \$ 52,381,477 | \$ 52,987,568 | \$ 64,521,208 | \$ 79,904,283 | \$ 88,126,822 | \$ 106,012,038 | \$ 122,897,298 | \$ 84,923,889 | \$ 86,255,735 | \$ 88,672,307 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2017 | 2017 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Program Revenues (continued) | | | | | | | | | |
| Governmental Activities: (continued) | | | | | | | | | |
| Operating grants and contributions | \$ 189,987,751 | \$ 202,479,091 | \$ 214,751,488 | \$ 195,543,654 | \$ 169,430,851 | \$ 166,149,172 | \$ 163,734,763 | \$ 167,099,983 | \$ 176,554,087 |
| Capital grants and contributions | \$ 49,331,573 | \$ 88,794,495 | \$ 30,731,118 | \$ 32,767,792 | \$ 41,572,819 | \$ 37,502,486 | \$ 69,771,674 | \$ 49,910,249 | \$ 49,358,726 |
| Total Governmental Activities Program Revenues | \$ 291,700,801 | \$ 344,261,154 | \$ 310,003,814 | \$ 308,215,729 | \$ 299,130,492 | \$ 309,663,696 | \$ 356,403,735 | \$ 301,934,121 | \$ 312,168,548 |
| Business-type Activities: | | | | | | | | | |
| Charges for services: | | | | | | | | | |
| Water and Sewer | \$ 97,364,528 | \$ 95,308,313 | \$ 98,568,890 | \$ 102,398,524 | \$ 109,200,204 | \$ 115,160,670 | \$ 122,079,274 | \$ 122,609,520 | \$ 124,303,922 |
| Storm Water | \$ 15,728,693 | \$ 17,559,488 | \$ 19,285,386 | \$ 21,321,426 | \$ 27,841,165 | \$ 32,721,540 | \$ 37,087,519 | \$ 39,048,824 | \$ 39,522,703 |
| Development Authority | - | - | - | - | - | \$ 2,630,055 | \$ 189,011 | \$ 4,665,161 | \$ 4,999,007 |
| Waste Management | - | - | - | - | - | - | - | \$ 43,457,679 | \$ 37,766,169 |
| Parking | \$ 2,319,168 | \$ 2,390,391 | \$ 2,420,174 | \$ 3,213,279 | \$ 2,879,725 | \$ 3,134,711 | \$ 2,879,228 | \$ 4,535,524 | \$ 3,824,504 |
| Operating grants and contributions | \$ 5,602,177 | \$ 5,216,559 | \$ 5,222,410 | \$ 3,569,248 | \$ 1,306,092 | - | - | \$ 90,237 | \$ 72,740 |
| Capital grants and contributions | \$ 6,491,686 | \$ 2,442,668 | \$ 628,640 | \$ 1,877,989 | \$ 974,355 | \$ 1,945,692 | \$ 7,413,070 | \$ 8,175,896 | \$ 319,888 |
| Total Business-type Activities Program Revenues | \$ 127,506,252 | \$ 122,917,319 | \$ 126,125,500 | \$ 132,380,466 | \$ 142,201,541 | \$ 155,592,668 | \$ 169,742,162 | \$ 221,820,015 | \$ 218,664,941 |
| Total Primary Government Program Revenues | \$ 419,207,053 | \$ 467,178,473 | \$ 436,129,314 | \$ 440,596,195 | \$ 441,332,033 | \$ 465,256,364 | \$ 526,145,897 | \$ 523,754,136 | \$ 530,833,489 |
| Net (Expenses) Revenues | | | | | | | | | |
| Governmental Activities | \$ (796,940,080) | \$ (774,163,881) | \$ (857,159,438) | \$ (799,244,135) | \$ (846,153,196) | \$ (851,380,319) | \$ (834,034,960) | \$ (851,583,949) | \$ (869,862,786) |
| Business-type Activities | \$ 17,188,749 | \$ 13,127,291 | \$ 14,759,433 | \$ 11,973,499 | \$ 22,266,789 | \$ 23,010,788 | \$ 30,779,027 | \$ 32,486,921 | \$ 17,425,543 |
| Total Primary Government Net Expenses | \$ (779,751,331) | \$ (761,036,590) | \$ (842,400,105) | \$ (787,270,636) | \$ (823,886,407) | \$ (828,369,531) | \$ (803,430,300) | \$ (820,804,922) | \$ (837,375,865) |
| General Revenues and Other Changes in Net Position | | | | | | | | | |
| Governmental Activities: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| General Property Taxes - | \$ 576,420,840 | \$ 589,973,045 | \$ 558,423,911 | \$ 537,521,503 | \$ 537,843,813 | \$ 551,950,361 | \$ 543,960,594 | \$ 574,064,411 | \$ 622,389,162 |
| Real Estate & Personal Property | \$ 54,121,980 | \$ 51,007,274 | \$ 50,331,672 | \$ 51,945,150 | \$ 53,038,789 | \$ 55,995,114 | \$ 55,990,140 | \$ 58,521,297 | \$ 61,409,466 |
| Sales | \$ 42,071,272 | \$ 47,340,874 | \$ 46,023,992 | \$ 47,159,975 | \$ 43,074,104 | \$ 46,653,170 | \$ 44,724,955 | \$ 44,961,377 | \$ 48,275,048 |
| Business Licenses | \$ 41,834,619 | \$ 40,919,033 | \$ 38,204,143 | \$ 41,183,389 | \$ 41,205,981 | \$ 44,671,818 | \$ 44,956,510 | \$ 45,155,698 | \$ 47,143,398 |
| Mail | \$ 48,069,618 | \$ 48,138,128 | \$ 48,566,456 | \$ 50,870,246 | \$ 53,540,559 | \$ 55,296,252 | \$ 57,041,072 | \$ 59,693,981 | \$ 63,558,427 |
| Lodging | \$ 23,623,107 | \$ 22,734,965 | \$ 22,919,279 | \$ 24,401,106 | \$ 25,624,528 | \$ 26,265,622 | \$ 26,252,617 | \$ 28,216,513 | \$ 29,999,408 |
| Amusement | \$ 5,020,312 | \$ 5,427,458 | \$ 5,141,354 | \$ 5,312,439 | \$ 5,617,464 | \$ 5,365,290 | \$ 6,247,637 | \$ 6,001,024 | \$ 6,953,928 |
| City Tax on Deeds and Wills | \$ 8,892,283 | \$ 6,569,411 | \$ 6,283,840 | \$ 5,864,224 | \$ 6,284,635 | \$ 7,530,469 | \$ 6,377,834 | \$ 7,044,958 | \$ 7,299,045 |
| Cigarette | \$ 11,503,774 | \$ 13,062,433 | \$ 11,949,379 | \$ 12,270,185 | \$ 12,213,135 | \$ 11,748,003 | \$ 12,073,540 | \$ 12,983,847 | \$ 12,060,433 |
| Automobile Licenses | \$ 8,945,576 | \$ 8,985,629 | \$ 8,654,496 | \$ 9,018,255 | \$ 8,947,535 | \$ 10,278,790 | \$ 9,421,028 | \$ 9,048,539 | \$ 10,867,860 |
| Emergency 911 Telephone | \$ 7,281,412 | \$ 5,970 | - | - | - | - | - | - | - |
| Other Taxes | \$ 9,074,242 | \$ 8,875,610 | \$ 9,871,136 | \$ 10,981,669 | \$ 10,770,992 | \$ 11,049,732 | \$ 10,231,840 | \$ 11,460,710 | \$ 13,480,842 |
| Grants and contributions not restricted | \$ 53,413,358 | \$ 53,413,096 | \$ 53,413,134 | \$ 67,913,073 | \$ 53,414,000 | \$ 53,412,868 | \$ 53,412,868 | \$ 53,412,868 | \$ 53,412,868 |
| Investment Earnings | \$ 16,206,742 | \$ 7,727,438 | \$ 4,067,799 | \$ 1,755,326 | \$ 9,351,455 | \$ 1,999,920 | \$ 3,557,973 | \$ 3,956,635 | \$ 7,172,459 |
| Miscellaneous | \$ 14,869,671 | \$ 11,263,325 | \$ 10,077,276 | \$ 10,584,154 | \$ 11,093,317 | \$ 20,533,875 | \$ 22,454,268 | \$ 14,876,713 | \$ 17,446,147 |
| Transfers | \$ 426,235 | \$ 1,915,092 | \$ 4,450,848 | \$ 716,322 | \$ (1,303,678) | \$ (15,258,704) | \$ (17,580,646) | \$ (15,898,873) | \$ (15,898,147) |
| Total Governmental Activities | \$ 921,775,041 | \$ 917,358,781 | \$ 878,378,715 | \$ 877,497,016 | \$ 870,716,629 | \$ 885,674,580 | \$ 875,764,136 | \$ 913,311,276 | \$ 971,883,410 |
| Business-type Activities: | | | | | | | | | |
| Investment Earnings | \$ 6,003,643 | \$ 2,820,444 | \$ 943,565 | \$ 761,924 | \$ 264,732 | \$ 586,174 | \$ 522,661 | \$ 660,764 | \$ 814,880 |
| Miscellaneous | - | 23 | - | - | - | - | 21 | (478,876) | - |
| Transfers | \$ (426,235) | \$ (1,915,092) | \$ (4,450,848) | \$ (716,322) | \$ 1,303,678 | \$ 15,258,704 | \$ 17,580,646 | \$ 15,898,147 | \$ 15,898,147 |
| Total Business-type Activities | \$ 5,577,408 | \$ 905,375 | \$ (3,507,283) | \$ 45,002 | \$ 1,568,410 | \$ 15,844,878 | \$ 18,103,328 | \$ 16,032,761 | \$ 16,713,027 |
| Total Primary Government | \$ 927,352,449 | \$ 918,264,156 | \$ 874,871,432 | \$ 877,542,018 | \$ 872,285,039 | \$ 901,519,458 | \$ 893,867,464 | \$ 929,344,037 | \$ 988,596,437 |
| Change in Net Position | | | | | | | | | |
| Governmental Activities | \$ 124,834,961 | \$ 143,194,900 | \$ 21,219,177 | \$ 78,252,881 | \$ 24,563,433 | \$ 34,294,261 | \$ 41,739,176 | \$ 61,727,327 | \$ 102,020,624 |
| Business-type Activities | \$ 22,766,157 | \$ 14,032,666 | \$ 11,252,150 | \$ 12,019,101 | \$ 23,835,199 | \$ 38,855,666 | \$ 48,677,988 | \$ 46,811,788 | \$ 49,199,948 |
| Total Primary Government | \$ 147,601,118 | \$ 157,227,566 | \$ 32,471,327 | \$ 90,271,982 | \$ 48,398,633 | \$ 73,149,927 | \$ 90,417,164 | \$ 108,539,115 | \$ 151,220,572 |
| Source: City Department of Finance | | | | | | | | | |
| Note: Strategic Growth Area merged with Planning in 2017 | | | | | | | | | |

CITY OF VIRGINIA BEACH, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 453,056 | \$ 506,339 | \$ 581,099 | \$ 7,482,460 | \$ 7,093,861 | \$ 10,937,946 | \$ 10,647,511 |
| Restricted | - | - | - | 987,701 | 721,002 | 892,701 | 892,701 | 1,080,998 | 675,616 | 2,047,751 |
| Committed | - | - | - | 33,756,567 | 16,397,989 | 19,310,560 | 16,616,865 | 12,299,308 | 12,299,308 | 17,299,308 |
| Assigned | - | - | - | 41,286,701 | 69,462,951 | 65,524,909 | 50,789,758 | 46,342,481 | 54,485,191 | 69,793,355 |
| Unassigned | - | - | - | 113,003,754 | 103,961,151 | 102,363,793 | 96,084,791 | 97,004,933 | 107,119,381 | 118,396,300 |
| Reserved | 10,977,275 | 11,202,854 | 9,763,249 | - | - | - | - | - | - | - |
| Unreserved | 182,087,766 | 152,478,269 | 169,216,410 | - | - | - | - | - | - | - |
| Total General Fund | \$ 193,065,041 | \$ 163,681,123 | \$ 178,979,659 | \$ 189,487,779 | \$ 191,049,432 | \$ 188,673,062 | \$ 171,866,575 | \$ 163,821,581 | \$ 185,517,442 | \$ 218,184,225 |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,453,867 | \$ 6,488,666 | \$ 5,596,625 |
| Restricted | - | - | - | 36,583,676 | 42,910,053 | 40,032,555 | 41,303,255 | 36,878,328 | 43,568,700 | 43,971,216 |
| Committed | - | - | - | 205,254,077 | 337,853,345 | 302,868,839 | 321,477,382 | 337,402,946 | 357,531,393 | 336,873,103 |
| Assigned | - | - | - | 133,709,715 | 6,583,170 | 3,841,898 | 8,601,614 | 9,047,083 | 6,154,607 | 2,273,180 |
| Unassigned | - | - | - | - | - | - | (554,019) | (391,769) | - | - |
| Reserved, Reported In: | | | | | | | | | | |
| All Other Government Funds | 81,311,197 | 96,319,671 | 102,057,848 | - | - | - | - | - | - | - |
| Debt Service Funds | 19,006,999 | 21,216,930 | 17,251,355 | - | - | - | - | - | - | - |
| Unreserved, Reported In: | | | | | | | | | | |
| Special Revenue Funds | 102,397,382 | 93,673,677 | 80,861,278 | - | - | - | - | - | - | - |
| Capital Projects Funds | 87,513,646 | 126,587,633 | 156,110,046 | - | - | - | - | - | - | - |
| Total All Other Governmental Funds | \$ 290,229,224 | \$ 337,797,911 | \$ 356,280,527 | \$ 375,547,468 | \$ 387,346,568 | \$ 346,743,292 | \$ 370,828,232 | \$ 389,390,455 | \$ 413,743,366 | \$ 388,714,124 |

Source: City Department of Finance

Note: City Adopted GASB 54 in Fiscal Year 2011

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CITY OF VIRGINIA BEACH, VIRGINIA
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| REVENUES | | | | | | | | | | |
| Real Estate Taxes | \$ 499,241,014 | \$ 515,768,880 | \$ 504,334,961 | \$ 474,474,648 | \$ 461,480,333 | \$ 476,217,120 | \$ 464,439,667 | \$ 481,774,192 | \$ 526,451,909 | \$ 544,302,460 |
| Personal Property Taxes | 128,475,060 | 123,593,895 | 113,226,394 | 119,356,403 | 73,705,379 | 74,723,035 | 78,678,322 | 90,898,635 | 95,930,682 | 100,075,205 |
| Total General Property Taxes | 627,716,074 | 639,362,775 | 617,561,355 | 593,831,051 | 535,185,712 | 550,940,155 | 543,117,989 | 572,672,827 | 622,382,591 | 644,377,665 |
| Other Local Taxes: | | | | | | | | | | |
| General Sales | 54,071,427 | 51,439,533 | 50,263,545 | 51,743,905 | 53,375,318 | 54,978,531 | 56,431,418 | 58,164,569 | 61,099,407 | 62,614,614 |
| Utility | 42,071,272 | 45,764,804 | 46,662,622 | 45,129,301 | 45,254,169 | 44,623,292 | 44,050,182 | 43,308,157 | 42,658,906 | 44,829,994 |
| Business Licenses | 41,801,475 | 41,047,807 | 38,092,610 | 41,281,806 | 41,129,895 | 44,224,356 | 44,027,381 | 44,586,110 | 45,301,911 | 47,009,925 |
| Franchise Taxes-Cox Communications | 5,487,236 | 5,891,384 | 6,256,632 | 6,827,422 | 6,962,320 | 7,192,940 | 7,531,593 | 7,939,584 | 8,115,171 | 5,163,159 |
| Automobile Licenses | 8,945,576 | 8,962,613 | 8,654,625 | 9,018,142 | 8,970,535 | 9,437,635 | 9,346,971 | 9,225,176 | 10,862,073 | 11,189,995 |
| Bank Stock | 2,261,296 | 2,071,296 | 2,667,046 | 3,029,323 | 2,615,883 | 2,354,647 | 2,151,058 | 2,739,645 | 3,023,394 | 3,100,922 |
| City Tax on Deeds | 8,803,558 | 6,492,325 | 6,218,098 | 5,796,601 | 6,203,751 | 7,458,847 | 6,297,952 | 6,970,299 | 7,222,757 | 7,755,788 |
| City Tax on Wills | 88,725 | 77,086 | 65,742 | 67,623 | 80,884 | 71,622 | 79,884 | 74,659 | 76,288 | 102,618 |
| Cigarette | 11,503,774 | 11,786,853 | 12,468,847 | 12,063,516 | 12,182,212 | 11,953,020 | 11,693,536 | 13,707,486 | 10,164,199 | 11,906,282 |
| Amusement | 5,020,312 | 5,422,767 | 5,226,534 | 5,314,873 | 5,472,204 | 5,482,948 | 6,015,026 | 5,902,807 | 7,034,792 | 6,811,740 |
| Hotel Taxes | 23,623,107 | 22,955,423 | 22,801,413 | 24,169,996 | 25,003,788 | 26,049,027 | 26,643,369 | 27,914,212 | 29,780,108 | 29,196,087 |
| Restaurant Meals | 48,069,618 | 48,304,462 | 48,442,376 | 50,594,181 | 53,254,313 | 55,122,465 | 56,872,794 | 59,968,375 | 63,437,485 | 65,207,699 |
| Transient Occupancy Taxes | 861,559 | 920,264 | 934,382 | 1,122,301 | 1,106,769 | 1,178,742 | 761,557 | 771,695 | 815,025 | 3,609,510 |
| Total Other Local Taxes | 260,197,924 | 251,136,617 | 248,754,472 | 256,158,990 | 261,612,041 | 270,128,072 | 271,902,719 | 281,272,774 | 289,591,516 | 298,498,333 |
| Fines and Forfeitures | 6,155,497 | 5,772,731 | 6,733,769 | 7,432,059 | 6,821,979 | 6,902,298 | 5,443,331 | 7,359,085 | 6,417,007 | 5,507,315 |
| Permits, Privilege Fees, and Regulatory Licenses | 5,008,807 | 4,158,778 | 4,222,376 | 3,824,168 | 4,239,786 | 4,223,312 | 6,312,079 | 5,138,080 | 4,922,398 | 5,250,146 |
| From Use of Money and Property | 23,872,972 | 13,223,279 | 9,841,835 | 7,582,471 | 15,495,687 | 8,486,602 | 9,281,953 | 9,706,351 | 15,856,367 | 8,910,323 |
| Charges for Services | 35,704,240 | 35,136,062 | 55,897,422 | 61,278,029 | 68,489,147 | 85,837,389 | 110,064,203 | 72,565,586 | 70,998,949 | 71,800,886 |
| Miscellaneous | 11,207,659 | 15,871,120 | 17,701,348 | 15,255,086 | 15,900,634 | 25,744,605 | 18,041,512 | 11,935,463 | 11,148,714 | 13,723,105 |
| Sale of Property | - | - | 10,000 | 15,000 | - | - | - | - | - | - |
| From Other Local Governments | 2,922,656 | 440,526 | 447,717 | 14,921,907 | 247,709 | 2,595,294 | 98,153 | 49,077 | - | - |
| From Commonwealth | 133,829,900 | 137,486,037 | 126,848,945 | 137,844,448 | 183,494,275 | 176,215,187 | 178,507,205 | 199,209,892 | 216,035,262 | 204,502,438 |
| From Federal Government | 62,879,529 | 72,236,638 | 109,971,236 | 81,029,447 | 73,006,854 | 64,423,364 | 59,113,705 | 65,227,667 | 57,728,271 | 56,119,173 |
| Total Revenues | \$ 1,169,495,258 | \$ 1,174,824,563 | \$ 1,197,990,475 | \$ 1,179,172,656 | \$ 1,164,493,824 | \$ 1,195,495,278 | \$ 1,201,882,849 | \$ 1,225,136,802 | \$ 1,295,081,075 | \$ 1,308,689,384 |
| EXPENDITURES | | | | | | | | | | |
| Legislative | \$ 1,184,474 | \$ 1,229,876 | \$ 1,099,021 | \$ 1,104,591 | \$ 1,078,747 | \$ 1,298,568 | \$ 1,184,883 | \$ 1,208,704 | \$ 1,233,934 | \$ 1,173,001 |
| Executive | 3,626,970 | 3,416,589 | 2,958,372 | 2,563,372 | 2,697,088 | 2,605,143 | 2,528,002 | 2,615,031 | 3,998,371 | 4,093,880 |
| Law | 3,718,122 | 3,645,426 | 3,526,957 | 3,576,615 | 3,640,226 | 3,697,386 | 3,913,804 | 3,919,348 | 4,022,217 | 3,969,488 |
| Finance | 16,554,091 | 16,554,774 | 16,263,353 | 15,804,138 | 16,600,949 | 16,993,124 | 17,367,222 | 17,815,815 | 18,062,607 | 18,207,252 |
| Human Resources | 13,417,794 | 12,899,532 | 8,475,233 | 8,229,652 | 9,010,045 | 9,924,243 | 10,416,987 | 11,174,602 | 11,914,851 | 11,245,572 |
| Judicial | 49,170,602 | 50,058,319 | 48,360,575 | 49,040,448 | 51,006,576 | 53,276,187 | 55,458,238 | 55,398,991 | 58,516,561 | 61,187,703 |
| Health | 3,232,255 | 3,071,005 | 2,981,771 | 2,934,899 | 2,926,650 | 2,866,304 | 3,113,772 | 3,213,191 | 3,177,862 | 3,376,761 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| EXPENDITURES (continued) | | | | | | | | | | |
| Police | \$ 88,122,541 | \$ 86,039,838 | \$ 84,330,028 | \$ 85,654,990 | \$ 87,210,424 | \$ 91,048,023 | \$ 95,036,357 | \$ 94,259,577 | \$ 95,179,158 | \$ 97,550,859 |
| Human Services | 108,245,640 | 114,982,315 | 119,705,569 | 113,422,755 | 111,828,043 | 109,136,160 | 110,005,531 | 112,506,829 | 112,944,110 | 115,193,857 |
| Public Works | 81,007,280 | 90,598,946 | 88,729,338 | 90,570,064 | 99,611,309 | 103,023,351 | 104,583,810 | 63,701,224 | 66,744,291 | 73,368,698 |
| Parks and Recreation | 42,119,693 | 42,360,029 | 41,975,161 | 40,087,300 | 42,677,953 | 45,253,417 | 48,891,417 | 46,973,301 | 43,265,384 | 43,768,393 |
| Library | 16,059,880 | 15,652,089 | 15,995,471 | 15,442,912 | 15,475,052 | 16,033,907 | 17,381,171 | 17,618,171 | 17,368,746 | 17,615,908 |
| Planning | 10,331,341 | 10,162,875 | 10,071,875 | 9,324,289 | 9,379,626 | 9,289,151 | 9,291,336 | 9,874,195 | 9,741,864 | 10,993,105 |
| Agriculture | 930,862 | 1,052,844 | 931,377 | 2,837,146 | 2,958,894 | 3,040,599 | 3,389,546 | 3,503,327 | 1,468,560 | 4,607,650 |
| Economic Development | 2,145,140 | 2,656,922 | 2,243,759 | 2,007,505 | 2,210,063 | 2,343,970 | 3,018,382 | 3,037,408 | 3,949,271 | 3,749,275 |
| Convention and Visitor Development | 25,441,881 | 25,300,454 | 26,187,264 | 23,994,441 | 50,515,866 | 51,583,205 | 52,048,685 | 50,793,408 | 26,306,456 | 27,050,391 |
| Information Technology | 19,118,141 | 29,111,294 | 21,205,694 | 19,371,700 | 20,992,614 | 22,348,352 | 22,249,372 | 22,008,128 | 20,463,895 | 22,132,288 |
| Emergency Communications and Citizen Services | - | - | 8,286,906 | 8,233,437 | 8,644,135 | 8,585,726 | 9,033,409 | 8,985,752 | 8,609,489 | 8,859,237 |
| Boards and Commissions | 31,381,050 | 30,920,448 | 30,304,486 | 34,454,560 | 34,730,107 | 33,495,194 | 34,742,684 | 35,603,080 | 35,367,590 | 60,714,680 |
| Fire | 43,471,843 | 43,181,025 | 43,691,716 | 43,756,960 | 44,898,737 | 45,434,088 | 47,774,858 | 49,212,062 | 51,237,605 | 55,117,288 |
| Management Services | 3,676,965 | 3,579,581 | 3,854,542 | 1,484,095 | 1,471,547 | 1,595,914 | 1,481,262 | 1,526,664 | 1,485,496 | 1,409,775 |
| Development Authority | - | - | - | - | - | 55,539 | 736,650 | 400,429 | - | 55,008 |
| Education | 345,208,610 | 387,081,807 | 381,426,817 | 350,272,315 | 399,636,831 | 364,589,660 | 382,971,859 | 372,506,081 | 388,092,326 | 407,548,658 |
| Housing and Neighborhood Preservation | 23,140,526 | 23,025,859 | 23,244,412 | 25,578,349 | 25,057,346 | 27,083,836 | 26,138,828 | 26,490,648 | 26,550,331 | 28,246,526 |
| Museums | 7,829,887 | 8,158,942 | 8,463,702 | 8,805,116 | 9,430,030 | 9,542,960 | 10,225,773 | 11,435,283 | 11,140,739 | 10,961,337 |
| General Government | 11,114,894 | 7,483,531 | 3,625,500 | 1,830,932 | 8,293,239 | 8,014,133 | 7,489,469 | 11,482,238 | 2,566,531 | 2,331,474 |
| Emergency Medical Service | 7,265,956 | 7,155,505 | 7,552,298 | 7,590,345 | 8,302,029 | 8,501,568 | 9,500,960 | 9,508,751 | 10,111,253 | 11,405,734 |
| Strategic Growth Area | - | - | - | - | 1,011,323 | 940,819 | 1,223,232 | 1,136,261 | 746,889 | - |
| Capital Outlay | 175,645,583 | 107,225,640 | 125,455,464 | 152,439,078 | 134,374,158 | 132,201,426 | 142,572,128 | 180,758,500 | 148,425,984 | 75,596,098 |
| Debt Service: | | | | | | | | | | |
| Principal Retirement | 65,114,538 | 72,662,009 | 76,488,392 | 80,413,257 | 28,759,234 | 59,341,275 | 58,392,964 | 61,522,444 | 86,698,132 | 88,609,860 |
| Interest and Fiscal Charges | 45,750,215 | 48,401,666 | 47,082,762 | 43,141,572 | 16,496,683 | 31,147,744 | 29,114,205 | 32,248,023 | 45,188,801 | 46,498,278 |
| Total Expenditures | \$ 1,244,026,774 | \$ 1,247,669,140 | \$ 1,254,518,015 | \$ 1,243,966,833 | \$ 1,250,925,524 | \$ 1,274,295,972 | \$ 1,321,277,475 | \$ 1,322,437,466 | \$ 1,314,579,304 | \$ 1,316,638,034 |
| Excess (Deficiency) of Revenues over (under) Expenditures | \$ (74,531,516) | \$ (72,844,577) | \$ (56,527,540) | \$ (64,794,177) | \$ (86,431,700) | \$ (78,800,694) | \$ (119,394,626) | \$ (97,300,664) | \$ (19,498,229) | \$ (7,948,650) |

OTHER FINANCING SOURCES (USES)

| | | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|---------------|-----------------|----------------|----------------|----------------|----------------|
| Transfers In | \$ 278,337,221 | \$ 329,930,834 | \$ 286,072,732 | \$ 225,159,580 | \$ 79,048,006 | \$ 134,706,391 | \$ 131,854,570 | \$ 142,195,756 | \$ 151,503,513 | \$ 153,805,994 |
| Transfers Out | (277,520,986) | (324,543,593) | (282,833,185) | (232,016,209) | (80,346,618) | (149,713,095) | (130,979,095) | (144,189,251) | (156,245,123) | (166,095,354) |
| Agriculture Reserve Agreement | - | - | - | - | - | - | 270,504 | 344,842 | 565,264 | 3,728,464 |
| Issuance of Debt | 141,625,000 | 78,350,705 | 321,110,000 | 94,875,000 | 118,596 | 83,640,000 | 111,248,370 | 99,540,000 | 111,685,000 | 21,225,000 |
| Premium on Refunding Bonds | 2,616,503 | - | - | - | - | - | - | - | - | - |
| Premium on Bonds Sold | 4,065,030 | 4,384,080 | 34,379,078 | 6,600,690 | 132,850,000 | 7,342,754 | 16,096,112 | 29,213,786 | 13,623,894 | 2,922,087 |
| Proceeds of Refunding Bonds | - | - | - | - | - | - | 20,320,000 | 91,415,000 | - | - |
| Increase (Decrease) in Treasury Strips | - | - | - | (49,823) | 23,194,107 | (2,225,854) | - | - | - | - |
| Payment to Refunding Bonds Escrow Agent | (54,078,461) | - | (267,419,933) | - | (55,071,638) | (37,929,148) | (22,353,602) | (109,664,176) | (55,585,547) | - |
| Total Other Financing Sources (Uses) | \$ 95,044,307 | \$ 88,122,026 | \$ 91,308,692 | \$ 94,569,238 | \$ 99,792,453 | \$ 35,821,048 | \$ 126,456,859 | \$ 108,855,957 | \$ 65,547,001 | \$ 15,586,191 |
| Net Change in Fund Balance | \$ 20,512,791 | \$ 15,277,449 | \$ 34,781,152 | \$ 29,775,061 | \$ 13,360,753 | \$ (42,979,646) | \$ 7,062,233 | \$ 11,555,293 | \$ 46,048,772 | \$ 7,637,541 |

Debt Service as a Percentage of Noncapital Expenditures

| | | | | | | | | | | |
|--|-------|-------|-------|-------|------|------|------|------|-------|-------|
| | 10.4% | 10.6% | 10.9% | 11.3% | 4.1% | 7.9% | 7.4% | 8.2% | 11.3% | 10.9% |
|--|-------|-------|-------|-------|------|------|------|------|-------|-------|

Source: City Department of Finance

CITY OF VIRGINIA BEACH, VIRGINIA
GOVERNMENTAL FUNDS TAX REVENUE BY SOURCE
Last Ten Fiscal Years
(Unaudited)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| City Taxes | | | | | | | | | | |
| Real Estate | \$ 499,776,925 | \$ 515,768,880 | \$ 504,334,961 | \$ 474,474,648 | \$ 461,480,333 | 476,217,120 | \$ 464,439,667 | 481,774,192 | \$ 526,451,909 | \$ 544,302,460 |
| Personal Property | 75,062,192 | 70,181,027 | 59,813,526 | 65,943,535 | 73,705,379 | 74,723,035 | 78,678,322 | 90,898,635 | 95,930,682 | 100,075,205 |
| General Sales | 54,071,427 | 51,439,533 | 50,263,545 | 51,743,905 | 53,375,318 | 54,978,531 | 56,431,418 | 58,164,569 | 61,099,407 | 62,614,614 |
| Utility | 49,660,261 | 45,764,804 | 46,662,622 | 45,129,301 | 45,254,169 | 44,623,292 | 44,050,182 | 43,308,157 | 42,658,906 | 44,829,994 |
| Business Licenses | 41,801,475 | 41,047,807 | 38,092,610 | 41,281,806 | 41,129,895 | 44,224,356 | 44,027,381 | 44,586,110 | 45,301,911 | 47,009,925 |
| Franchise Taxes | 5,487,236 | 5,891,384 | 6,256,632 | 6,827,422 | 6,962,320 | 7,192,940 | 7,531,593 | 7,939,584 | 8,115,171 | 5,163,159 |
| Automobile Licenses | 8,945,576 | 8,962,613 | 8,654,625 | 9,018,142 | 8,970,535 | 9,437,635 | 9,346,971 | 9,225,176 | 10,862,073 | 11,189,995 |
| Bank Stock | 2,261,296 | 2,071,296 | 2,667,046 | 3,029,323 | 2,615,883 | 2,354,647 | 2,151,058 | 2,739,645 | 3,023,394 | 3,100,922 |
| City Tax on Deeds | 8,803,558 | 6,492,325 | 6,218,098 | 5,796,601 | 6,203,751 | 7,458,847 | 6,297,952 | 6,970,299 | 7,222,757 | 7,755,788 |
| City Tax on Wills | 88,725 | 77,086 | 65,742 | 67,623 | 80,884 | 71,622 | 79,882 | 74,659 | 76,288 | 102,618 |
| Cigarette | 11,503,774 | 11,786,853 | 12,468,847 | 12,063,516 | 12,182,212 | 11,953,020 | 11,693,536 | 13,707,486 | 10,164,199 | 11,906,282 |
| Amusement | 5,020,312 | 5,422,767 | 5,226,534 | 5,314,873 | 5,472,204 | 5,482,948 | 6,015,026 | 5,902,807 | 7,044,913 | 6,811,740 |
| Hotel Taxes | 24,844,666 | 23,875,687 | 23,735,795 | 25,292,297 | 26,110,557 | 27,227,769 | 27,404,926 | 28,685,907 | 30,595,133 | 32,805,597 |
| Restaurant Meals | 48,069,618 | 48,304,462 | 48,442,376 | 50,594,181 | 53,254,313 | 55,122,465 | 56,872,794 | 59,968,375 | 63,437,485 | 65,207,699 |
| Total | \$ 835,397,041 | \$ 837,086,524 | \$ 812,902,959 | \$ 796,577,173 | \$ 796,797,753 | \$ 821,068,227 | \$ 815,020,708 | \$ 853,945,601 | \$ 911,984,228 | \$ 942,875,998 |

Source: City Department of Finance

Note: Franchise Taxes are represented by Cox Communications

Hotel Taxes include Transient Occupancy Taxes

CITY OF VIRGINIA BEACH, VIRGINIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Real Property Assessed Value | | | Public Service* | | Total Taxable Real Property Assessed Value | | Direct Tax Rate | | Personal Property Assessed Value | | Public Service | | Total Taxable Personal Property Assessed Value | | Direct Tax Rate | | Estimated Actual Taxable Value | | Assessed Value as a Percentage of Actual Value | |
|-------------|------------------------------|------------------|----|-----------------|----|--|----|-----------------|----|----------------------------------|------------|----------------|----|--|----|-----------------|----|--------------------------------|--|--|--|
| | Residential | Commercial | | Public Service* | | Real Property Assessed Value | | Rate | | Residential | Commercial | Public Service | | Personal Property Assessed Value | | Rate | | Taxable Value | | of Actual Value | |
| 2008 | \$ 47,862,927,769 | \$ 7,283,463,230 | \$ | 646,207,801 | \$ | 55,792,598,800 | \$ | 0.8900 | \$ | 3,260,237,123 | \$ | 1,697,444 | \$ | 4,154,163,927 | \$ | 3.7000 | \$ | 59,946,762,727 | | 100.0% | |
| 2009 | 48,889,366,712 | 7,877,386,575 | | 806,244,930 | | 57,572,998,217 | | 0.8900 | | 2,807,028,410 | | 1,645,454 | | 3,713,942,486 | | 3.7000 | | 61,286,940,703 | | 100.0% | |
| 2010 | 47,128,334,239 | 8,251,639,426 | | 888,797,410 | | 56,268,771,075 | | 0.8900 | | 2,860,711,763 | | 1,431,722 | | 3,613,206,606 | | 3.7000 | | 59,881,977,681 | | 100.0% | |
| 2011 | 43,967,169,845 | 8,008,231,601 | | 926,192,535 | | 52,901,593,981 | | 0.8900 | | 3,105,575,058 | | 1,317,211 | | 4,079,412,502 | | 3.7000 | | 56,981,006,483 | | 100.0% | |
| 2012 | 42,582,797,354 | 7,925,225,472 | | 937,565,594 | | 51,445,588,420 | | 0.8900 | | 3,225,216,284 | | 761,493 | | 4,305,887,393 | | 3.7000 | | 55,751,475,813 | | 100.0% | |
| 2013 | 40,815,993,416 | 8,036,001,242 | | 929,117,285 | | 49,781,111,943 | | 0.9500 | | 3,306,948,272 | | 725,885 | | 4,250,418,417 | | 3.7000 | | 54,031,530,360 | | 100.0% | |
| 2014 | 40,590,297,065 | 8,147,317,125 | | 888,427,995 | | 49,626,042,185 | | 0.9300 | | 3,362,985,338 | | 622,805 | | 4,334,641,728 | | 3.7000 | | 53,960,683,913 | | 100.0% | |
| 2015 | 42,110,642,755 | 8,466,636,425 | | 873,940,844 | | 51,451,220,024 | | 0.9300 | | 3,446,918,395 | | 1,555,727 | | 4,571,389,305 | | 4.0000 | | 56,022,609,329 | | 100.0% | |
| 2016 | 43,302,214,028 | 8,714,160,476 | | 893,717,743 | | 52,910,092,247 | | 0.9900 | | 3,552,544,174 | | 1,762,202 | | 4,583,821,820 | | 4.0000 | | 57,493,914,067 | | 100.0% | |
| 2017 | 45,017,777,981 | 8,822,768,056 | | 943,063,814 | | 54,783,609,851 | | 0.9900 | | 3,612,948,282 | | 2,030,566 | | 4,694,413,922 | | 4.0000 | | 59,478,023,773 | | 100.0% | |

Sources: Office of Real Estate Assessor
Commissioner of the Revenue
City Adopted Resource Management Plan

Notes: 1 - The City is the only entity with local taxing authority within its boundaries.

2 - See Table 7 for revenue rates

* The assessed value includes Public Service Personal Property taxed at the same rate as Real Estate

CITY OF VIRGINIA BEACH, VIRGINIA
REVENUE RATES FOR REAL ESTATE AND FOR PERSONAL PROPERTY
 Last Ten Fiscal Years
 (Unaudited)

| Fiscal Year | Base Real Property Tax Rate | Sandbridge SSD | | Town Center SSD | | Additional Real Property Tax Rate | | Old Donation SSD | | Bayville Creek SSD | | Shadowlawn SSD | | Chesapeake SSD | | Harbor Point SSD | | Gills Cove SSD | | Hurd's Cove SSD | | Personal Property Tax Rate |
|-------------|-----------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|----------------------------|
| | | Real Property Tax Rate | Additional Real Property Tax Rate | Real Property Tax Rate | Additional Real Property Tax Rate | Real Property Tax Rate | Additional Real Property Tax Rate | Real Property Tax Rate | Additional Real Property Tax Rate | Real Property Tax Rate | Additional Real Property Tax Rate | Real Property Tax Rate | Additional Real Property Tax Rate | Real Property Tax Rate | Additional Real Property Tax Rate | Real Property Tax Rate | Additional Real Property Tax Rate | Real Property Tax Rate | Additional Real Property Tax Rate | Real Property Tax Rate | Additional Real Property Tax Rate | |
| 2008 | 0.8900 | 0.0600 | | 0.5000 | | - | | - | | - | | - | | - | | - | | - | | - | | 3.7000 |
| 2009 | 0.8900 | 0.0600 | | 0.4500 | | - | | - | | - | | - | | - | | - | | - | | - | | 3.7000 |
| 2010 | 0.8900 | 0.0600 | | 0.4500 | | - | | - | | - | | - | | - | | - | | - | | - | | 3.7000 |
| 2011 | 0.8900 | 0.0600 | | 0.4500 | | - | | - | | - | | - | | - | | - | | - | | - | | 3.7000 |
| 2012 | 0.8900 | 0.0600 | | 0.4500 | | 0.1840 | | 0.1840 | | - | | - | | - | | - | | - | | - | | 3.7000 |
| 2013 | 0.9500 | 0.0600 | | 0.4500 | | 0.1840 | | 0.1840 | | 0.3630 | | - | | - | | - | | - | | - | | 3.7000 |
| 2014 | 0.9300 | 0.0600 | | 0.4500 | | 0.1840 | | 0.1840 | | 0.3630 | | 0.1594 | | - | | - | | - | | - | | 3.7000 |
| 2015 | 0.9300 | 0.0600 | | 0.4500 | | 0.1840 | | 0.1840 | | 0.3630 | | 0.1594 | | 0.2913 | | 0.0790 | | 0.0630 | | - | | 4.0000 |
| 2016 | 0.9900 | 0.0600 | | 0.4500 | | 0.1840 | | 0.1840 | | 0.3630 | | 0.1594 | | 0.2913 | | 0.0790 | | 0.0630 | | 0.4380 | | 4.0000 |
| 2017 | 0.9900 | 0.0600 | | 0.4500 | | 0.1840 | | 0.1840 | | 0.3630 | | 0.1594 | | 0.2913 | | 0.0790 | | 0.0630 | | 0.4380 | | 4.0000 |

Real Property Total Direct Tax Rate

| Fiscal Year | Regular | Sandbridge SSD | | Town Center SSD | | Old Donation SSD | | Bayville Creek SSD | | Shadowlawn SSD | | Chesapeake SSD | | Harbor Point SSD | | Gills Cove SSD | | Hurd's Cove SSD | |
|-------------|---------|----------------|------------------------|-----------------|------------------------|------------------|------------------------|--------------------|------------------------|----------------|------------------------|----------------|------------------------|------------------|------------------------|----------------|------------------------|-----------------|------------------------|
| | | Residents | Real Property Tax Rate | Residents | Real Property Tax Rate | Residents | Real Property Tax Rate | Residents | Real Property Tax Rate | Residents | Real Property Tax Rate | Residents | Real Property Tax Rate | Residents | Real Property Tax Rate | Residents | Real Property Tax Rate | Residents | Real Property Tax Rate |
| 2008 | 0.8900 | 0.9500 | | 1.3900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | |
| 2009 | 0.8900 | 0.9500 | | 1.3400 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | |
| 2010 | 0.8900 | 0.9500 | | 1.3400 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | |
| 2011 | 0.8900 | 0.9500 | | 1.3400 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | |
| 2012 | 0.8900 | 0.9500 | | 1.3400 | | 1.0740 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | | 0.8900 | |
| 2013 | 0.9500 | 1.0100 | | 1.4000 | | 1.1340 | | 1.3130 | | 0.9500 | | 0.9500 | | 0.9500 | | 0.9500 | | 0.9500 | |
| 2014 | 0.9300 | 0.9900 | | 1.3800 | | 1.1140 | | 1.2930 | | 1.0894 | | 0.9300 | | 0.9300 | | 0.9300 | | 0.9300 | |
| 2015 | 0.9300 | 0.9900 | | 1.3800 | | 1.1140 | | 1.2930 | | 1.0894 | | 1.2213 | | 1.0090 | | 0.9930 | | 0.9300 | |
| 2016 | 0.9900 | 1.0500 | | 1.4400 | | 1.1740 | | 1.3530 | | 1.1494 | | 1.2813 | | 1.0690 | | 1.0530 | | 1.4280 | |
| 2017 | 0.9900 | 1.0500 | | 1.4400 | | 1.1740 | | 1.3530 | | 1.1494 | | 1.2813 | | 1.0690 | | 1.0530 | | 1.4280 | |

Source: City Adopted Resource Management Plan

- Notes:
- 1 - The City is the only entity with local taxing authority within its boundaries.
 - 2 - Real Property Tax Rate is applied to Real Estate such as land and buildings.
 - 3 - Personal Property Tax Rate is applied to personal property such as automobiles and equipment.
 - 4 - The tax bases are mutually exclusive.

Table 8

CITY OF VIRGINIA BEACH, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)

| | Real Property Assessed Value | Percent of Total Real Property Assessed Value | Rank | | Real Property Assessed Value | Percent of Total Real Property Assessed Value | Rank |
|---|---------------------------------------|---|------|----|---------------------------------------|---|------|
| | 2017 | | | | 2008 | | |
| Armada Hoffler | \$ 373,315,300 | 0.57 % | 1 | \$ | 314,222,700 | 0.68 % | 1 |
| Ramon W. Breeden, Jr. | 354,406,300 | 0.54 | 2 | | 224,816,538 | 0.49 | 5 |
| Virginia Electric & Power Company | 350,475,577 | 0.54 | 3 | | 228,591,490 | 0.50 | 4 |
| Lynnhaven Mall LLC | 297,491,200 | 0.46 | 4 | | 307,053,500 | 0.67 | 2 |
| E. D. & A. F. Ruffin & B. L. Thompson | 279,020,100 | 0.43 | 5 | | 230,688,553 | 0.50 | 3 |
| J. M. , R.J.F. , A.D. & L.E. Caplan | 273,951,600 | 0.42 | 6 | | - | - | - |
| Pembroke Square Assoc. | 193,027,100 | 0.30 | 7 | | 209,748,228 | 0.46 | 6 |
| Verizon Virginia, Inc. | 170,066,425 | 0.26 | 8 | | 190,194,201 | 0.41 | 7 |
| Christian Broadcasting Assoc./Net, Inc. | 149,949,700 | 0.23 | 9 | | 144,069,900 | 0.31 | 10 |
| Cheryl P. McLeskey | 144,580,900 | 0.22 | 10 | | 132,816,147 | 0.29 | 12 |
| Thomas J. Lyons, Jr. | 140,923,300 | 0.22 | 11 | | 105,002,900 | 0.23 | 15 |
| Lake Gem | 119,831,000 | 0.18 | 12 | | 115,921,000 | 0.25 | 13 |
| Watergate Treehouse Associates LP | 114,317,500 | 0.18 | 13 | | 97,078,200 | 0.21 | 17 |
| Aimco Maple Bay & Aimco Reflections LLC | 100,183,100 | 0.15 | 15 | | - | - | - |
| Westminster Canterbury | 97,701,600 | 0.15 | 14 | | 105,584,600 | 0.23 | 14 |
| Windsor Lake & Shoreline Apartments LLC. | 97,336,100 | 0.15 | 16 | | 66,222,300 | 0.14 | 21 |
| Potter Properties | 94,475,100 | 0.14 | 17 | | 90,070,041 | 0.20 | 18 |
| Virginia Natural Gas | 92,538,234 | 0.14 | 18 | | 52,575,106 | 0.11 | 23 |
| Wal Mart Real Estate Business Trust | 91,346,600 | 0.14 | 19 | | - | - | - |
| Inland Diversified Virginia Beach Landstown LLC | 78,144,000 | 0.12 | 20 | | - | - | - |
| Atlantic Shores Cooperative | 75,457,900 | 0.12 | 21 | | 145,010,140 | 0.31 | 9 |
| Sifen, Michael D. | 67,877,500 | 0.10 | 22 | | 75,799,382 | 0.16 | 20 |
| Occidental Development, Ltd. | 65,550,000 | 0.10 | 23 | | 62,059,300 | 0.13 | 22 |
| BBR/Marina Shores LLC | 49,397,600 | 0.08 | 24 | | - | - | - |
| Latitudes LLC | 46,242,100 | 0.07 | 25 | | - | - | - |
| CLPF Town Square LP | - | - | - | | 43,508,700 | 0.09 | 24 |
| Gale M. Levine | - | - | - | | 88,519,400 | 0.19 | 19 |
| Kemp River & Bonneys Corner Associates | - | - | - | | 139,081,200 | 0.30 | 11 |
| Mountain Ventures Virginia Beach LLC | - | - | - | | 50,044,200 | 0.11 | 25 |
| Sandler Development at Towne, etc. | - | - | - | | 164,492,714 | 0.36 | 8 |
| Tidewater Oxford Ltd Partnership | - | - | - | | 101,483,900 | 0.22 | 16 |
| Totals | <u>\$ 3,917,605,836</u> | <u>6.01 %</u> | | | <u>\$ 3,484,654,340</u> | <u>7.55 %</u> | |

Sources: Office of Real Estate Assessor
Commissioner of the Revenue

CITY OF VIRGINIA BEACH, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Total Real Estate Tax Levy ¹ | Total Personal Property Tax Levy ¹ | Collected within the | | Collections in Subsequent Years | Total Collections to Date | |
|----------------|---|---|-------------------------|--------|---------------------------------------|---------------------------|-----------------------|
| | | | Fiscal Year of the Levy | | | Percentage of Levy | Percentage of Levy |
| | | | Amount | | | | |
| 2008 | \$ 483,635,234 | \$ 78,409,095 | \$ 537,526,149 | 95.6 % | \$ 20,719,540 | \$ 558,245,689 | 99.3 % |
| 2009 | 497,742,524 | 72,839,545 | 547,934,162 | 96.0 | 19,571,362 | 567,505,524 | 99.5 |
| 2010 | 485,659,493 | 60,469,997 | 526,040,648 | 96.3 | 17,082,666 | 543,123,314 | 99.4 |
| 2011 | 456,029,699 | 67,556,570 | 504,769,073 | 96.4 | 15,108,438 | 519,877,511 | 99.3 |
| 2012 | 443,160,075 | 79,426,777 | 501,282,299 | 95.9 | 15,740,663 | 517,022,962 | 98.9 |
| 2013 | 457,287,081 | 79,331,585 | 516,542,429 | 96.3 | 15,920,597 | 532,463,026 | 99.2 |
| 2014 | 446,015,531 | 81,020,900 | 509,339,982 | 96.6 | 15,189,025 | 524,529,007 | 99.5 |
| 2015 | 463,184,807 | 95,236,086 | 537,056,367 | 96.2 | 15,421,100 | 552,477,467 | 98.9 |
| 2016 | 510,528,757 | 102,577,135 | 589,411,524 | 96.1 | 13,092,961 | 602,504,485 | 98.3 |
| 2017 | 528,410,384 | 106,583,082 | 609,085,906 | 95.9 | - | 609,085,906 | 95.9 |

Source: City Department of Finance

Note: Collections in subsequent years represents delinquent accounts collected during the course of the fiscal year for all prior fiscal years.

(1) Includes both Real and Personal Property and Public Service.

CITY OF VIRGINIA BEACH, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years
 (Unaudited)

| Fiscal Year | Governmental Activities | | | | | Business Type Activities | | | | | Ratio of Net Debt Per Capita to Per Capita Personal Income (3) | |
|-------------|--------------------------|---------------------------|-------------------------------|----------------------------------|-------------------------------|--------------------------|-----------------------------|--|--------------------------|----------------|--|-------------------------|
| | General Obligation Bonds | State Literary Fund Loans | Public Facility Revenue Bonds | Obligations Under Capital Leases | Certificates of Participation | Williams Farm Property | Agriculture Reserve Program | Virginia Beach Development Authority (5) | General Obligation Bonds | Revenue Bonds | Total Primary Government(1) | Net Debt Per Capita (2) |
| 2008 | \$ 597,155,459 | \$ 8,676,546 | \$ 269,380,000 | \$ - | \$ 5,155,000 | \$ 2,337,500 | \$ 26,807,090 | \$ 87,450,000 | \$ 2,406,137 | \$ 135,598,356 | \$ 1,134,966,088 | \$ 2,234 |
| 2009 | 621,800,655 | 7,620,046 | 257,075,000 | - | 2,645,000 | 1,912,500 | 30,534,384 | 84,790,000 | 1,900,038 | 130,405,780 | 1,138,683,403 | 2,244 |
| 2010 | 630,203,763 | 6,563,546 | 261,265,000 | - | - | 1,487,500 | 32,093,435 | 83,445,000 | 1,393,938 | 192,644,719 | 1,209,096,901 | 2,256 |
| 2011 | 668,552,006 | 5,507,046 | 242,545,000 | - | - | 1,062,500 | 38,365,512 | 79,760,000 | 962,470 | 206,613,629 | 1,243,368,163 | 2,271 |
| 2012 (4) | 727,274,597 | 4,750,000 | 281,315,118 | - | - | 637,500 | 38,799,844 | 81,434,386 | 528,450 | 203,108,752 | 1,337,848,647 | 2,244 |
| 2013 (4) | 686,544,346 | 4,125,000 | 283,928,041 | - | - | 212,500 | 41,193,588 | 77,990,571 | 222,016 | 194,536,062 | 1,288,752,124 | 2,162 |
| 2014 (4) | 720,118,515 | 3,500,000 | 290,013,866 | - | - | - | 41,464,092 | 93,124,312 | - | 232,774,217 | 1,380,995,002 | 2,256 |
| 2015 (4) | 716,612,342 | 2,875,000 | 320,169,585 | - | - | - | 41,808,934 | 85,183,901 | - | 246,792,383 | 1,413,442,145 | 2,258 |
| 2016 (4) | 721,310,401 | 2,250,000 | 294,372,839 | - | - | - | 42,374,198 | 78,760,588 | - | 283,555,487 | 1,422,623,513 | 2,195 |
| 2017 (4) | 655,854,925 | 1,875,000 | 288,582,663 | - | - | - | 46,102,662 | 71,945,485 | - | 272,759,201 | 1,337,119,936 | 2,034 |

Source: City Department of Finance

- Notes: (1) Total Primary Government Debt for FY 2007-2011 excludes 1998 Social Services Lease Revenue Bond, as it is Virginia Beach Development Authority debt service. This revenue bond was paid off in FY 2012.
 (2) For calculation of Net Debt Per Capita, the population is per Table 15. In addition, Net Debt Per Capita excludes Double Barrel & Revenue Bonds, Agriculture Reserve, and the premiums included in this table presentation.
 (3) For calculation of Debt Per Capita to Per Capita Personal Income, the per Capita Personal Income information is per Table 15.
 (4) Fiscal Years 2012-2017 have been adjusted to reflect the related unamortized premium. Detailed premium info for prior years was unavailable and therefore not adjusted.
 (5) Includes balances of VBDA Note Payable secured by a surety agreement provided by Town Center Associates, L.L.C. for FY 2013 AND FY 2014. Note was paid off during FY15.

FY17 Premium detail and reconciliation to Note 6A1 & 6A2:

| Governmental Activities | | | | | Public | | | Total | | |
|--|--------------|--------------------------|---------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------|-----------------------------|----------------|---------------|
| Principal Premium | Total | General Obligation Bonds | State Literary Fund Loans | Public Facility Revenue Bonds | Agriculture Reserve Program | Total Governmental Activity | Total Business Activity | Total Primary Government(1) | | |
| | | | | | | | | | | |
| \$ 593,771,664 | \$ 1,875,000 | \$ 261,335,212 | \$ 46,102,662 | \$ 903,084,538 | \$ 324,635,793 | \$ 1,227,720,331 | \$ 903,084,538 | \$ 89,530,712 | \$ 324,635,793 | \$ 20,068,893 |
| 62,083,261 | - | 27,247,451 | - | 89,330,712 | 20,068,893 | 109,399,605 | 20,068,893 | 109,399,605 | 20,068,893 | 20,068,893 |
| 655,854,925 | 1,875,000 | 288,582,663 | 46,102,662 | 992,415,250 | 344,704,686 | 1,337,119,936 | 344,704,686 | 1,337,119,936 | 1,337,119,936 | 1,337,119,936 |
| Tax Supported Debt subtotal per 6A1 | | | | | | | | | | |
| Premiums per 6A1 | | | | | | | | | | |
| Self/Tax Supported Debt subtotal per 6A2 | | | | | | | | | | |
| Premiums per 6A2 | | | | | | | | | | |
| Total per note 6A1 & 6A2 | | | | | | | | | | |
| | | | | | | | | | | |

CITY OF VIRGINIA BEACH, VIRGINIA
RATIOS OF OUTSTANDING GENERAL BONDED DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | General Obligation Bonds (1) | State Literary Fund Loans (1) | Appropriation Backed Debt (2) | Total | Percentage of Estimated Actual Full Value of Property (3) | Net Debt Per Capita (4) |
|--------------------|-------------------------------------|--------------------------------------|--------------------------------------|----------------|--|--------------------------------|
| 2008 | \$ 599,561,596 | \$ 8,676,546 | \$ 364,322,500 | \$ 972,560,642 | 1.6% | \$ 2,234 |
| 2009 | 623,700,693 | 7,620,046 | 346,422,500 | 977,743,239 | 1.6% | 2,244 |
| 2010 | 631,597,701 | 6,563,546 | 346,197,500 | 984,358,747 | 1.6% | 2,256 |
| 2011 | 669,514,476 | 5,507,046 | 323,367,500 | 998,389,022 | 1.8% | 2,271 |
| 2012 | (5) 727,803,047 | 4,750,000 | 363,387,004 | 1,095,940,051 | 2.0% | 2,244 |
| 2013 | (5) 686,766,362 | 4,125,000 | 361,183,173 | 1,052,074,535 | 1.9% | 2,162 |
| 2014 | (5) 720,118,515 | 3,500,000 | 382,190,239 | 1,105,808,754 | 2.0% | 2,256 |
| 2015 | (5) 716,612,342 | 2,875,000 | 405,725,325 | 1,125,212,667 | 2.0% | 2,258 |
| 2016 | (5) 721,310,401 | 2,250,000 | 373,133,427 | 1,096,693,828 | 1.9% | 2,195 |
| 2017 | (5) 655,854,925 | 1,875,000 | 360,528,148 | 1,018,258,073 | 1.7% | 2,034 |

(1) Per Table 10

(2) Includes all Governmental Public Facility Revenue Bonds, Capital Leases, COP's, Williams Farm, and Business Type Virginia Beach Development Authority as per Table 10.

(3) Actual Full Value of property is from Table 6.

(4) Population is from Table 15. Computation of Net Debt Per Capita is net of premiums and discounts in the above numbers.

(5) Fiscal Year 2012-2017 have been adjusted to reflect the related unamortized premium. Detailed premium information for prior years was unavailable and therefore not adjusted.

CITY OF VIRGINIA BEACH, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Debt Limit | \$ 5,579,429,624 | \$ 5,757,464,367 | \$ 5,627,020,280 | \$ 5,290,291,119 | \$ 5,144,671,623 | \$ 4,978,183,783 | \$ 4,962,666,499 | \$ 5,145,277,575 | \$ 5,291,185,445 | \$ 5,478,360,985 |
| Total Net Debt Applicable to limit | 635,045,232 | 661,855,123 | 670,254,683 | 713,387,034 | 716,177,198 | 685,988,698 | 712,384,323 | 697,079,775 | 697,520,721 | 641,749,326 |
| Legal Debt Margin | \$ 4,944,384,392 | \$ 5,095,609,244 | \$ 4,956,765,597 | \$ 4,576,904,085 | \$ 4,428,494,425 | \$ 4,292,195,085 | \$ 4,250,282,176 | \$ 4,448,197,800 | \$ 4,593,664,724 | \$ 4,836,611,659 |
| Total Net Debt applicable to the limit as a percentage of debt limit | 11.38% | 11.50% | 11.91% | 13.48% | 13.92% | 13.78% | 14.35% | 13.55% | 13.18% | 11.71% |

Legal Debt Margin Calculation For Fiscal Year 2017

| | |
|--|--------------------------|
| Assessed Value of Real Property (Taxable): | |
| Regular | \$ 53,840,546,037 |
| Public Service (excluding vehicle assessments) | 943,063,814 |
| Total Assessed Value of Real Property | <u>\$ 54,783,609,851</u> |
| Debt limit (10% of Total Assessed Value) | \$ 5,478,360,985 |
| Total Net Debt Applicable to limit | 641,749,326 |
| Legal Debt Margin | <u>\$ 4,836,611,659</u> |

Sources: The following sources were used in compiling the above information:

City Department of Finance
 Virginia State Corporation Commission, Public Service Corporations Report Real and Personal Property Assessment

Note: Under state law, the City's outstanding general obligation debt should not exceed 10% of total assessed property value. However, the City has established financial affordability indicators in addition to keeping debt per capita at \$3,000 or less. The affordability indicators are as follows:

- The total annual debt service for general government supported debt will not exceed 10% of general government expenditures (excluding interfund transfers).
- The City's overall net debt will not exceed 3.5% of the estimated full value of taxable real property.
- The City's overall net debt per capita will not exceed \$3,000.
- The City's overall net debt per capita shall not exceed 6.5% of per capita personal income.

Total net debt applicable to limit is tax supported debt, which includes General Obligation Bonds, State Literary Fund debt for Public Schools, and Agricultural Reserve Program installment purchase agreements. Assessed value of real property based on data from Table 6; the assessed value is based on June 30th of each fiscal year including supplements and exonerations.

CITY OF VIRGINIA BEACH, VIRGINIA
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)

| Water and Sewer Double Barrel and Revenue Bonds | | | | | | | | |
|--|------------------|------------------|------------------|---------------------|--------------------|---------------|-----------------|--|
| Fiscal | Water | Less: | Net | Debt Service | | | | |
| Year | and Sewer | Operating | Available | Principal | Interest(1) | Total | Coverage | |
| | Charges | Expenses | Revenue | | | | | |
| | and Other | | | | | | | |
| 2008 | \$ 102,003,685 | \$ 70,253,344 | \$ 31,750,341 | \$ 4,880,568 | \$ 5,941,524 | \$ 10,822,092 | 2.94 | |
| 2009 | 97,503,949 | 70,074,154 | 27,429,795 | 4,897,576 | 5,757,570 | 10,655,146 | 2.58 | |
| 2010 | 99,220,386 | 71,176,936 | 28,043,450 | 5,171,061 | 5,561,539 | 10,732,600 | 2.62 | |
| 2011 | 102,819,740 | 74,439,073 | 28,380,667 | 5,811,090 | 6,382,454 | 12,193,544 | 2.33 | |
| 2012 | 109,514,875 | 72,319,602 | 37,195,273 | 7,022,735 | 6,959,920 | 13,982,655 | 2.66 | |
| 2013 | 115,249,243 | 73,834,321 | 41,414,922 | 7,251,071 | 6,697,692 | 13,948,763 | 2.97 | |
| 2014 | 121,766,102 | 72,145,813 | 49,620,289 | 7,796,175 | 7,231,505 | 15,027,680 | 3.30 | |
| 2015 | 127,007,164 | 75,396,537 | 51,610,627 | 9,083,131 | 8,091,897 | 17,175,028 | 3.00 | |
| 2016 | 128,045,227 | 73,930,294 | 54,114,933 | 9,371,805 | 8,202,712 | 17,574,517 | 3.08 | |
| 2017 | 130,403,502 | 72,814,216 | 57,589,286 | 7,812,706 | 7,808,592 | 15,621,298 | 3.69 | |

(1) Includes Bank Charges. Amounts shown for 2011-2017 are net of federal subsidy.

Source: City Department of Finance

Note: Water and Sewer Revenue Bonds are obligations of the City, payable solely from pledged revenues of the System (Water and Sewer Fund), subject to the prior application thereof to the payment of Operating Expenses. The City will fix, charge, collect and revise its fees, rates and other charges for the use of and for the services furnished by the system so as to produce revenues sufficient to meet its cash requirements each fiscal year.

Coverage: The Master Water and Sewer Revenue Bond Resolution, Section 601, states that the City shall fix, charge and collect such rates, fees, and other charges for the use of and for the services furnished by the system and shall from time to time and as often as shall appear necessary, revise such rates, fees and other charges so as to meet two independent requirements.

CITY OF VIRGINIA BEACH, VIRGINIA
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)

| Storm Water Utility Revenue Bonds | | | | | | | | |
|--|--------------------|------------------|------------------|---------------------|---------------------|--------------|-----------------|--|
| Fiscal | Storm Water | Less: | Net | Debt Service | | | | |
| Year | Charges | Operating | Available | Principal | Interest (1) | Total | Coverage | |
| | and Other | Expenses | Revenue | | | | | |
| 2008 | \$ 22,057,562 | \$ 9,690,929 | \$ 12,366,633 | \$ 786,099 | \$ 637,648 | \$ 1,423,747 | 8.69 | |
| 2009 | 23,178,708 | 10,489,311 | 12,689,397 | 801,099 | 595,112 | 1,396,211 | 9.09 | |
| 2010 | 24,628,765 | 10,676,428 | 13,952,337 | 816,099 | 552,435 | 1,368,534 | 10.20 | |
| 2011 | 23,891,004 | 11,234,614 | 12,656,390 | 761,468 | 813,283 | 1,574,751 | 8.04 | |
| 2012 | 27,892,419 | 13,311,162 | 14,581,257 | 1,404,020 | 1,097,204 | 2,501,224 | 5.83 | |
| 2013 | 32,954,179 | 14,317,957 | 18,636,222 | 1,296,433 | 1,058,805 | 2,355,238 | 7.91 | |
| 2014 | 37,150,524 | 15,366,723 | 21,783,801 | 1,232,016 | 1,026,704 | 2,258,720 | 9.64 | |
| 2015 | 39,294,658 | 17,489,866 | 21,804,792 | 1,030,000 | 1,228,238 | 2,258,238 | 9.66 | |
| 2016 | 39,648,163 | 18,385,165 | 21,262,998 | 1,660,000 | 1,733,570 | 3,393,570 | 6.27 | |
| 2017 | 40,471,105 | 26,074,915 | 14,396,190 | 1,700,000 | 1,692,383 | 3,392,383 | 4.24 | |

(1) Amounts shown for 2011-2017 are at gross.

Source: City Department of Finance

Note: Storm Water Revenue Bonds are obligations of the City, payable solely from pledged revenues of the System (Storm Water Fund), subject to the prior application thereof to the payment of Operating Expenses. The City will fix, charge, collect and revise its fees, rates and other charges for the use of and for the services furnished by the system so as to produce revenues sufficient to meet its cash requirements each fiscal year.

CITY OF VIRGINIA BEACH, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

| Table 1. Selected Socioeconomic Indicators of the City of Chicago, 2008-2017 | | | | | | | | | | |
|--|------------|----|------------|------------|--------|-----------|-----------|------------|--------------|------|
| Fiscal | | | ** | ** | | Number | Education | | | |
| Year | Population | * | Personal | Per Capita | Median | of City | Level In | School | Unemployment | |
| | | | Income | Income | Age | Employees | Years of | Enrollment | Rate | |
| | | | † | | | | Formal | | | |
| | | | | | | | Schooling | | | |
| 2008 | 436,944 | \$ | 20,052,028 | \$ | 45,448 | 36.0 | 7,131 | 13.6 | 70,473 | 3.7% |
| 2009 | 437,275 | | 19,705,822 | | 43,891 | 36.6 | 7,700 | 14.0 | 69,335 | 6.4% |
| 2010 | 437,994 | | 20,243,395 | | 44,812 | 36.7 | 7,713 | 13.9 | 69,225 | 6.5% |
| 2011 | 441,246 | | 21,347,691 | | 46,684 | 34.9 | 7,481 | 14.0 | 69,219 | 6.0% |
| 2012 | 447,489 | | 22,420,699 | | 48,718 | 34.7 | 7,477 | 13.8 | 68,977 | 5.5% |
| 2013 | 449,628 | | 22,348,209 | | 48,114 | 35.0 | 7,477 | 13.9 | 68,614 | 5.6% |
| 2014 | 451,672 | | 23,072,795 | | 50,220 | 35.7 | 7,669 | 13.9 | 68,569 | 5.5% |
| 2015 | 453,500 | | 23,649,281 | | 52,235 | 35.9 | 7,560 | 14.0 | 68,351 | 4.4% |
| 2016 | 453,628 | | *** | | *** | 35.9 | 7,370 | 13.9 | 67,890 | 3.8% |
| 2017 | 455,856 | | *** | | *** | 36.4 | 9,327 | 13.9 | 67,152 | 3.8% |

Sources: City Department of Finance
City Department of Economic Development
Weldon Cooper Center for Public Service
Virginia Employment Commission
Bureau of Economic Analysis

Notes: * Weldon Cooper Center for Public Service; except for 2017 which is a projection.

** Bureau of Economic Analysis

*** Information Unavailable

† In thousands of dollars

CITY OF VIRGINIA BEACH, VIRGINIA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

| | Approximate Number of Employees | Percent of Total City Employment | Rank | Approximate Number of Employees | Percent of Total City Employment | Rank |
|---|---------------------------------------|--|------|---------------------------------------|--|------|
| | 2017 | | | 2008 | | |
| City of Virginia Beach / Schools | 17,242 | 7.65 % | 1 | 17,511 | 7.91 % | 1 |
| * Naval Air Station Oceana/Dam Neck | 5,850 | 2.59 | 2 | - | 0.00 | |
| Sentara Healthcare | 5,200 | 2.31 | 3 | 2,413 | 1.09 | 7 |
| * Joint Expeditionary Base Little Creek | 3,600 | 1.60 | 4 | - | 0.00 | |
| GEICO | 2,700 | 1.20 | 5 | 2,200 | 0.99 | 3 |
| Lynnhaven Mall | 2,600 | 1.15 | 6 | 2,600 | 1.17 | 2 |
| * Gold Key/PHR Hotels and Resorts | 2,365 | 1.05 | 7 | - | 0.00 | |
| STIHL Inc | 2,113 | 0.94 | 8 | 1,863 | 0.84 | 6 |
| Amerigroup (Anthem) | 1,850 | 0.82 | 9 | 2,100 | 0.95 | 4 |
| Navy Exchange Service Command | 1,550 | 0.69 | 10 | 1,888 | 0.85 | 5 |
| Hall Auto Group | - | - | | 1,300 | 0.59 | 8 |
| Cox Communication | - | - | | 1,200 | 0.54 | 9 |
| CBN | - | - | | 1,000 | 0.45 | 10 |
| Totals | 45,070 | 20.00 % | | 34,075 | 15.38 % | |

Sources: City Department of Economic Development.
City Department of Finance

* Information not available for 2008

CITY OF VIRGINIA BEACH, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

| Department | Fiscal Year | | | | | | | | | |
|--|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Agriculture | 15.0 | 14.0 | 13.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 |
| Aquarium and Historic Houses | 151.4 | 151.4 | 151.4 | 151.5 | 153.0 | 155.5 | 155.9 | 161.0 | 164.5 | 156.8 |
| Budget and Management Services | 22.0 | 21.0 | 20.0 | 15.0 | 15.0 | 15.0 | 14.0 | 15.0 | 15.0 | 14.0 |
| City Attorney | 43.0 | 43.0 | 43.0 | 40.4 | 39.0 | 39.6 | 39.6 | 39.6 | 39.6 | 40.6 |
| City Auditor | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 7.0 | 7.0 |
| City Manager's Office | 32.0 | 29.7 | 26.2 | 23.0 | 21.0 | 19.5 | 19.5 | 20.5 | 34.0 | 33.0 |
| City Real Estate Assessor | 35.4 | 38.4 | 38.4 | 34.3 | 34.0 | 34.3 | 34.3 | 34.3 | 34.3 | 34.0 |
| City Treasurer | 77.4 | 75.7 | 76.7 | 72.2 | 72.0 | 71.8 | 75.8 | 76.8 | 74.6 | 74.6 |
| Commissioner of the Revenue | 62.6 | 63.6 | 64.1 | 57.9 | 60.9 | 62.9 | 63.9 | 64.9 | 64.9 | 64.9 |
| Commonwealth's Attorney | 82.9 | 91.4 | 91.4 | 87.4 | 84.0 | 85.3 | 86.3 | 86.7 | 87.4 | 94.9 |
| Convention and Visitor Bureau | 137.7 | 135.7 | 130.9 | 113.5 | 113.5 | 113.5 | 110.5 | 106.7 | 106.3 | 120.3 |
| Courts and Courts' Support | 76.0 | 76.0 | 76.0 | 76.0 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 |
| Cultural Affairs | 5.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Economic Development | 16.0 | 17.0 | 16.0 | 15.0 | 16.0 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 |
| Emergency Communications & Citizen Services | - | 132.0 | 127.0 | 122.0 | 123.5 | 122.8 | 127.8 | 131.8 | 131.8 | 130.8 |
| Emergency Medical Services | 56.5 | 56.5 | 56.5 | 62.6 | 65.3 | 65.3 | 69.3 | 73.3 | 75.1 | 80.1 |
| Finance | 63.0 | 57.0 | 58.0 | 54.0 | 55.0 | 56.0 | 57.0 | 57.0 | 57.0 | 57.0 |
| Fire | 472.9 | 469.8 | 467.8 | 466.7 | 466.0 | 479.7 | 479.7 | 485.7 | 485.7 | 501.7 |
| General Registrar | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 11.9 | 11.9 | 12.0 |
| Health | 11.2 | 11.1 | 11.1 | 10.8 | 10.8 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 |
| Housing and Neighborhood Preservation | 69.0 | 69.0 | 68.0 | 67.0 | 66.0 | 64.0 | 63.0 | 62.0 | 61.0 | 64.0 |
| Human Resources | 58.1 | 54.1 | 53.1 | 47.0 | 47.0 | 47.0 | 47.0 | 47.0 | 47.0 | 47.0 |
| Human Services | 1,068.6 | 1,079.1 | 1,073.9 | 1,045.7 | 1,066.4 | 1,069.4 | 1,081.4 | 1,115.2 | 1,094.9 | 1,099.0 |
| Information Technology | 308.8 | 181.8 | 187.8 | 179.8 | 183.0 | 178.5 | 180.5 | 183.5 | 168.0 | 175.0 |
| Legislative | 18.0 | 18.0 | 18.0 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 |
| Library | 264.9 | 262.9 | 260.9 | 227.5 | 227.5 | 265.5 | 260.0 | 255.0 | 253.5 | 251.5 |
| Office of Emergency Management | - | - | - | - | - | - | - | - | - | 4.0 |
| Parks and Recreation | 872.7 | 877.3 | 872.2 | 855.4 | 843.4 | 846.9 | 843.9 | 838.1 | 830.1 | 882.3 |
| Planning | 127.0 | 125.0 | 123.0 | 113.0 | 110.0 | 108.0 | 109.0 | 116.0 | 115.5 | 133.0 |
| Police | 1,016.0 | 1,005.9 | 1,005.9 | 995.7 | 1,007.4 | 1,007.4 | 1,009.4 | 1,015.8 | 1,015.8 | 1,028.8 |
| Public Utilities | 399.5 | 401.5 | 404.5 | 404.5 | 412.0 | 411.0 | 412.0 | 415.0 | 418.0 | 414.0 |
| Public Works | 874.4 | 877.4 | 871.4 | 866.4 | 882.0 | 890.4 | 890.4 | 893.9 | 902.9 | 902.9 |
| Sheriff's Office | 514.1 | 524.4 | 524.4 | 524.4 | 519.6 | 524.4 | 525.4 | 525.4 | 514.4 | 526.4 |
| Strategic Growth Areas | - | - | 2.0 | 15.0 | 15.0 | 17.0 | 17.0 | 18.0 | 20.0 | - |
| Strategy, Transparency, Innovation & Resiliency Office | - | - | - | - | - | - | - | - | - | 4.0 |
| Total City Positions | 6,969.2 | 6,980.6 | 6,953.4 | 6,793.5 | 6,833.3 | 6,902.8 | 6,924.7 | 6,990.0 | 6,964.2 | 7,087.4 |
| Total School Positions | 10,541.9 | 10,519.5 | 10,391.9 | 10,476.3 | 10,387.3 | 10,326.5 | 10,190.9 | 10,220.0 | 10,034.3 | 10,154.8 |
| TOTAL POSITIONS | 17,511.1 | 17,500.0 | 17,345.3 | 17,269.8 | 17,220.6 | 17,229.3 | 17,115.6 | 17,210.1 | 16,998.5 | 17,242.3 |

Sources: City of Virginia Beach Resource Management Plans
Note: Strategic Growth Area was consolidated with Planning in FY17

CITY OF VIRGINIA BEACH, VIRGINIA
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

| FUNCTION | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Number of physical adult arrests | 26,802 | 26,632 | 23,951 | 23,923 | 23,705 | 23,633 | 22,224 | 21,698 | 19,042 | 17,933 |
| Number of calls for service | 202,253 | 200,360 | 196,717 | 196,626 | 195,156 | 187,884 | 179,974 | 176,474 | 173,451 | 178,929 |
| Number of traffic accidents | 9,250 | 9,021 | 8,759 | 8,391 | 8,102 | 8,169 | 8,138 | 7,913 | 8,368 | 8,813 |
| Fire | | | | | | | | | | |
| Number of structure fire incidents | 453 | 467 | 413 | 453 | 474 | 430 | 410 | 396 | 463 | 398 |
| Number of non-structure fire incidents | 849 | 699 | 673 | 799 | 714 | 535 | 614 | 546 | 543 | 542 |
| Number of EMS incidents | 16,796 | 17,162 | 18,114 | 17,930 | 20,727 | 25,656 | 26,099 | 26,952 | 27,786 | 27,854 |
| Number of other incidents | 10,009 | 9,631 | 9,870 | 11,488 | 13,166 | 13,307 | 13,379 | 13,679 | 16,309 | 17,031 |
| Public Utilities | | | | | | | | | | |
| Number of Water Connections | 131,085 | 131,367 | 131,618 | 131,897 | 132,010 | 132,324 | 132,615 | 132,940 | 133,411 | 133,777 |
| Planning and Community Development | | | | | | | | | | |
| Number of building permits issued | 11,374 | 9,889 | 11,322 | 7,636 | 8,003 | 7,956 | 7,607 | 8,192 | 8,349 | 8,450 |
| Public Works | | | | | | | | | | |
| Highways and Streets | | | | | | | | | | |
| Arterial lane miles | 738 | 717 | 735 | 739 | 738 | 744 | 744 | 745 | 750 | 712 |
| Collector/local miles | 2,641 | 2,662 | 2,670 | 2,676 | 2,676 | 2,680 | 2,686 | 2,714 | 2,726 | 2,701 |
| Sanitation and Refuse | | | | | | | | | | |
| Number of homes receiving refuse collection | 123,740 | 123,668 | 123,789 | 124,179 | 124,171 | 124,536 | 124,634 | 122,041 | 122,282 | 122,369 |
| Number of tons of garbage collected | 196,501 | 189,604 | 196,145 | 147,760 | 137,413 | 133,958 | 130,245 | 208,917 | 211,004 | 180,757 |
| Culture and Recreation | | | | | | | | | | |
| Number of visitations to recreation centers | 1,636,823 | 1,523,232 | 1,502,059 | 1,538,616 | 1,614,682 | 1,795,782 | 1,871,312 | 1,896,615 | 2,004,301 | 1,905,763 |
| Number of recreation centers | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 7 | 7 | 7 |
| Education | | | | | | | | | | |
| Student membership | 70,473 | 69,335 | 69,225 | 69,219 | 68,977 | 68,614 | 68,569 | 68,351 | 67,890 | 67,152 |
| Number of elementary schools | 56 | 56 | 56 | 55 | 55 | 55 | 55 | 55 | 55 | 55 |
| Number of secondary schools | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 25 | 25 |
| Number of specialty schools | 11 | 11 | 9 | 7 | 7 | 9 | 8 | 8 | 8 | 7 |

Sources: Various City Departments

Note: Indicators are not available for all governmental functions.

Table 19

CITY OF VIRGINIA BEACH, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

| FUNCTION | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Patrol Vehicles Units - Marked | 259 | 256 | 242 | 242 | 269 | 262 | 262 | 246 | 230 | 206 |
| Helicopter | 2 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Watercraft: | | | | | | | | | | |
| Boats | 10 | 8 | 8 | 8 | 8 | 8 | 6 | 8 | 9 | 8 |
| Fire | | | | | | | | | | |
| Stations | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| Fire Trucks | 48 | 51 | 50 | 50 | 46 | 45 | 45 | 45 | 47 | 49 |
| Emergency Medical Services | | | | | | | | | | |
| Ambulances | 35 | 34 | 42 | 42 | 42 | 45 | 45 | 44 | 44 | 46 |
| Public Works | | | | | | | | | | |
| Miles of streets: | | | | | | | | | | |
| Lane miles: | | | | | | | | | | |
| Arterial | 738 | 717 | 735 | 739 | 738 | 744 | 744 | 745 | 750 | 712 |
| Collector/Local | 2,641 | 2,662 | 2,670 | 2,676 | 2,676 | 2,680 | 2,686 | 2,714 | 2,726 | 2,701 |
| Center Lane miles: | | | | | | | | | | |
| Arterial | 192 | 189 | 192 | 192 | 192 | 192 | 192 | 193 | 193 | 173 |
| Collector/Local | 1,291 | 1,300 | 1,304 | 1,307 | 1,308 | 1,312 | 1,312 | 1,326 | 1,330 | 1,322 |
| Number of Street Lights | 43,960 | 45,364 | 45,509 | 46,806 | 48,277 | 48,418 | 48,747 | 48,788 | 49,118 | 49,285 |
| Collection Trucks | 104 | 103 | 101 | 101 | 109 | 100 | 100 | 100 | 103 | 99 |
| Culture and Recreation | | | | | | | | | | |
| Number of Developed District Parks | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Number of Developed Community Parks | 11 | 11 | 13 | 13 | 13 | 11 | 11 | 11 | 13 | 13 |
| Number of Developed Neighborhood Parks | 166 | 166 | 181 | 180 | 181 | 182 | 179 | 179 | 169 | 167 |
| Number of Natural Parks | 3 | 3 | 3 | 3 | 5 | 5 | 5 | 5 | 5 | 5 |
| Other Park Areas | 59 | 59 | 58 | 45 | 46 | 47 | 48 | 48 | 48 | 48 |
| Number of Acres in Developed Parks | 1,736 | 1,757 | 3,158 | 3,174 | 3,648 | 3,648 | 3,649 | 3,661 | 3,664 | 3,685 |
| Golf Courses (City Owned) | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Recreation Centers | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 7 | 7 | 7 |
| Water | | | | | | | | | | |
| Miles of Water Lines | 1,477 | 1,482 | 1,483 | 1,488 | 1,490 | 1,492 | 1,496 | 1,499 | 1,499 | 1,501 |
| Water Pumping Stations | 9 | 8 | 9 | 9 | 9 | 9 | 9 | 10 | 10 | 10 |
| Sewer | | | | | | | | | | |
| Miles of Sewer Lines | 1,609 | 1,621 | 1,623 | 1,630 | 1,635 | 1,639 | 1,646 | 1,653 | 1,646 | 1,646 |
| Sewer Pumping Stations | 403 | 405 | 405 | 406 | 405 | 406 | 407 | 408 | 408 | 408 |

Source: Various City Departments

Table 20

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF THE TREASURER'S CASH ACCOUNTABILITY
JUNE 30, 2017
(Unaudited)

| | | | |
|---|----|-------------|-------------------------|
| <u>Cash in Office</u> | | \$ | 5,500 |
| <u>Cash With</u> | | | |
| Bank of America: | | | |
| Regular | \$ | 76,863,017 | |
| Investments | | 5,000,000 | |
| Welfare | | 811,399 | |
| School Board Empl Salary Escrow | | 196,069 | |
| BB&T: | | | |
| Collateralized Deposit Program | | 10,000,000 | |
| Money Market | | 197,111,471 | |
| Investments | | 15,000,000 | |
| School Payroll | | 6,921,710 | |
| BB&T Capital Markets: | | | |
| Investments | | 10,933,301 | |
| BB&T Scott Stringfellow: | | | |
| Investments | | 75,500,000 | |
| Morgan Keegan: | | | |
| Investments | | 38,739,394 | |
| SunTrust Bank: | | | |
| City Payroll | | 16,280,374 | |
| Money Market | | 5,132,881 | |
| Towne Bank: | | | |
| Investments | | 65,000,000 | |
| Treasurer of Virginia: | | | |
| Investment Pool | | 405,000,000 | |
| VML/VACO: | | | |
| Virginia Investment Pool | | 20,316,333 | |
| Total Deposits and Investments | | | 948,805,949 |
| <u>Cash with Trust Agents</u> | | | |
| Cash With SNAP Program | \$ | 21,679,965 | |
| Cash With Trustee - Debt Service | | 8,359,886 | |
| Cash With Trustee - Treasury Strips | | 35,786,869 | |
| Total Cash with Trust Agents | | | 65,826,720 |
| Total Cash Accountability | | \$ | 1,014,638,169 |
| <u>Add:</u> | | | |
| Accrued Interest on Investments | \$ | 701,048 | |
| Commonwealth of Virginia - Deferred Debits | | 23,828 | |
| Deposits in Transit | | 2,956,561 | 3,681,437 |
| <u>Deduct:</u> | | | |
| Commonwealth of Virginia - Current Credits | \$ | 21,931 | |
| Treasurer Restitution | | 30,383 | |
| Treasurer Court Costs & Fines | | 58,040 | |
| John T. Atkinson - Deferred Account | | 12,934 | |
| Over and Short | | 10,185 | |
| Outstanding Checks: | | | |
| Bank of America | | 7,020,320 | |
| Bank of America - Welfare | | 128,244 | |
| BB&T - School Payroll | | 12,771 | |
| SunTrust - City Payroll | | 233,529 | (7,528,338) |
| Total Cash Accountability | | | \$ 1,010,791,268 |
| <u>Reconciliation of Cash Accountability to the government-wide financial statements at June 30, 2017 as reported in Note 8:</u> | | | |
| Balance of City and School funds | | \$ | 1,010,791,268 |
| Funds for which the Treasurer does not act as fiscal agent: | | | |
| School Cafeteria Funds | | | 5,000 |
| School Activity Funds | | | 3,553,389 |
| Development Authority | | | 12,452,069 |
| Treasury Strips | | | (1,984,791) |
| Total deposits and investments of the government-wide financial statements | | \$ | 1,024,816,935 |

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SINGLE AUDIT SECTION

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

The Honorable Members of the City Council
Of City of Virginia Beach, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Virginia Beach, Virginia (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2017. Our report includes a reference to other auditors who audited the financial statements of the Virginia Beach Community Development Corporation, a discretely presented component unit, as described in our report on the City's financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Arlington, Virginia
November 30, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor and Members of the City Council
City of Virginia Beach, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Virginia Beach's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements include the operations of the Virginia Beach Community Development Corporation (VBCDC), a discretely presented component unit which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2017. Our audit described below, did not include the operations of VBCDC. VBCDC engaged other auditors to perform an audit in accordance with the Uniform Guidance, if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Arlington, Virginia
November 30, 2017

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

| | | | | |
|---|-------|-----|-------------|---------------|
| Material weakness(es) identified? | _____ | Yes | _____X_____ | No |
| Significant deficiency(s) identified that are not considered to be material weaknesses? | _____ | Yes | _____X_____ | None Reported |
| Noncompliance material to financial statements noted? | _____ | Yes | _____X_____ | No |

Federal Awards

Internal control over major programs:

| | | | | |
|--|-------|-----|-------------|---------------|
| Material weakness (es) identified? | _____ | Yes | _____X_____ | No |
| Significant deficiency (ies) identified that are not considered to be material weaknesses? | _____ | Yes | _____X_____ | None Reported |

Type of auditor's report issued on compliance for major programs: Unmodified

| | | | | |
|---|-------|-----|-------------|----|
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards (Uniform Guidance) | _____ | Yes | _____X_____ | No |
|---|-------|-----|-------------|----|

Identification of Major Programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 14.218 | Community Development Block Grant |
| 14.239 | HOME Investment Partnership |
| 84.027, 84.173 | Special Education Cluster |
| 10.555, 10.559 | Child Nutrition Cluster |
| 93.778 | Medicaid Cluster |

| | |
|---|--------------------|
| Dollar threshold used to distinguish between type A and type B programs | <u>\$3,000,000</u> |
|---|--------------------|

| | | | | |
|--|-------------|-----|-------|----|
| Auditee qualified as low-risk auditee? | _____X_____ | Yes | _____ | No |
|--|-------------|-----|-------|----|

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

None.

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CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

| Federal Grantor/Pass-Through Entity/Program Title | CFDA Number | Grant Agency Number | Federal Expenditures (\$) | Loans (\$) | Cluster Total (\$) | Program Total (\$) | Passed through to Sub-Recipients (\$) |
|---|-------------|---|---------------------------|------------|--------------------|--------------------|---------------------------------------|
| DEPARTMENT OF AGRICULTURE | | | | | | | |
| Direct Payments: | | | | | | | |
| Child and Adult Care Food Program ¹ | 10.558 | | 121,223 | | | | |
| Pass Through Payments: | | | | | | | |
| Virginia Department of Agriculture | | | | | | | |
| National School Lunch Program (Child Nutrition Cluster) ² | 10.555 | | 1,852,857 | | | | |
| Child and Adult Care Food Program ¹ | 10.558 | | 383,619 | | | | |
| Virginia Department of Education | | | | | | | |
| National School Lunch Program (Child Nutrition Cluster) ² | 10.555 | | 15,995,543 | | | | |
| Virginia Department of Health | | | | | | | |
| Summer Food Service Program for Children (Child Nutrition Cluster) | 10.559 | | 116,374 | | | | |
| Virginia Department of Social Services | | | | | | | |
| | | 0010112, 0010113, 0010114, 0010115, 0010116, 0030116, 0040116, 0050116, 0090116 | | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | 3,784,988 | | | | |
| Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP | 10.596 | | 9,840 | | | | |
| <i>Total for Child Nutrition Cluster (10.555 and 10.559)</i> | | | | | 17,964,774 | 504,842 | |
| <i>1 - Total for Child and Adult Care Food Program (10.558)</i> | | | | | | 17,848,400 | |
| <i>2 - Total for National School Lunch Program (10.555)</i> | | | | | | | |
| DEPARTMENT OF COMMERCE, NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION | | | | | | | |
| Direct Payments: | | | | | | | |
| Office for Coastal Management | 11.473 | NA16NOS4730011 | 56,990 | | | | |
| Old Dominion University | 11.620 | 100631-010 | 1,500 | | | | |
| DEPARTMENT OF DEFENSE | | | | | | | |
| Direct Payments: | | | | | | | |
| Promoting K-12 Student Achievement at Military Connected Schools | 12.556 | HE1254-13-1-0041, HE1254-16-1-0026 | 828,533 | | | | |
| Invitational Grants for Military Connected Schools | 12.557 | HE1254-12-1-020, HE1254-14-1- | 320,101 | | | | |
| Department of Defense Impact Aid | 12.558 | | 599,076 | | | | |
| Junior ROTC Program | 12.XXX | | 358,212 | | | | |
| Military Spouse Career Advancement Account Program | 12.XXX | | 4,333 | | | | |
| Pass Through Payments: | | | | | | | |
| National Security Agency | | | | | | | |
| Language Grant Program | 12.900 | H98230-16-1-0221, H98230-17-1-0221 | 78,116 | | | | |
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | | |
| Direct Payments: | | | | | | | |
| Community Development Block Grants/Entitlement Grants ³ | 14.218 | B-09/10/11/13/14/15/16-MC-51-0021 | 1,876,157 | | | | 13,000 |
| Passed through to - VBCDC Transitional Housing Program ³ | 14.218 | COMP-17-0033 | | | | | 140,258 |
| Passed through to - JCOC - Winter Shelter ³ | 14.218 | COMP-17-0023 | | | | | 22,883 |
| Passed through to - Samaritan House - Child Services ³ | 14.218 | COMP-17-0010 | | | | | 32,386 |
| Passed through to - Virginia Supportive Housing - Cloverleaf Operations ³ | 14.218 | COMP-16-0053 | | | | | 1,494 |
| Passed through to - Community Alternatives Management Group - Rehab ³ | 14.218 | COMP-16-0021 | | | | | 148,273 |
| Passed through to - VBCDC Owner Occupied Rehab ³ | 14.218 | COMP-15-0022 | | | | | |
| Community Development Block Grants/Entitlement Grants - Loans | 14.218 | | 3,278,755 | 3,232,658 | | | |
| Loans beginning balance ⁴ | 14.218 | | | 46,097 | | | |
| New loans ⁴ | 14.218 | | | | | | |

| Federal Grantor/Pass-Through Entity/Program Title | CFDA Number | Grant Agency Number | Federal Expenditures (\$) | Loans (\$) | Cluster Total (\$) | Program Total (\$) | Passed through to Sub-Recipients (\$) |
|--|-------------|--|---------------------------|------------|--------------------|--------------------|---------------------------------------|
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued) | | | | | | | |
| Direct Payments: | | | | | | | |
| Emergency Solutions Grant Program ⁴ | 14.231 | E-15/16-MC-51-0021 | 153,975 | | | | 98,383 |
| Passed through to - Samaritan House ⁴ | 14.231 | COMP-17-0008 | | | | | 33,799 |
| Passed through to - ICOC ⁴ | 14.231 | COMP-17-0024 | | | | | 12,607 |
| Passed through to - Seton House ⁴ | 14.231 | COMP-17-0027 | | | | | |
| Home Investment Partnerships Program ⁵ | 14.239 | M-12/13/14/15/16-MC-51-0207 | 1,427,646 | | | | 187,356 |
| Passed through to - Housing Hampton Roads ⁵ | 14.239 | COMP-17-0005 | | | | | 557,043 |
| Passed through to - Tranquility at the Lakes ⁵ | 14.239 | COMP-16-0036 | | | | | 375,000 |
| Passed through to - Virginia Supportive Housing - Church Street ⁵ | 14.239 | COMP-17-0007 | 3,464,979 | | | | |
| Home Investment Partnerships Program - Loans | 14.239 | | | 3,256,008 | | | |
| Loans beginning balance ⁴ | 14.239 | | | 208,971 | | | |
| New loans ⁴ | 14.239 | | | | | | |
| Housing Opportunities for Persons with AIDS ⁶ | 14.241 | VAH14/15/16F002 | 965,755 | | | | 932,521 |
| Passed through to - Access AIDS Care ⁶ | 14.241 | COMP-16-0085; COMP-17-0055 | | | | | |
| Section 8 Moderate Rehab Single Room Occupancy | 14.249 | VA039SR0002 VA039SR0003 | 117,754 | | | | |
| Continuum of Care Program | 14.267 | VA0151L3F031403, VA0266L3F031500 | 27,946 | | | | |
| Section 8 Housing Choice Voucher | 14.871 | Section 8 Housing Choice Voucher | 18,509,268 | | | | |
| Supportive Services | 14.877 | VA039F5H225A01/VA039F5H647A016 | 48,435 | | | | |
| 3 - Total for Community Development Block Grants/Entitlement Grants (14.218, 14.231, 14.239, 14.241, 14.249, 14.267, 14.871, 14.877) | | | | | | 5,154,912 | |
| 4 - Total for Emergency Solutions Grant Program (14.231) | | | | | | 153,975 | |
| 5 - Total for Home Investment Partnership Program (14.239) | | | | | | 4,892,625 | |
| 6 - Total for Housing Opportunities for Persons with AIDS (14.241) | | | | | | 965,755 | |
| U.S. FISH AND WILDLIFE SERVICE | | | | | | | |
| Pass Through Payments: | | | | | | | |
| Virginia Department of Game and Inland Fisheries | | | | | | | |
| Refuge Revenue Sharing Act (Public Law 95-469) | 15.659 | 540722061141600 | 102,179 | | | | |
| DEPARTMENT OF JUSTICE | | | | | | | |
| Direct Payments: | | | | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | | | | | | | |
| Assistance to Localities for Administration | 16.738 | 2013-DJ-BX-0972, 2014-DJ-BX-0993, 2015-DJ-BX-0536, 2016-DJ-BX-0166 | 85,878 | | | | |
| Pass Through Payments: | 16.XXX | | 92,669 | | | | |
| Office of the Attorney General | | | | | | | |
| Hampton Roads Human Trafficking Task Force | 16.320 | 2016-VT-BX-K012 | 3,338 | | | | |
| Virginia Department of Criminal Justice Services | | | | | | | |
| Victim Witness Program | 16.575 | 2015-VA-GX-0043 | 266,561 | | | | |
| Equitable Sharing Program | 16.922 | | 218,722 | | | | |
| DEPARTMENT OF LABOR | | | | | | | |
| Pass Through Payments: | | | | | | | |
| Virginia Community College System | | | | | | | |
| Workforce Investment Act Adult Program | | | | | | | |
| Passed through to - Opportunity Inc. (WIA/WIOA Cluster) | 17.258 | AA-28347-16-55A-51 | 2,724,408 | | | | 2,724,408 |
| Workforce Investment Act Youth Activities | | | | | | | |
| Passed through to - Opportunity Inc. (WIA/WIOA Cluster) | 17.259 | AA-28347-16-55A-51 | 2,220,631 | | | | 2,220,631 |
| Workforce Investment Act Dislocated Workers | | | | | | | |
| Passed through to - Opportunity Inc. (WIA/WIOA Cluster) | 17.278 | AA-28347-16-55A-51 | 883,685 | | | | 883,685 |
| Workforce Innovation Fund | | | | | | | |
| Passed through to - Opportunity Inc. | 17.283 | AA-28347-16-55A-51 | 15,000 | | | | 15,000 |
| Total for WIA/WIOA Cluster (17.258, 17.259 and 17.278) | | | | | 5,828,724 | | |

**CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

| Federal Grantor/Pass-Through Entity/Program Title | CFDA Number | Grant Agency Number | Federal Expenditures (\$) | Loans (\$) | Cluster Total (\$) | Program Total (\$) | Passed through to Sub-Recipients (\$) |
|--|-------------|--|---------------------------|------------|--------------------|--------------------|---------------------------------------|
| DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION | | | | | | | |
| <u>Pass Through Payments:</u> | | | | | | | |
| Virginia Department of Transportation | | | | | | | |
| Highway Planning and Construction | 20.205 | UPC #'s: 97737, 103583, 84366, 97737, 15829, 106146-8 | 1,495,806 | | | | |
| Virginia Department of Motor Vehicles | | | | | | | |
| State and Community Highway Safety | 20.600 | OP-2016-56013-6213, OP-2017-57099-6748, RS-2016-56109-6309 | 64,056 | | | | |
| Alcohol and Open Container Requirements | 20.607 | 154AL-2016-56069-6269, 154AL-2017-57102-6751 | 48,859 | | | | |
| DEPARTMENT OF TREASURY | | | | | | | |
| <u>Pass Through Payments:</u> | | | | | | | |
| Virginia Attorney General | | | | | | | |
| Equitable Sharing Program | 21.016 | | 108,116 | | | | |
| DEPARTMENT OF VETERANS AFFAIRS | | | | | | | |
| <u>Direct Payments:</u> | | | | | | | |
| Post-9/11 Veterans Educational Assistance | 64.027 | | 1,098 | | | | |
| ENVIRONMENTAL PROTECTION AGENCY | | | | | | | |
| <u>Direct Payments:</u> | | | | | | | |
| Office of Water | | | | | | | |
| Chesapeake Bay Program | 66.466 | EPA-R3CBP-04-01 | 40,000 | | | | |
| DEPARTMENT OF EDUCATION | | | | | | | |
| <u>Direct Payments:</u> | | | | | | | |
| Impact Aid | | | | | | | |
| Federal Pell Grant Program | 84.041 | | 10,665,487 | | | | |
| MTSSB Grant Program | 84.063 | | 52,392 | | | | |
| | 84.XXX | ED-IES-14-C-0003 | 112,618 | | | | |
| <u>Pass Through Payments:</u> | | | | | | | |
| Virginia Department of Education | | | | | | | |
| Adult Education - Basic Grants to States | 84.002 | V002A150047, V002A160047 | 309,709 | | | | |
| Title I Grants to Local Education Programs | 84.010 | S010A150046, S010A160046 | 12,507,735 | | | | |
| | | S010A140046, S010A150046, S013A150046, S013A160046 | 187,416 | | | | |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | H027A14/15/160107 | 13,553,790 | | | | |
| Special Education - Grants to States (Special Education Cluster - IDEA) | 84.027 | V048A150046, V048A150046 | 918,857 | | | | |
| Career and Technical Education-Basic Grants to States | 84.048 | H173A150112, H173A160112 | 515,315 | | | | |
| Special Education - Preschool Grants (Special Education Cluster - IDEA) | 84.173 | | 514,239 | | | | |
| Special Education - Grants for Infants and Families | 84.181 | | 19,102 | | | | |
| Education for Homeless Children and Youth | 84.196 | S196A13/15/160048 | 212,177 | | | | |
| Twenty-First Century Community Learning Centers | 84.287 | S287C14/15/160047 | 71,370 | | | | |
| Advanced Placement Program | 84.330 | | 128,320 | | | | |
| English Language Acquisition State Grants | 84.365 | S365A150046, S365A150046 | 2,074,145 | | | | |
| Improving Teacher Quality State Grants | 84.367 | S367A14/15/160044 | | | | | |
| <i>Total for Special Education Cluster - IDEA (84.027 and 84.173)</i> | | | | | | | 14,069,105 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | |
| <u>Pass Through Payments:</u> | | | | | | | |
| Virginia Department for the Aging/Southeastern Virginia Area Wide Model Program | | | | | | | |
| National Family Caregiver Support, Title III, Part E | 93.052 | | 21,517 | | | | |
| Virginia Department of Behavioral Health and Developmental Services | | | | | | | |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | | 130,763 | | | | |
| Block Grants for Community Mental Health Services | 93.958 | | 236,681 | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | | 1,798,079 | | | | |

(continued)

| Federal Grantor/Pass-Through Entity/Program Title | | CFDA Number | Grant Agency Number | Federal Expenditures (\$) | Loans (\$) | Cluster Total (\$) | Program Total (\$) | Passed through to Sub-Recipients (\$) |
|---|--|-------------|---|---------------------------|------------|--------------------|--------------------|---------------------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued) | | | | | | | | |
| <u>Pass Through Payments:</u> | | | | | | | | |
| Virginia Department of Social Services | | | | | | | | |
| Promoting Safe and Stable Families | | 93.556 | 0950115 | 23,469 | | | | |
| Temporary Assistance for Needy Families | | 93.558 | 0400114, 0400115, 0400116, 0900116 | 2,395,581 | | | | |
| Refugee and Entrant Assistance, Voluntary Agency Programs | | 93.566 | 0500116, 0510114 | 8,191 | | | | |
| Low-Income Home Energy Assistance | | 93.568 | 0600415, 0600416, 0600515, 0600616 | 307,309 | | | | |
| Child Care and Development Block Grant (CCDF Cluster) | | 93.575 | 0770114, 0770115, 0770116 | (22,463) | | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster) | | 93.596 | 0750116, 0760116 | 380,497 | | | | |
| Chafee Education and Training Vouchers Program (ETV) | | 93.599 | 9160115 | 17,537 | | | | |
| Stephanie Tubbs Jones Child Welfare Services Program | | 93.645 | 0900116 | 1,547 | | | | |
| Foster Care Title IV-E | | 93.658 | 1100116 | 2,917,744 | | | | |
| Adoption Assistance | | 93.659 | 1120116 | 1,710,524 | | | | |
| Social Services Block Grant | | 93.667 | 1000116 | 2,106,330 | | | | |
| Chafee Foster Care Independence Program | | 93.674 | 9150116 | 36,796 | | | | |
| Children's Health Insurance Program | | 93.767 | 0540116 | 148,909 | | | | |
| Medical Assistance Program | | 93.778 | 1200116 | 6,655,020 | | | | |
| HIV Prevention Activities Health Department Basec | | 93.940 | | 16,900 | | | | |
| <i>Total for CCDF Cluster (93.575 and 93.596)</i> | | | | | | 358,034 | | |
| DEPARTMENT OF HOMELAND SECURITY | | | | | | | | |
| <u>Direct Payments:</u> | | | | | | | | |
| Port Security Grant Program | | 97.056 | EMW-2014-PU-00087, EMW-2015-PU-00132, EMW-2014-PU-00087, | | | | | |
| Staffing for Adequate Fire and Emergency Response - SAFER | | 97.083 | EMW-2016-PU-00362 | 207,311 | | | | |
| <u>Pass Through Payments:</u> | | | | 801,163 | | | | |
| Federal Emergency Management (FEMA) | | | | | | | | |
| National Urban Search and Rescue Response System | | 97.025 | EMW-2014-CA-K00005-S01, EMW-2015-CA-00005, EMW-2016-CA-00027, EMW-2013-CA-USR-0027- | 2,974,253 | | | | |
| Virginia Department of Emergency Management | | | M0001/03 | | | | | |
| Emergency Management Performance Grants | | 97.042 | 7222 | 122,914 | | | | |
| State Homeland Security Grant | | 97.067 | | 102,000 | | | | |
| TOTAL FEDERAL EXPENDITURES | | | | \$ 127,694,224 | | | | \$ 8,398,727 |

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. General

The accompanying Schedule of Expenditures of Federal Awards presents federally assisted programs of the City of Virginia Beach, Virginia and the City's Component Units. The City's reporting entity is disclosed in Note 1A to the City's basic financial statements. Federal awards received directly from federal agencies as well as through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1C to the City's basic financial statements.

3. Loans

The City of Va. Beach provides loans to qualified low income borrowers through CFDA #14.239, Home Investment Partnerships Program, to promote home ownership and provide assistance with down payments and closing costs. The outstanding principal balance of the HOME loans was \$5,596,624 at June 30, 2017.

The City of Va Beach provides loans to qualified low income homeowners or homeowners living in areas targeted for improvement, resulting in the elimination of health or safety code violations, through CDFA #14.218, Community Development Block Grants. The outstanding principal balance of \$3,166,681 at June 30, 2017.

4. Relationship to Financial Statements

Revenues from federal awards are reported in the City's basic financial statements as follows:

| | | |
|---|----|-------------|
| General Fund | \$ | 22,105,929 |
| Capital Projects Fund | | 1,798,361 |
| Non Major Governmental Funds | | 32,214,883 |
| Enterprise Funds | | 1,311,272 |
| School Board Funds | | 63,760,864 |
| Total federal awards reported in basic financial statements | \$ | 121,191,309 |

Less: Revenue closed to fund balances from the following:

| | | |
|--|--------|-------------|
| Community Development Block Grants | 14.218 | (126,093) |
| Community Development Block Loans | 14.218 | (3,278,755) |
| Emergency Solution Grants | 14.231 | (19,943) |
| Home Investment Partnerships Program Grants | 14.239 | (88,046) |
| Home Investment Partnerships Program Loans | 14.239 | (3,464,979) |
| HOPWA Total | 14.241 | (22,736) |
| Section 8 Moderate Rehabilitation Single Room Occupancy | 14.249 | 239,897 |
| Continuum of Care Program | 14.267 | 251 |
| SECTION 8 VOUCHERS | 14.871 | (239,897) |
| Services for Trafficking Victims | 16.320 | (1,003) |
| Juvenile Accountability Block Grants | 16.523 | 9,304 |
| Victims of Crime Act Grant Program (Victim Witness Program) | 16.575 | 7,339 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | (23,313) |
| DEA Shared Seized Assets - Passed thru DCJS | 16.922 | (195,395) |
| Highway Planning and Construction | 20.205 | (68,366) |
| DMV Seat Belt Enforcement | 20.600 | (22,130) |
| DMV Select DUI | 20.607 | (15,433) |
| DEA Shared Seized Assets - Passed Attorney General | 21.016 | (99,937) |
| Special Education - Grants for Infants and Families | 84.181 | 34,393 |
| Social Services Block Grant | 93.667 | 124,878 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 9,386 |
| National Urban Search and Rescue Response System | 97.025 | (1,148,560) |

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

| | | |
|---|--------|----------------|
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | (274,989) |
| Port Security Grant Program | 97.056 | (224,256) |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | (20,108) |
| | | \$ (8,908,491) |
| Less: Revenue not subject to Single Audit: | | |
| Federal Reimbursement for Police OT | | \$ 66,862 |
| Encroachment Partnership Agreement - BRAC | | 370,919 |
| General Fund Federal Bond Subsidy | | 283,829 |
| Water & Sewer EF Federal Bond Subsidy | | 948,018 |
| Storm Water EF Federal Bond Subsidy | | 266,264 |
| Debt Service SRF Federal Bond Subsidy | | 469,684 |
| | | \$ 2,405,576 |
| Total Federal Expenditures | | \$ 127,694,224 |

5. Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule substantially agree with the amounts reported in the related federal financial reports except that certain federal financial reports are prepared on the cash basis of accounting and the Schedule of Expenditures of Federal Awards is prepared on the basis of accounting described in Note 2 above.

6. Indirect Cost Rate

The City does not elect to use a 10% de minimis indirect cost rate allowed under section §200.414(f).

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CONTINUING DISCLOSURE

Continuing Disclosure

This part of the City of Virginia Beach comprehensive annual financial report presents detailed information with regards to Rule 15c2-12 promulgated by the Securities and Exchange Commission to provide certain annual financial information and material event notices.

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

CITY OF VIRGINIA BEACH, VIRGINIA
PRINCIPAL TAXPAYERS
Fiscal Year Ending June 30, 2017
(Unaudited)

| Taxpayer | | Business Type | Real Property Assessed |
|-----------------|---|----------------------------|--------------------------------|
| 1 | Armada Hoffler | Office/Retail/Vacant Land | \$ 373,315,300 |
| 2 | Ramon W. Breeden, Jr. | Apartments/Shopping Center | 354,406,300 |
| 3 | Virginia Electric & Power Company | Utility | 350,475,577 |
| 4 | Lynnhaven Mall LLC | Shopping Mall | 297,491,200 |
| 5 | E. D. & A. F. Ruffin & B. L. Thompson | Apartments/Shopping Center | 279,020,100 |
| 6 | J. M. , R.J.F. , A.D. & L.E. Caplan | Real Estate | 273,951,600 |
| 7 | Pembroke Square Assoc. | Shopping Mall | 193,027,100 |
| 8 | Verizon Virginia, Inc. | Utility | 170,066,425 |
| 9 | Christian Broadcasting Assoc./Net, Inc. | Broadcasting | 149,949,700 |
| 10 | Cheryl P. McLeskey | Real Estate | 144,580,900 |
| 11 | Thomas J. Lyons, Jr. | Hotels | 140,923,300 |
| 12 | Lake Gem | Shopping Center/Fast-Food | 119,831,000 |
| 13 | Watergate Treehouse Associates LP | Shopping Center | 114,317,500 |
| 14 | Aimco Maple Bay & Aimco Reflections LLC | Apartments | 100,183,100 |
| 15 | Westminster Canterbury | Real Estate | 97,701,600 |
| 16 | Windsor Lake & Shoreline Apartments LLC. | Apartments/Shopping Center | 97,336,100 |
| 17 | Potter Properties | Shopping Mall | 94,475,100 |
| 18 | Virginia Natural Gas | Utility | 92,538,234 |
| 19 | Wal Mart Real Estate Business Trust | Retail Stores | 91,346,600 |
| 20 | Inland Diversified Virginia Beach Landstown LLC | Shopping Center | 78,144,000 |
| 21 | Atlantic Shores Cooperative | Apartments | 75,457,900 |
| 22 | Sifen, Michael D. | Real Estate | 67,877,500 |
| 23 | Occidental Development, Ltd. | Apartments | 65,550,000 |
| 24 | BBR/Marina Shores LLC | Shopping Center | 49,397,600 |
| 25 | Latitudes LLC | Apartments | 46,242,100 |
| Total | | | <u><u>\$ 3,917,605,836</u></u> |

Sources: Office of Real Estate Assessor
Commissioner of the Revenue

CITY OF VIRGINIA BEACH, VIRGINIA
PROPERTY TAX RATES AND CHANGE IN TAX LEVY
Fiscal Years 1996 Through 2017
(Unaudited)

| Fiscal Year | Tax Rate on Real Property (1) | Real Property Tax Levy (2) | Percentage Annual Change in Tax Levy |
|--------------------|--------------------------------------|-----------------------------------|---|
| 1996 | \$ 1.188 | \$ 213,069,095 | 7.77% |
| 1997 | 1.220 | 226,859,499 | 6.47% |
| 1998 | 1.220 | 236,751,484 | 4.36% |
| 1999 | 1.220 | 246,389,536 | 4.07% |
| 2000 | 1.220 | 264,436,560 | 7.32% |
| 2001 | 1.220 | 280,963,485 | 6.25% |
| 2002 | 1.220 | 305,058,532 | 8.58% |
| 2003 | 1.220 | 327,953,650 | 7.51% |
| 2004 | 1.220 | 341,740,132 | 4.20% |
| 2005 | 1.196 | 378,178,905 | 10.66% |
| 2006 | 1.024 | 393,544,291 | 4.06% |
| 2007 | 0.990 | 461,816,439 | 17.35% |
| 2008 | 0.890 | 483,635,234 | 4.72% |
| 2009 | 0.890 | 497,742,524 | 2.92% |
| 2010 | 0.890 | 485,659,493 | -2.43% |
| 2011 | 0.890 | 456,029,698 | -6.18% |
| 2012 | 0.890 | 443,160,075 | -2.82% |
| 2013 | 0.950 | 457,057,821 | 3.14% |
| 2014 | 0.930 | 446,015,531 | -2.42% |
| 2015 | 0.930 | 463,184,807 | 3.85% |
| 2016 | 0.990 | 510,528,757 | 10.22% |
| 2017 | 0.990 | 528,410,384 | 3.50% |

Source: City Department of Finance

(1) Tax rate per \$100 per assessed value.

(2) Calculation of the Real Property Tax Levy begins with the Real Property Assessed Value on Schedule 1-3 and then is adjusted by Supplements, Exonerations, SSD additional levies and other misc. adjustments to arrive at the Tax Levy.

CITY OF VIRGINIA BEACH, VIRGINIA
HISTORICAL ASSESSED VALUE
Fiscal Years 1996 Through 2017
(Unaudited)

| Fiscal Year | Real Property Assessed Value (1) | Percentage Change From Prior Year | Personal Property Assessed Value | Percentage Change From Prior Year | Public | | Percentage Change From Prior Year | Total Assessed Value | Percentage Change From Prior Year |
|-------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------------------------------|----|-----------------------------------|----------------------|-----------------------------------|
| | | | | | Service Property Assessed Value (2) | | | | |
| 1996 | \$ 17,569,373,603 | 2.21% | \$ 1,773,955,263 | 11.55% | \$ 631,854,212 | \$ | 5.58% | \$ 19,975,183,078 | 3.08% |
| 1997 | 18,231,483,508 | 3.77% | 1,848,939,232 | 4.23% | 623,804,522 | | -1.27% | 20,704,227,262 | 3.65% |
| 1998 | 19,068,899,073 | 4.59% | 1,975,719,516 | 6.86% | 630,802,210 | | 1.12% | 21,675,420,799 | 4.69% |
| 1999 | 19,880,386,330 | 4.26% | 2,260,575,622 | 14.42% | 656,859,261 | | 4.13% | 22,797,821,213 | 5.18% |
| 2000 | 20,997,405,999 | 5.62% | 2,725,158,950 | 20.55% | 677,545,782 | | 3.15% | 24,400,110,731 | 7.03% |
| 2001 | 22,085,451,417 | 5.18% | 2,870,591,003 | 5.34% | 705,956,994 | | 4.19% | 25,661,999,414 | 5.17% |
| 2002 | 23,380,509,148 | 5.86% | 2,915,490,499 | 1.56% | 731,786,118 | | 3.66% | 27,027,785,765 | 5.32% |
| 2003 | 25,949,245,358 | 10.99% | 3,004,538,542 | 3.05% | 753,259,714 | | 2.93% | 29,707,043,614 | 9.91% |
| 2004 | 27,513,988,726 | 6.03% | 3,252,187,117 | 8.24% | 743,170,991 | | -1.34% | 31,509,346,834 | 6.07% |
| 2005 | 31,281,844,464 | 13.69% | 3,369,167,703 | 3.60% | 624,562,746 | | -15.96% | 35,275,574,913 | 11.95% |
| 2006 | 38,379,012,758 | 22.69% | 3,710,964,218 | 10.14% | 530,465,288 | | -15.07% | 42,620,442,264 | 20.82% |
| 2007 | 46,122,142,394 | 20.18% | 3,787,921,076 | 2.07% | 545,140,581 | | 2.77% | 50,455,204,051 | 18.38% |
| 2008 | 55,146,390,999 | 19.57% | 4,152,466,483 | 9.62% | 647,905,245 | | 18.85% | 59,946,762,727 | 18.81% |
| 2009 | 56,766,753,287 | 2.94% | 3,712,297,032 | -10.60% | 807,890,384 | | 24.69% | 61,286,940,703 | 2.24% |
| 2010 | 55,379,973,665 | -2.44% | 3,611,774,884 | -2.71% | 890,229,132 | | 10.19% | 59,881,977,681 | -2.29% |
| 2011 | 51,975,401,446 | -6.15% | 4,078,095,291 | 12.91% | 927,509,746 | | 4.19% | 56,981,006,483 | -4.84% |
| 2012 | 50,508,022,826 | -2.82% | 4,305,125,900 | 5.57% | 938,693,399 | | 1.21% | 55,751,842,125 | -2.16% |
| 2013 | 48,851,994,658 | -3.28% | 4,249,692,532 | -1.29% | 929,843,170 | | -0.94% | 54,031,530,360 | -3.09% |
| 2014 | 48,737,614,190 | -0.23% | 4,334,018,923 | 1.98% | 889,050,800 | | -4.39% | 53,960,683,913 | -0.13% |
| 2015 | 50,577,279,180 | 3.77% | 4,569,833,578 | 5.44% | 875,496,571 | | -1.52% | 56,022,609,329 | 3.82% |
| 2016 | 52,016,374,504 | 2.85% | 4,582,059,618 | 0.27% | 895,479,945 | | 2.28% | 57,493,914,067 | 2.63% |
| 2017 | 53,840,546,037 | 3.51% | 4,692,383,356 | 2.41% | 945,094,380 | | 5.54% | 59,478,023,773 | 3.45% |

(1) Real Property is assessed at 100% of fair market value.

(2) Includes both real estate and personal property assessment. All public service property is taxed at the real estate tax rate, except for vehicles.

Source: City Department of Finance, Statistical Table 6

CITY OF VIRGINIA BEACH, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Fiscal Years 1996 through 2017
(Unaudited)

| Fiscal Year | Total Tax Levy (1) | | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|----------------|--------------------------|-------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 1996 | \$ | 280,791,187 | \$ 266,155,281 | 94.8 % | \$ 15,097,887 | \$ 281,253,168 | 100.2 % |
| 1997 | | 297,253,895 | 282,265,999 | 95.0 | 14,874,129 | 297,140,128 | 100.0 |
| 1998 | | 311,799,732 | 296,158,994 | 95.0 | 15,076,247 | 311,235,241 | 99.8 |
| 1999 | | 328,444,301 | 303,646,060 | 92.4 | 14,866,315 | 318,512,375 | 97.0 |
| 2000 | | 367,377,661 | 342,033,400 | 93.1 | 22,482,116 | 364,515,516 | 99.2 |
| 2001 | | 388,489,478 | 358,291,746 | 92.2 | 20,341,533 | 378,633,279 | 97.5 |
| 2002 | | 420,060,733 | 396,051,828 | 94.3 | 16,856,675 | 412,908,503 | 98.3 |
| 2003 | | 445,787,734 | 420,490,211 | 94.3 | 17,638,904 | 438,129,115 | 98.3 |
| 2004 | | 458,846,761 | 421,236,325 | 91.8 | 18,013,929 | 439,250,254 | 95.7 |
| 2005 | | 505,050,845 | 468,796,012 | 92.8 | 20,116,692 | 488,912,704 | 96.8 |
| 2006 | | 531,438,288 | 483,649,302 | 91.0 | 14,022,360 | 497,671,662 | 93.6 |
| 2007 | | 527,465,143 | 505,518,196 | 95.8 | 17,601,644 | 523,119,840 | 99.2 |
| 2008 | | 562,044,329 | 537,526,149 | 95.6 | 20,719,540 | 558,245,689 | 99.3 |
| 2009 | | 570,582,069 | 547,934,162 | 96.0 | 19,571,362 | 567,505,524 | 99.5 |
| 2010 | | 546,129,490 | 526,040,648 | 96.3 | 17,082,666 | 543,123,314 | 99.4 |
| 2011 | | 523,586,269 | 504,769,073 | 96.4 | 15,108,438 | 519,877,511 | 99.3 |
| 2012 | | 522,586,852 | 501,282,299 | 95.9 | 15,740,663 | 517,022,962 | 98.9 |
| 2013 | | 536,618,666 | 516,542,429 | 96.3 | 15,920,597 | 532,463,026 | 99.2 |
| 2014 | | 527,036,431 | 509,339,982 | 96.6 | 15,189,025 | 524,529,007 | 99.5 |
| 2015 | | 558,420,893 | 537,056,367 | 96.2 | 15,421,100 | 552,477,467 | 98.9 |
| 2016 | | 613,105,892 | 589,411,524 | 96.1 | 13,092,961 | 602,504,485 | 98.3 |
| 2017 | | 634,993,466 | 609,085,906 | 95.9 | - | 609,085,906 | 95.9 |

Source: City Department of Finance

Note: Collections in Subsequent Years represents delinquent accounts collected during the course of the fiscal year for all prior fiscal years.

(1) Includes both Real and Personal Property and Public Service. For 2017, the breakdown is as follows:

Real Property tax levy (includes Public Service real property): \$528,410,384

Personal Property tax levy (includes Public Service personal property): \$106,583,082

CITY OF VIRGINIA BEACH, VIRGINIA
PRINCIPAL TAX REVENUES BY SOURCE
Fiscal Years 1996 through 2017
(Unaudited)

| Fiscal Year | Real Property Taxes ¹ | Personal Property Taxes ¹ | General | | Restaurant | | Total | |
|----------------|--|--|---------------|----------------|---------------|----------------|-------------------|-------------|
| | | | Sales Tax | Utility Tax | Meal Tax | Other Taxes | Taxes Assessed | |
| 1996 | \$ 215,783,669 | \$ 66,775,292 | \$ 32,808,424 | \$ 30,410,466 | \$ 19,835,362 | \$ 53,613,813 | \$ | 419,227,026 |
| 1997 | 230,682,146 | 67,612,923 | 33,916,147 | 26,420,839 | 20,682,238 | 56,083,447 | | 435,397,740 |
| 1998 | 239,675,849 | 75,041,794 | 35,049,804 | 29,334,345 | 22,046,548 | 58,680,182 | | 459,828,522 |
| 1999 | 249,878,165 | 76,016,201 | 37,004,115 | 30,594,776 | 23,157,204 | 61,927,958 | | 478,578,419 |
| 2000 | 263,916,207 | 90,545,837 | 38,212,293 | 32,094,368 | 24,436,808 | 64,175,064 | | 513,380,577 |
| 2001 | 276,515,023 | 90,791,185 | 39,712,323 | 34,080,325 | 25,320,531 | 68,188,931 | | 534,608,318 |
| 2002 | 293,591,325 | 96,878,086 | 40,619,190 | 41,755,840 | 31,887,442 | 73,883,628 | | 578,615,511 |
| 2003 | 319,261,524 | 97,182,499 | 41,782,279 | 43,407,182 | 34,377,007 | 79,458,536 | | 615,469,027 |
| 2004 | 347,360,112 | 80,260,731 | 46,328,049 | 45,778,363 | 38,144,787 | 92,406,133 | | 650,278,175 |
| 2005 | 382,632,555 | 57,046,694 | 49,315,425 | 47,105,890 | 41,565,553 | 98,135,551 | | 675,801,668 |
| 2006 | 397,431,699 | 66,804,132 | 51,391,606 | 47,778,078 | 45,025,727 | 105,702,298 | | 714,133,540 |
| 2007 | 462,811,968 | 70,592,576 | 53,962,203 | 46,357,954 | 46,743,465 | 105,393,161 | | 785,861,327 |
| 2008 | 499,776,925 | 75,062,192 | 54,071,427 | 49,660,261 | 48,069,618 | 108,396,618 | | 835,037,041 |
| 2009 | 515,768,880 | 70,181,027 | 51,439,533 | 45,764,804 | 48,304,462 | 105,627,818 | | 837,086,524 |
| 2010 | 504,334,961 | 59,813,526 | 50,263,545 | 46,662,622 | 48,442,376 | 103,385,929 | | 812,902,959 |
| 2011 | 474,474,648 | 65,943,535 | 51,743,905 | 45,129,301 | 50,594,181 | 108,691,603 | | 796,577,173 |
| 2012 | 461,480,333 | 73,705,379 | 53,375,318 | 45,254,169 | 53,254,313 | 109,728,241 | | 796,797,753 |
| 2013 | 476,217,120 | 74,723,035 | 54,978,531 | 44,623,292 | 55,122,465 | 115,403,784 | | 821,068,227 |
| 2014 | 464,439,667 | 78,678,322 | 56,431,418 | 44,050,182 | 56,872,794 | 114,548,325 | | 815,020,708 |
| 2015 | 481,774,192 | 90,898,635 | 58,164,569 | 43,308,157 | 59,968,375 | 119,831,673 | | 853,945,601 |
| 2016 | 526,451,909 | 95,930,682 | 61,099,407 | 42,658,906 | 63,437,485 | 122,405,839 | | 911,984,228 |
| 2017 | 544,302,460 | 100,075,205 | 62,614,614 | 44,829,994 | 65,207,699 | 125,846,026 | | 942,875,998 |

Source: City Department of Finance, see Statistical Table 5

Note: Real and Personal Property Tax Revenues include collections for Current Year and Prior years levies collected within the Current Fiscal Year.

(1) Includes taxes, penalty & interest (\$10 minimum) on delinquent collections from prior years.

CITY OF VIRGINIA BEACH, VIRGINIA
TEN LARGEST UTILITY (WATER) CUSTOMERS
Fiscal Year 2017
(Unaudited)

| Customer | Annual Consumption in 1,000 Gallons | Type of Customer |
|--|--|---------------------------|
| Virginia Beach Correction Center | 50,576 | City Correction Center |
| Sentara Princess Anne Hospital | 33,961 | Hospital |
| S L Nusbaum Realty | 30,387 | Thalia Garden Apartments |
| Sentara Virginia Beach General Hospital | 29,348 | Hospital |
| Westminister-Canterbury of Hampton Roads | 25,748 | Retirement Community |
| County View Mobile Court | 23,460 | Mobile Home Park |
| Watergate Assoc Lakes | 19,653 | Linkhorn Bay Apartments |
| Town Center Associates 7 LLC | 19,197 | Real Estate Asset Manager |
| Occidental Development, Ltd. | 18,974 | Waterfront Apartments |
| Colony Mobile Home Park | 18,904 | Mobile Home Park |

Source: City Department of Public Utilities

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
OUTSTANDING DEBT BY ISSUE
at June 30, 2017
(Unaudited)

| | |
|--|------------------------------|
| 2016-B \$42,865,000 Water and Sewer Refunding Bonds | \$ 40,610,000 |
| 2016A Water and Sewer Revenue Bonds | 46,560,000 |
| 2013 Water and Sewer System Revenue Bonds | 41,745,000 |
| 2010A Water and Sewer System Revenue Bonds | 55,280,000 |
| 2010B Water and Sewer System Refunding Revenue Bonds | 7,640,000 |
| 2010C Water and Sewer System Refunding Revenue Bonds | 18,110,000 |
| 1998 Taxable Water and Sewer System Revenue Bond (1) | 832,839 |
| 1997 Taxable Water and Sewer System Revenue Bond (1) | 278,165 |
| | <hr/> |
| Total Water and Sewer Debt Outstanding | <u><u>\$ 211,056,004</u></u> |

Source: City Department of Finance

- (1) The 1997 & 1998 taxable issues were privately placed with the Commonwealth of Virginia Revolving Loan fund administered by Virginia Resources Authority
- (2) All Water & Sewer Bonds listed above are Parity Debt.

CITY OF VIRGINIA BEACH, VIRGINIA
WATER RESOURCE RECOVERY FEES
HISTORY OF RECEIPTS AND DISBURSEMENTS
Fiscal Year 2012 through 2017
(in thousands of dollars)
(Unaudited)

| | Fiscal Year | | | | | |
|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Balance - July 1 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fees Received | 3,265 | 3,905 | 2,116 | 3,120 | 2,414 | 2,796 |
| Disbursements | <u>3,265</u> | <u>3,905</u> | <u>2,116</u> | <u>3,120</u> | <u>2,414</u> | <u>2,796</u> |
| Balance - June 30 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

Source: City Departments of Finance and Public Utilities.

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
SYSTEM OPERATING REVENUES, EXPENSES AND COVERAGE
For Fiscal Year Ending June 30
(in thousands of dollars)
(Unaudited)

| | Fiscal Year | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| <u>Operating Revenues</u> | | | | | |
| Service Charges | \$ 62,231 | \$ 68,226 | \$ 74,518 | \$ 75,233 | \$ 75,767 |
| Water Usage | 46,543 | 45,881 | 45,309 | 44,847 | 45,599 |
| Interfund Services Provided | - | - | 1,169 | 1,170 | 1,497 |
| Miscellaneous | 839 | 1,636 | 1,187 | 1,771 | 1,616 |
| Total Operating Revenues | <u>\$ 109,613</u> | <u>\$ 115,743</u> | <u>\$ 122,183</u> | <u>\$ 123,021</u> | <u>\$ 124,479</u> |
| <u>Operating Expenses</u> | | | | | |
| Water Acquisition | \$ 25,968 | \$ 23,188 | \$ 23,771 | \$ 24,488 | \$ 24,722 |
| Water Distribution | 8,056 | 7,882 | 6,780 | 6,832 | 7,189 |
| Sewer Collection | 13,151 | 12,658 | 14,274 | 13,812 | 14,494 |
| Administration and Engineering | 16,829 | 18,367 | 19,157 | 18,646 | 16,708 |
| Customer Services | 9,830 | 9,813 | 10,163 | 10,152 | 9,701 |
| Total Operating Expenses | <u>\$ 73,834</u> | <u>\$ 71,908</u> | <u>\$ 74,145</u> | <u>\$ 73,930</u> | <u>\$ 72,814</u> |
| Net Operating Income | <u>\$ 35,779</u> | <u>\$ 43,835</u> | <u>\$ 48,038</u> | <u>\$ 49,091</u> | <u>\$ 51,665</u> |
| <u>Non-Operating Revenues/(Expense)</u> | | | | | |
| Interest | \$ 457 | \$ 405 | \$ 493 | \$ 597 | \$ 2,082 |
| Water Resource Recovery Fee | 3,905 | 2,116 | 3,120 | 2,414 | 2,796 |
| Connection Fees | 1,274 | 767 | 1,211 | 1,187 | 1,047 |
| Norfolk Water True-Up | - | 3,257 | - | 825 | - |
| Total Non-Operating Income | <u>\$ 5,636</u> | <u>\$ 6,545</u> | <u>\$ 4,824</u> | <u>\$ 5,023</u> | <u>\$ 5,925</u> |
| Income Available For Debt Service | <u>\$ 41,415</u> | <u>\$ 50,380</u> | <u>\$ 52,862</u> | <u>\$ 54,114</u> | <u>\$ 57,590</u> |
| <u>Annual Debt Service*</u> | | | | | |
| Water and Sewer Revenue Bonds | \$ 14,950 | \$ 15,965 | \$ 18,119 | \$ 18,520 | \$ 16,569 |
| <u>Coverage of Debt Service on Water and Sewer Revenue Bonds</u> | 2.77x | 3.16x | 2.92x | 2.92x | 3.48x |
| <u>Coverage of Debt Service on All Debt Supported by Water and Sewer Revenues</u> | 2.77x | 3.16x | 2.92x | 2.92x | 3.48x |

* Includes Principal, Interest at gross, and Bank Charges

Source: City Departments of Finance and Public Utilities

CITY OF VIRGINIA BEACH
WATER AND SEWER ENTERPRISE FUND
DEBT SERVICE REQUIREMENTS
as of June 30, 2017
(Unaudited)

| Fiscal Year | Principal | Interest | Gross Debt Service | Subsidy | Debt Service Net of Subsidy | Principal Outstanding |
|--------------------|--------------------------|-------------------------|---------------------------|---------------------------|------------------------------------|------------------------------|
| 2017-18 | \$ 8,820,728 | \$ 9,077,938 | \$ 17,898,665 | \$ (949,036) | \$ 16,949,630 | \$ 202,235,276 |
| 2018-19 | 9,215,276 | 8,685,065 | 17,900,341 | (976,809) | 16,923,533 | 193,020,000 |
| 2019-20 | 9,625,000 | 8,271,996 | 17,896,996 | (946,786) | 16,950,210 | 183,395,000 |
| 2020-21 | 10,045,000 | 7,853,921 | 17,898,921 | (914,831) | 16,984,090 | 173,350,000 |
| 2021-22 | 10,485,000 | 7,415,368 | 17,900,368 | (881,323) | 17,019,045 | 162,865,000 |
| 2022-23 | 10,980,000 | 6,934,041 | 17,914,041 | (845,560) | 17,068,481 | 151,885,000 |
| 2023-24 | 11,520,000 | 6,411,109 | 17,931,109 | (806,512) | 17,124,596 | 140,365,000 |
| 2024-25 | 12,095,000 | 5,854,825 | 17,949,825 | (763,963) | 17,185,863 | 128,270,000 |
| 2025-26 | 12,730,000 | 5,249,295 | 17,979,295 | (718,085) | 17,261,211 | 115,540,000 |
| 2026-27 | 10,670,000 | 4,677,121 | 15,347,121 | (668,665) | 14,678,456 | 104,870,000 |
| 2027-28 | 11,065,000 | 4,194,685 | 15,259,685 | (615,203) | 14,644,482 | 93,805,000 |
| 2028-29 | 9,080,000 | 3,760,068 | 12,840,068 | (557,679) | 12,282,389 | 84,725,000 |
| 2029-30 | 9,470,000 | 3,339,893 | 12,809,893 | (496,087) | 12,313,805 | 75,255,000 |
| 2030-31 | 9,845,000 | 2,921,344 | 12,766,344 | (430,472) | 12,335,872 | 65,410,000 |
| 2031-32 | 7,720,000 | 2,543,280 | 10,263,280 | (360,896) | 9,902,384 | 57,690,000 |
| 2032-33 | 8,050,000 | 2,185,578 | 10,235,578 | (287,430) | 9,948,148 | 49,640,000 |
| 2033-34 | 8,395,000 | 1,809,156 | 10,204,156 | (210,223) | 9,993,933 | 41,245,000 |
| 2034-35 | 8,770,000 | 1,412,928 | 10,182,928 | (129,077) | 10,053,851 | 32,475,000 |
| 2035-36 | 9,150,000 | 998,573 | 10,148,573 | (43,740) | 10,104,832 | 23,325,000 |
| 2036-37 | 4,945,000 | 696,706 | 5,641,706 | - | 5,641,706 | 18,380,000 |
| 2037-38 | 5,125,000 | 516,200 | 5,641,200 | - | 5,641,200 | 13,255,000 |
| 2038-39 | 5,310,000 | 332,075 | 5,642,075 | - | 5,642,075 | 7,945,000 |
| 2039-40 | 2,570,000 | 199,800 | 2,769,800 | - | 2,769,800 | 5,375,000 |
| 2040-41 | 2,645,000 | 121,575 | 2,766,575 | - | 2,766,575 | 2,730,000 |
| 2041-42 | 2,730,000 | 40,950 | 2,770,950 | - | 2,770,950 | - |
| Totals | \$ 211,056,004.17 | \$ 95,503,488.16 | \$ 306,559,492.33 | \$ (11,602,373.86) | \$ 294,957,118.47 | |

* Fiscal Year 2017/2018 has been adjusted to reflect the 6.6% sequestration in effect.

All Water & Sewer Debt is Parity Debt are Revenue Bonds and Notes issued pursuant to Article VII, Sec. 10(a)(3) of the Constitution of Virginia, secured solely by the Revenues of the system.

Source: City Department of Finance

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
WATER AND SEWER RATE HISTORY
(Unaudited)

| Effective Date of Rate Adjustment | Water Commodity Rate (per 1,000 gallons) | Sanitary Sewer Service Charge Single Family Residence (per month) |
|--|---|--|
| July 1, 1991 | \$ 2.96 | \$ 10.58 |
| July 1, 1992 | 3.11 | 11.38 |
| July 1, 1993 | 3.38 | 11.38 |
| July 1, 1994 | 3.65 | 11.38 |
| July 1, 1999 | 3.55 | 11.38 |
| July 1, 2001 | 3.55 | 12.29 |
| July 1, 2002 | 3.55 | 13.27 |
| July 1, 2003 | 3.55 | 14.34 |
| July 1, 2005 | 3.65 | 15.92 |
| July 1, 2006 | 3.70 | 16.88 |
| July 1, 2007 | 3.80 | 17.72 |
| July 1, 2008 | 3.95 | 18.61 |
| July 1, 2009 | 4.10 | 19.54 |
| July 1, 2010 | 4.41 | 19.54 |
| July 1, 2011 | 4.41 | 22.12 |
| July 1, 2012 | 4.41 | 24.86 |
| July 1, 2013 | 4.41 | 27.76 |
| July 1, 2014 | 4.41 | 30.81 |
| July 1, 2015 | 4.41 | 30.81 |
| July 1, 2016 | 4.41 | 30.81 |
| July 1, 2017 | 4.41 | 30.81 |

Source: City Department of Public Utilities

CITY OF VIRGINIA BEACH, VIRGINIA
TEN LARGEST STORM WATER UTILITY ACCOUNTS
For Billing Period Ending June 30, 2017
(Unaudited)

| Customer | Fees Billed |
|---------------------------|-------------|
| Lynnhaven Mall Group | \$ 210,328 |
| Stihl, Inc. | 158,060 |
| Sentara Healthcare | 116,453 |
| Virginia Wesleyan College | 97,164 |
| Pembroke Associates | 82,166 |
| Emeral Point | 73,926 |
| HRSD | 73,269 |
| Evergreen Virginia | 71,969 |
| Regent University | 57,033 |
| Atlantic Shores | 48,294 |

Source: City Department of Public Works/Storm Water Management

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER UTILITY
DISTRIBUTION BY TYPE OF PROPERTY
As of June 30, 2017
(Unaudited)

| Type of Property | 2017 |
|-------------------------|--|
| | Percent of Equivalent Residential Units (ERU) |
| Residential | 45.1% |
| Multi-Family | 13.4% |
| Non-Residential | 41.5% |

Source: City Department of Public Works/Storm Water Management

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER UTILITY FEE COLLECTIONS
As of June 30, 2017
(Unaudited)

| Fiscal Year | Assessed fees | Collected fees * | % Collected |
|--------------------|----------------------|-------------------------|--------------------|
| 1997 | 6,547,709 | 6,541,955 | 99.912% |
| 1998 | 7,909,209 | 7,903,455 | 99.927% |
| 1999 | 9,219,518 | 9,213,764 | 99.938% |
| 2000 | 9,330,500 | 9,324,746 | 99.938% |
| 2001 | 9,467,608 | 9,461,854 | 99.939% |
| 2002 | 10,437,774 | 10,432,020 | 99.945% |
| 2003 | 11,415,662 | 11,409,908 | 99.950% |
| 2004 | 12,519,585 | 12,513,831 | 99.954% |
| 2005 | 12,456,762 | 12,451,008 | 99.954% |
| 2006 | 13,737,919 | 13,732,165 | 99.958% |
| 2007 | 14,657,797 | 14,652,043 | 99.961% |
| 2008 | 15,487,064 | 15,481,310 | 99.963% |
| 2009 | 17,441,273 | 17,435,519 | 99.967% |
| 2010 | 19,285,723 | 19,251,212 | 99.821% |
| 2011 | 20,883,989 | 20,833,505 | 99.758% |
| 2012 | 27,632,407 | 27,541,919 | 99.673% |
| 2013 | 32,006,788 | 31,852,199 | 99.517% |
| 2014 | 36,709,700 | 36,537,711 | 99.531% |
| 2015 | 39,055,783 | 38,684,230 | 99.049% |
| 2016 | 39,804,972 | 39,530,243 | 99.310% |
| 2017 | 39,854,926 | 40,046,975 | 100.482% |

Source: City Department of Public Works/Storm Water Management

* Represents collections through June 30th of each Fiscal Year. The City anticipates that for each of the recent years collection rates will be consistent with earlier years.

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER UTILITY FUND
PRO FORMA CALCULATION OF REVENUE COVENANTS
(Unaudited)

Revenue Requirement A

| | Fiscal Year | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 Budget |
| Total Revenues: | | | | | | |
| System Revenues (including interest income) | \$ 32,954,179 | \$ 37,150,524 | \$ 39,294,658 | \$ 39,648,163 | \$ 40,471,105 | \$ 41,594,147 |
| Budgeted Operating Expenses | 14,317,957 | 15,366,723 | 16,645,536 | 18,487,455 | 26,074,915 | 29,038,529 |
| Revenues Available for Debt Service | <u>\$ 18,636,222</u> | <u>\$ 21,783,801</u> | <u>\$ 22,649,122</u> | <u>\$ 21,160,708</u> | <u>\$ 14,396,190</u> | <u>\$ 12,555,618</u> |
| Maximum Principal and Interest Requirement on Revenue Bonds (a) | <u>\$ 2,040,008</u> | <u>\$ 2,040,008</u> | <u>\$ 3,402,039</u> | <u>\$ 3,399,201</u> | <u>\$ 3,399,201</u> | <u>\$ 3,393,984</u> |
| Debt Service Coverage Ratio (1.15 MBR Requirement) | <u>9.1x</u> | <u>10.7x</u> | <u>6.7x</u> | <u>6.2x</u> | <u>4.2x</u> | <u>3.7x</u> |

Source: City Department of Finance

Revenue Requirement B

| | Fiscal Year | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 Budget |
| Total System Revenues (including interest income) | \$ 32,954,179 | \$ 37,150,524 | \$ 39,294,658 | \$ 39,648,163 | \$ 40,471,105 | \$ 41,594,147 |
| Less: | | | | | | |
| Budgeted Operating Expenses | \$ 14,317,957 | \$ 15,366,723 | \$ 16,645,536 | \$ 18,487,455 | \$ 26,074,915 | \$ 29,038,529 |
| Revenue Bond Debt Service (a): | | | | | | |
| Requirement on Series 2010A Bonds | \$ 1,392,283 | \$ 1,391,583 | \$ 1,390,683 | \$ 1,394,533 | \$ 1,391,695 | \$ 1,386,025 |
| Requirement on Series 2010B Bonds | 639,981 | 640,681 | 641,181 | 641,481 | 641,581 | 641,481 |
| Requirement on Series 2015 Bonds | - | - | 226,374 | 1,357,556 | 1,359,106 | 1,360,056 |
| Subordinate Debt Fund (Prior Bonds) | 322,975 | 226,457 | - | - | - | - |
| Total Debt Service | <u>\$ 2,355,239</u> | <u>\$ 2,258,721</u> | <u>\$ 2,258,238</u> | <u>\$ 3,393,570</u> | <u>\$ 3,392,382</u> | <u>\$ 3,387,562</u> |
| Capital Improvement Account (Cash) | 14,122,870 | 13,962,480 | 9,514,582 | 8,490,000 | 7,500,000 | 7,500,000 |
| Total Expenditures | <u>\$ 30,796,066</u> | <u>\$ 31,587,924</u> | <u>\$ 28,418,356</u> | <u>\$ 30,371,025</u> | <u>\$ 36,967,297</u> | <u>\$ 39,926,091</u> |
| Surplus Revenue | <u>\$ 2,158,113</u> | <u>\$ 5,562,600</u> | <u>\$ 10,876,302</u> | <u>\$ 9,277,138</u> | <u>\$ 3,503,808</u> | <u>\$ 1,668,056</u> |

Reconciliation of Expenses to CAFR

| | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| Total Operating Expenses (per CAFR) | \$ 16,709,597 | \$ 19,477,620 | \$ 22,059,299 | \$ 23,177,375 | \$ 33,123,108 | |
| Add (Subtract): Depreciation | (2,391,640) | (4,110,897) | (4,569,433) | (4,792,210) | (5,466,520) | |
| Annual CIP Expense | | | (1,265,350) | (463,098) | (1,091,586) | |
| Net Deferred Retirement Contribution | | | 421,020 | 565,388 | (490,087) | |
| Total Budgeted Expenses (Pro Forma Requirement) | <u>\$ 14,317,957</u> | <u>\$ 15,366,723</u> | <u>\$ 16,645,536</u> | <u>\$ 18,487,455</u> | <u>\$ 26,074,915</u> | |

(a) All Interest is presented at Gross.

Source: City Department of Finance

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER UTILITY FUND
DEBT SERVICE REQUIREMENTS
as of June 30, 2017
(Unaudited)

| Fiscal Year | Principal | Interest | Subsidy* | Total |
|--------------------|----------------------|----------------------|-----------------------|----------------------|
| 2017-18 | \$ 1,740,000 | \$ 1,647,563 | \$ (261,430) | \$ 3,126,132 |
| 2018-19 | 1,795,000 | 1,591,899 | (273,977) | 3,112,921 |
| 2019-20 | 1,855,000 | 1,524,033 | (266,663) | 3,112,370 |
| 2020-21 | 1,915,000 | 1,456,699 | (258,352) | 3,113,347 |
| 2021-22 | 1,980,000 | 1,389,533 | (249,214) | 3,120,319 |
| 2022-23 | 2,055,000 | 1,320,030 | (239,354) | 3,135,676 |
| 2023-24 | 2,135,000 | 1,244,380 | (228,512) | 3,150,868 |
| 2024-25 | 2,230,000 | 1,158,443 | (216,511) | 3,171,932 |
| 2025-26 | 1,665,000 | 1,077,844 | (203,639) | 2,539,205 |
| 2026-27 | 1,745,000 | 1,002,196 | (189,517) | 2,557,679 |
| 2027-28 | 1,815,000 | 926,131 | (174,077) | 2,567,054 |
| 2028-09 | 1,890,000 | 851,499 | (157,878) | 2,583,621 |
| 2029-30 | 1,970,000 | 773,544 | (140,831) | 2,602,712 |
| 2030-31 | 2,050,000 | 692,139 | (122,892) | 2,619,247 |
| 2031-32 | 2,130,000 | 607,284 | (104,060) | 2,633,223 |
| 2032-33 | 2,215,000 | 516,581 | (83,497) | 2,648,084 |
| 2033-34 | 2,310,000 | 419,581 | (61,071) | 2,668,511 |
| 2034-35 | 2,405,000 | 318,231 | (37,489) | 2,685,742 |
| 2035-36 | 2,505,000 | 212,394 | (12,705) | 2,704,689 |
| 2036-37 | 1,220,000 | 140,019 | - | 1,360,019 |
| 2037-38 | 1,260,000 | 102,031 | - | 1,362,031 |
| 2038-39 | 1,295,000 | 62,109 | - | 1,357,109 |
| 2039-40 | 1,340,000 | 20,938 | - | 1,360,938 |
| Totals | <u>\$ 43,520,000</u> | <u>\$ 19,055,100</u> | <u>\$ (3,281,670)</u> | <u>\$ 59,293,430</u> |

* Fiscal Year 2017/2018 has been adjusted to reflect the Federal sequestration rates of 6.9% and 6.6% for the respective debt service payments.

Source: City Department of Finance

VB

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The new Kempsville Recreation Center opened its doors in June 2017. Originally built in 1977, it was the city's first community recreation center. After closing two years for a full reconstruction, Kempsville is an 87,116 square foot state-of-the-art facility featuring an indoor pool with zero-depth entry, aqua track, double gymnasium, 1/8-mile indoor walking/jogging track and so much more.

www.VBgov.com