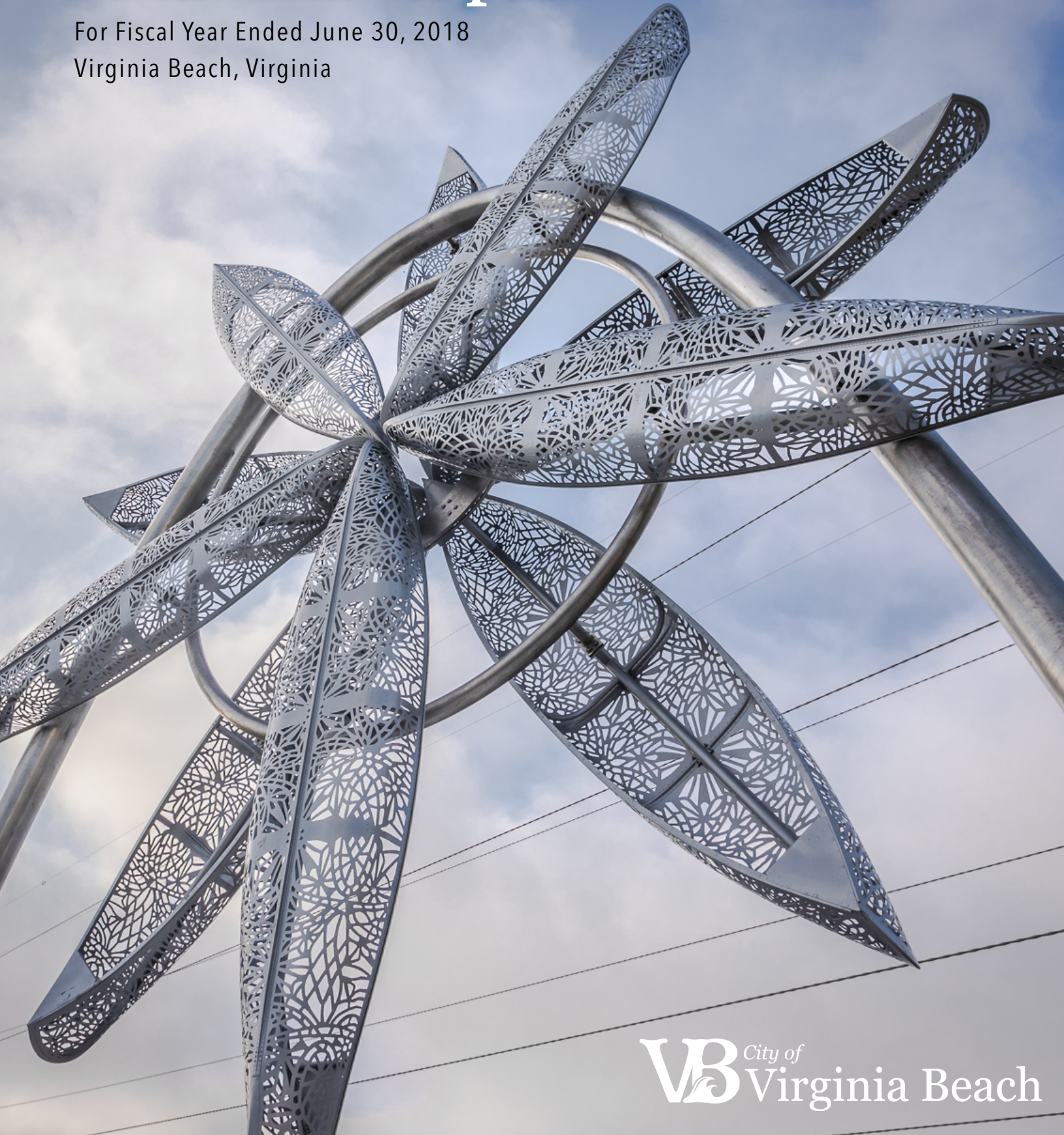


Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2018
Virginia Beach, Virginia



Cover: *The Canoes* is a 36-foot sculpture poised on the pedestrian overlook of the new Lesner Bridge on the Lynnhven Inlet welcoming visitors into the beauty of history of the Chesapeake Bay Area. Artist Donald Lipski chose the canoe as the medium of this sculpture to create an immediate tie to the water surrounding it. Each of the 10 canoes has an intricate, lacy filigree design cut out of its aluminum, reminiscent of the decorative arts of the early settlers.

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

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

ACKNOWLEDGEMENTS

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.

CAFR PREPARATION TEAM

(in alphabetical order)

Kristin Arehart, Stacy Hershberger, Alice Kelly, Patricia Kephart, Kevin Kielbasa, James Leary, Sean Murphy, Andrew Oliver, Amanda Phelps, Lisa Pittenger, Jumel Stuart, Miryam Woodson

STAFF SUPPORT

Loretta Brown, Bonnie Castellow, Princess Wilkins

COVER

Photographer: Craig McClure Layout: Anna Kristina Alfaro, Jeanette Romera

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,

Patricia A. Phillips, Director
Department of Finance

**CITY OF VIRGINIA BEACH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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INTRODUCTORY SECTION

CITY OF VIRGINIA BEACH, VIRGINIA

PRINCIPAL OFFICIALS

AS OF JUNE 30, 2018

CITY COUNCIL

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

APPOINTED OFFICERS

David L. Hansen City Manager
 Mark D. Stiles City Attorney
 Amanda Barnes City Clerk
 Ronald D. Agnor Real Estate Assessor
 Lyndon S. Remias City Auditor

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

SCHOOL BOARD

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

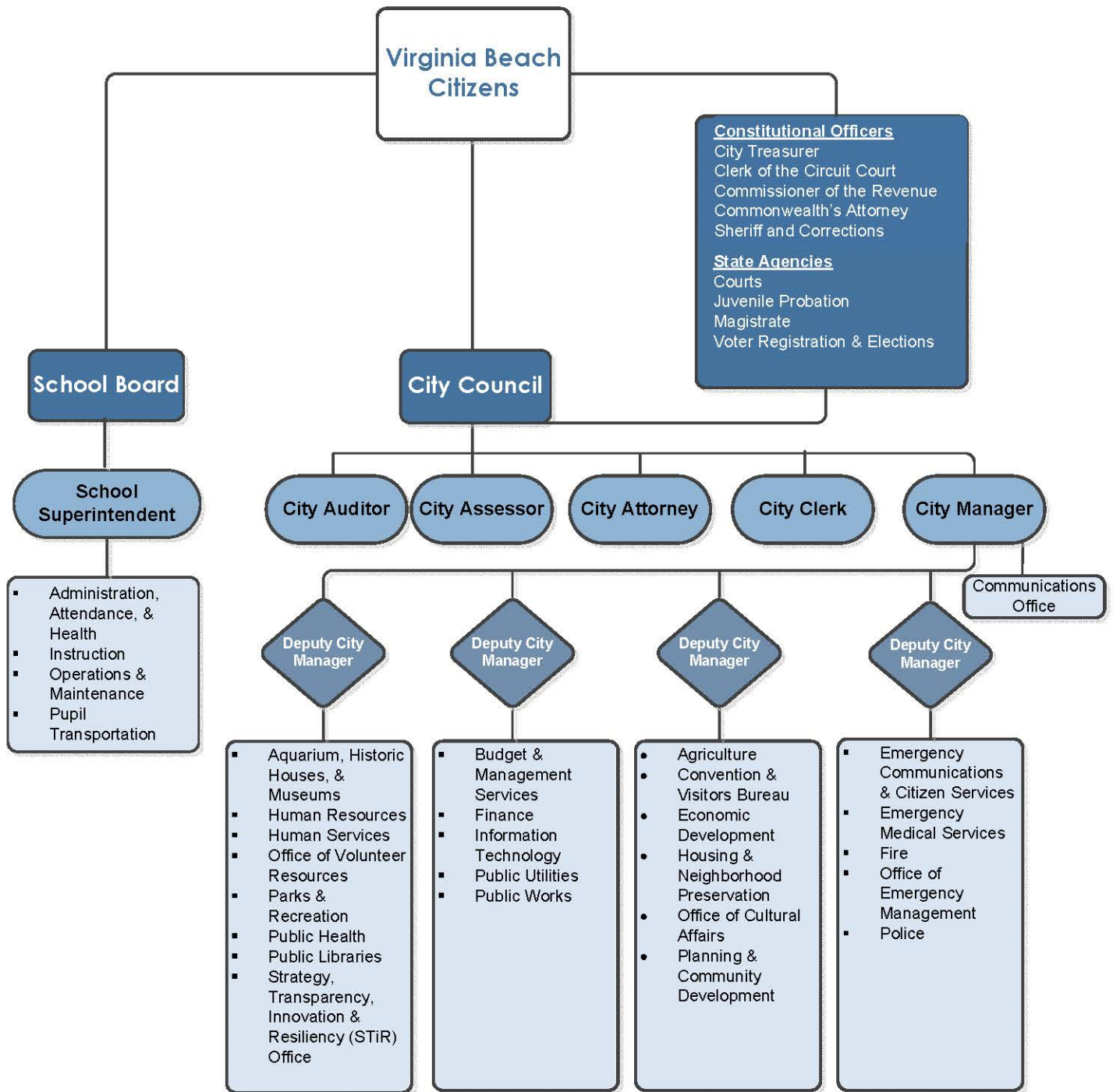
VIRGINIA BEACH DEVELOPMENT AUTHORITY

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 M. Murphy Commissioner

VIRGINIA BEACH COMMUNITY DEVELOPMENT CORPORATION

Wanda Cooper Interim Board President
 Courtney LaLonde Secretary/Treasurer
 Tony Nero Director
 Tammy Hindle Director
 Terron Rodgers Director
 Richard White Director
 Myron Nahra Director
 Robert Ewell Director
 Chris Brown Director

City Organization





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

November 21, 2018

The Honorable Robert M. Dyer, Mayor
Members of the Virginia Beach City Council
Municipal Center
Virginia Beach, Virginia 23456

Subject: Comprehensive Annual Financial Report

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report of the City of Virginia Beach, Virginia, for the fiscal year ended June 30, 2018, is hereby submitted. The City is required by the Code of the Commonwealth of Virginia and by the City Charter to publish at the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with Government Auditing Standards by a firm of independent certified public accountants. This report has been prepared by the Department of Finance and complies with state law and guidelines of the Auditor of Public Accounts of the Commonwealth of Virginia.

Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the City management. 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.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This 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 City of Virginia Beach. This merger created one of the largest cities in the Commonwealth of Virginia with an area of 310 square miles comprised of 258.7 square miles of land and 51.3 square miles of water with 38 miles of shoreline and 28 miles of public beach on the Atlantic Ocean and the Chesapeake Bay. The latest estimated population as of July 1, 2018 for the City of Virginia Beach is 456,538 of which 302,965 were registered voters. As of January, 2018, excluding on-base military housing, the City had 157,940 taxable properties including 143,573 residential housing units and 36,041 apartment units in multi-family complexes.

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.

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.

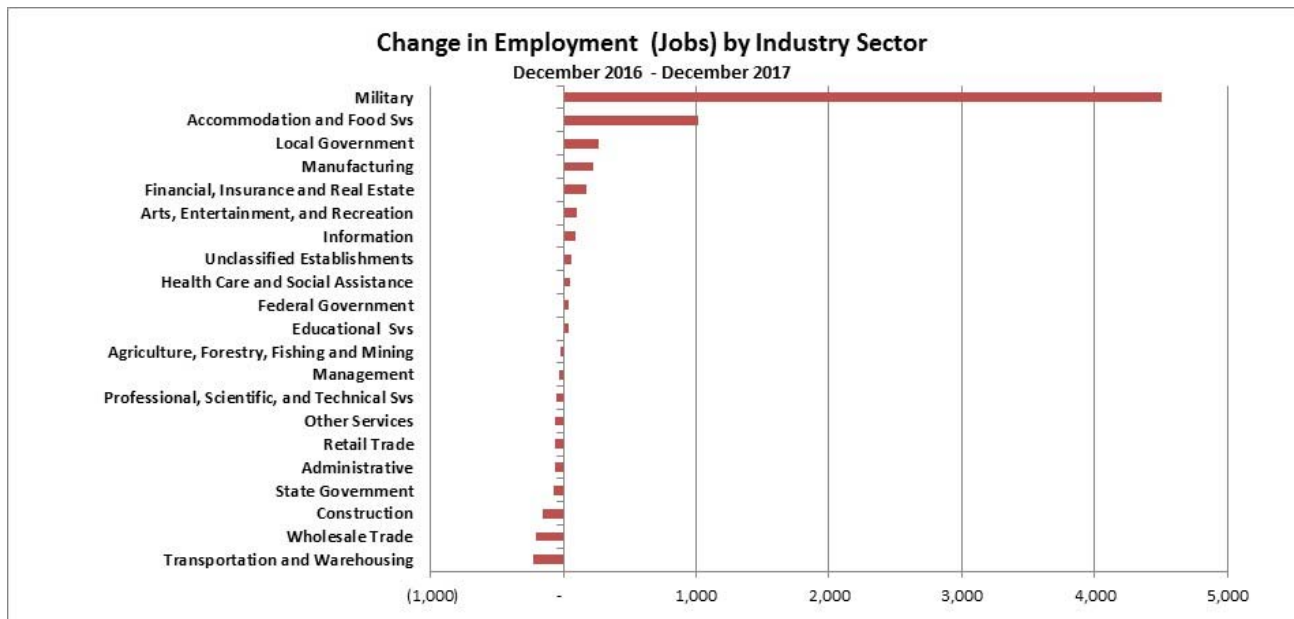
Cities in Virginia have sole property taxing jurisdiction over the entire area within their boundaries and operate independently of any county government. There are no overlapping jurisdictions and, consequently, citizens of Virginia cities are not subject to overlapping debt or taxation.



ECONOMIC CONDITIONS AND OUTLOOK

The Virginia Beach economy continues to improve as real estate assessments continue to increase and consumer-driven revenues including general sales, hotel tax meals tax and amusement tax continue to perform well. There are also positive trends in the areas of job growth, tourism, and building activity: Continuing decrease in the employment rate and an increase in the overall labor force also benefit the City; and the regional economy benefits from continuing modest growth with defense-related spending increasing region-wide.

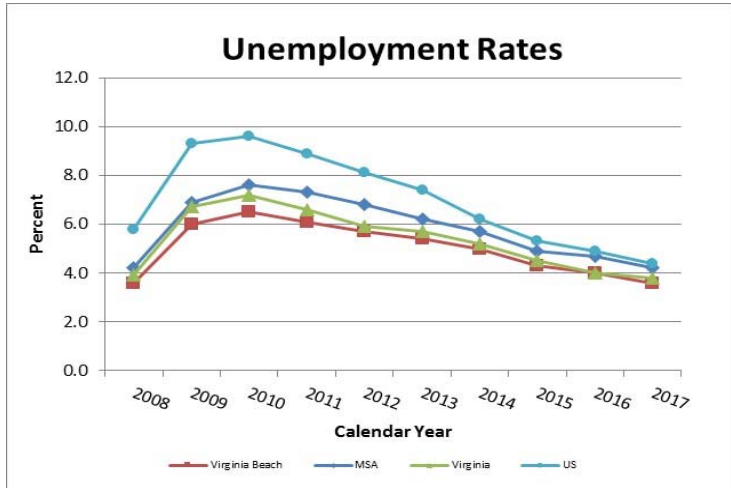
The average employment in the fourth quarter of 2017 was 209,016 compared with 203,412 in the fourth quarter of 2016, an increase of 5,604 jobs over this period. The largest employment sectors in Virginia Beach are the Military, Accommodation and Food Services, Retail Trade, Health Care and Social Assistance, and Local Government Employment.



The Military, Accommodation and Food Services, Local Government, Manufacturing and Financial, Insurance and Real Estate sectors saw the largest increases over the period December 2016 - December 2017.

The Transportation and Warehousing sector decreased the most over this time period, followed by Wholesale Trade, Construction and State Government sectors. The Military sector for 2017 indicates an increase of 4,506 jobs. (Source: Virginia Employment Commission (VEC), Navy Region Mid-Atlantic FY 2017 Economic Impact Report)

Annual average **unemployment rates** for 2017 were: 3.6% for Virginia Beach, 4.2% for the MSA, 3.8% for the state, and 4.4% for the U.S. Unemployment rates have declined in 2017 compared with 2016 for Virginia Beach, the region, the State and nation and are at or below the 2008 pre-recession unemployment rates. There has been a steady decline in the unemployment rate in Virginia Beach since 2010. [Source: BLS]



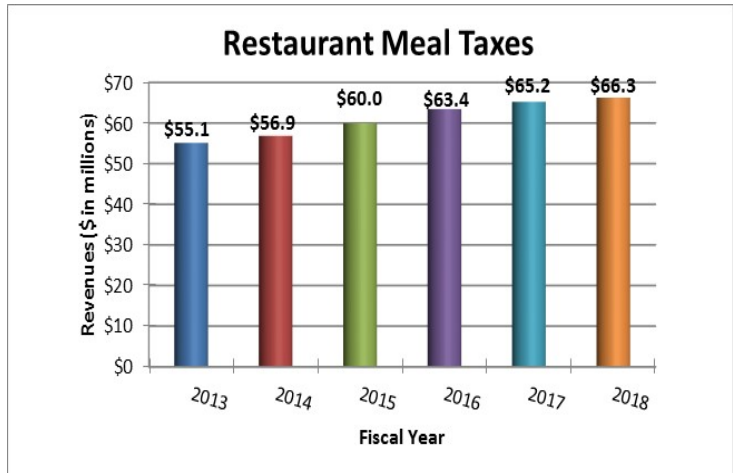
The average number of Virginia Beach residents employed in 2017 was 224,148 from a labor force of 232,521, which is an increase over 2016 in employment and labor force of 2.0% and 1.6%, respectively. [Source: U.S. Department of Labor, Bureau of Labor Statistics (BLS)]

Based on the most recent data available, the **per capita personal** income for Virginia Beach was \$53,432 in 2016, which is greater than that for the state at \$52,957 and the nation at \$49,246. The per capita personal income for Virginia Beach has increased an average of 1.5% per year since 2012. [Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA)] Also, the **median household income** continues to increase for Virginia Beach in 2017 at \$72,586 compared with \$71,117 in 2016. Median household income for the City has increased an average of 2.0% per year since 2011. (Source: US Census Bureau, 2017 American Community Survey)

Hotel tax revenue collected in FY 2018 was \$35.5 million, an increase of \$2.7 million (8.2%) compared with \$32.8 million collected in FY 2017. The continual rise in hotel tax revenues, 5.4% annually from 2013 to 2018 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)

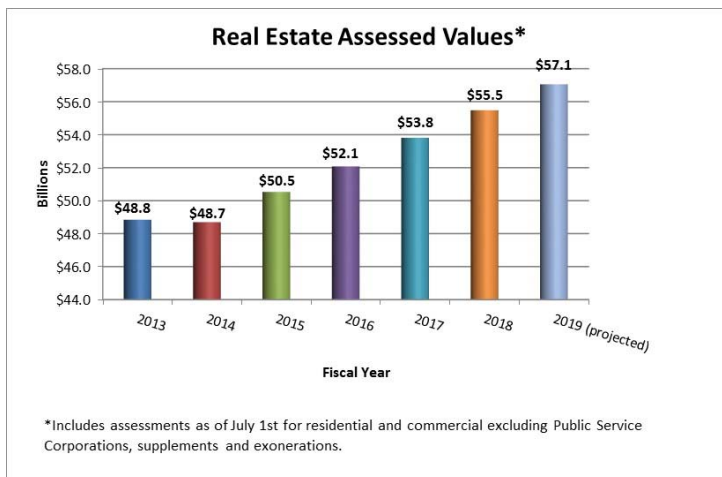


Restaurant meals tax revenue collected in FY 2018 was \$66.3 million, \$1.1 million more than in FY 2017, also setting another all-time record high. Restaurant meals tax revenue has been a consistent performer, even during the recession (FY 2010). The restaurant tax rate remained 5.5% throughout this period. (Source: Department of Finance)



General sales tax revenue reflects the City's 1% share of the State sales tax. The amount collected in FY 2018 was \$63.5 million, an increase of \$0.9 million (2.9%) compared with \$62.6 million collected in FY 2017. This increase is the eighth consecutive increase since the recession (FY 2010); this revenue stream has been increasing annually over the last 6 years by 3.2% on average. (Source: Department of Finance)

Virginia Beach **real estate assessments** are projected to increase 2.8% in FY 2019. Assessments increased 3.1% in FY 2018, following a 3.3% increase in FY 2017, indicating an end to the recession-related declines and setting the stage for future increases. (Source: Real Estate Assessor's Office, Annual Report)



The total number of **building permits** increased by 7.5% from 9,734 in FY 2017 to 10,461 in FY 2018. The value of the permits increased 64.9% from \$499.9 million in FY 2017 to \$825.6 million in FY 2018. The growth in development is primarily due to growth in the commercial as well as single-family residential developments. (Source: Dept. of Planning and Community Development).

According to Old Dominion University's 19th annual 2018 State of the Region Report, the

regional economy grew 0.9% in 2017 and is anticipated to grow 2.2% in 2018, and is anticipated to reach if not exceed \$100 billion by the end of 2018.

MAJOR INDUSTRIES

The City's business community is renowned for its highly diverse collection of industries, including nationally and internationally known corporate headquarters, technologically-advanced manufacturers, billion-dollar defense contractors, and locally owned shops. The City is also home to approximately 23,000 acres of farmland and agriculture is the city's third largest industry, generating more than \$124 million in economic impact. **Defense Spending, the Port of Virginia and Tourism** continue to be stabilizers of and sources of growth in the Hampton Roads regional and Virginia Beach local economies. More recently Virginia Beach is developing into a **Digital Port**, shipping data at the highest speed possible around the world and with high speed underwater cables and data communications centers being constructed to handle the influx of digital traffic.

Defense Spending - The Department of Defense direct spending in Hampton Roads in 2018 is projected to be \$21.5 billion accounting for 42% of overall economic activity, which is 7.5% over the 2017 level of \$20 billion. A Continuing Resolution passed in 2018, contained language that raised the spending caps on national defense by \$165 billion over two years, so that national defense spending will increase by \$80 billion in Federal Fiscal Year (FFY) 2018 and \$85 billion in FFY 2019. According to economists at Old Dominion University, this translates into an estimated increase in defense spending for Hampton Roads of \$3 billion in 2018 and \$4 billion in 2019. Also the spending bill signed in late September 2018 included \$675 billion for the Department of Defense including funds for additional military staff of 16,400; 2.6% increase in military pay; and additional equipment including F-35 Lightning fighters, Apache and Black Hawk helicopters and Navy battleships.

In conjunction with defense spending, defense contract spending totaled \$34.6 billion for Virginia, \$9.7 billion for Hampton Roads and \$2.1 billion for Virginia Beach in Federal Fiscal Year (FFY) 2017 (\$34.3 billion, \$9.9 billion, and \$1.9 billion, respectively in FFY 2016). Based on the FFY 2018 federal budget adopted by Congress and the President, defense contract spending is anticipated to increase in FFY 2019 to \$38.9 billion for Virginia (12.6%), \$10.9 billion for Hampton Roads (12.3%), and \$2.4 billion for Virginia Beach (14.1%).

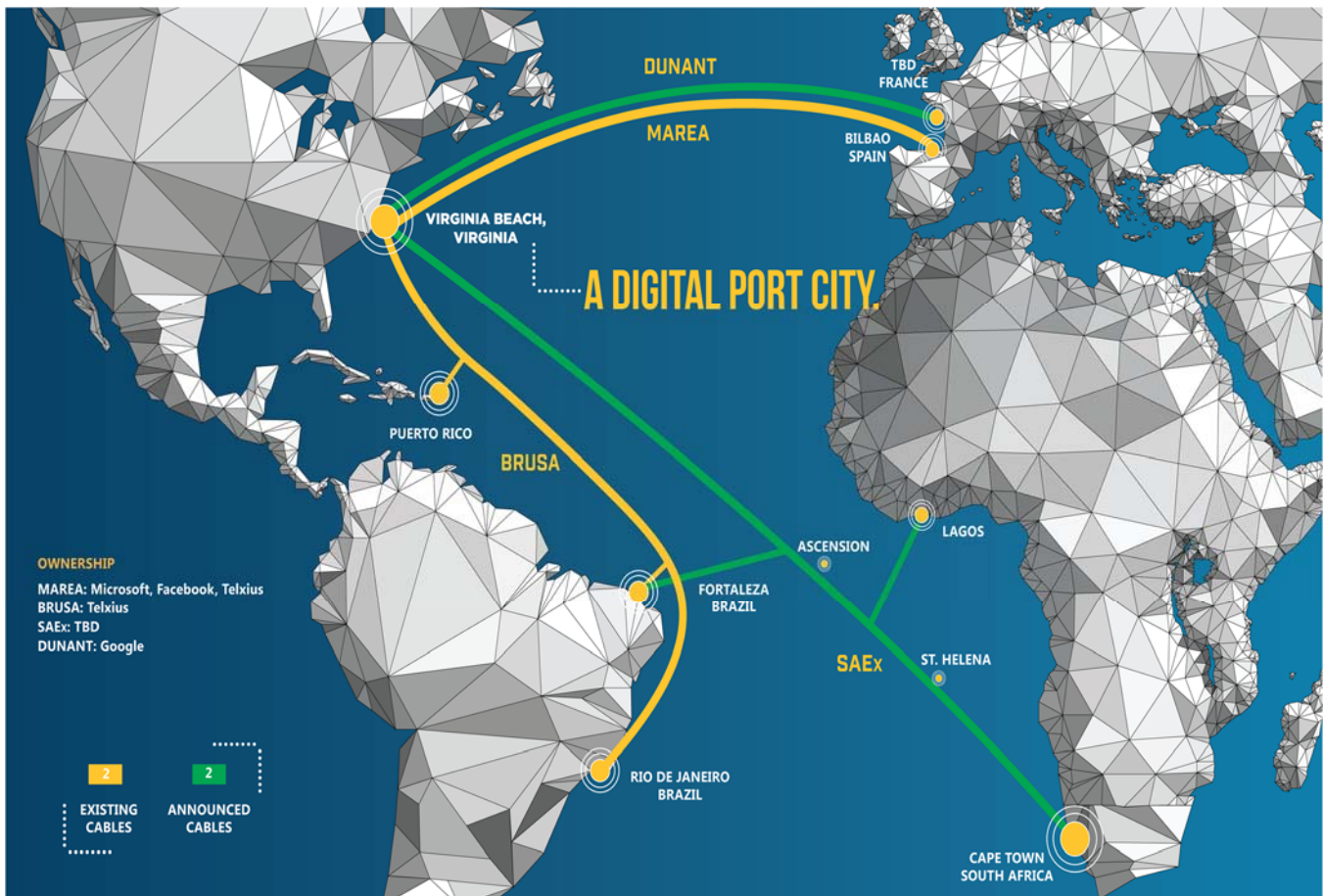
The Port of Virginia -The Port of Virginia, the third largest container port on the East Coast, is a vital segment of the Hampton Roads economy. With 50-foot channels, six marine terminals, and the largest container cranes in the world, the Port of Virginia connects global businesses to their customers anywhere. The number of 20-foot equivalent unit containers (TEU) shipped through the Port in Fiscal Year 2018 reached 2.83 million, a 2.4% increase over Fiscal Year 2017 (2.76 million). Cargo tonnage moving through the port also increased to 22.1 million tons in FY 2018, a 1.8% increase over FY 2017 at 21.7 million tons. The Port is undergoing major capital investment of \$695 million to expand capacity of its two largest terminals to be the premier logistics center of the east coast. Of critical importance to the Port and region is the U.S. Army Corps of Engineers Norfolk Harbor project that will deepen the Norfolk Channel to 55', the Thimble Shoals channel to 56' and the Atlantic Ocean channel to 59', and widen the channel to permit two-way navigation, which will be a benefit to U.S. Naval operations. This project will improve the competitiveness of the Port enabling it to regain its status as the deepest port on the east coast, attract more ultra large cargo ships (transporting 14,400 TEUs), helping to diversify the regional economy.

Tourism - Tourism is a vital component of Virginia Beach's economy and revenue generation supporting the provision of City services. Calendar year 2017 marks the fourth consecutive year that tourism has increased with record high domestic visitor spending. In 2017, according to Longwoods International survey, visitor spending from domestic travelers reached \$2.46 billion from 19 million visitors, which was an increase of 6% over the spending level in 2016 of \$2.3 billion from 17.7 million domestic visitors. Domestic traveler spending has increased an average of 6% annually for the last four years. Also, visitation from international travelers increased in 2017 to 408,000, which was 4% higher than in 2016. Tourism and the convention industry supported 13,862 jobs with a payroll of \$291.3 million in 2017, an increase of 1.6% and 4.8%, respectively, over 2016 levels of 13,650 jobs with \$277.9 million payroll. To expand the tourism sector of the economy, City Council has funded multiple initiatives.



- **Convention quality hotels** - The City offered incentives for the development of convention quality hotels, including restoration of the historic Cavalier Hotel (opened in March 2018), and construction of the Oceanfront Marriott Hotel with parking garage, and Embassy Suite Convention Hotel Campus, both anticipated to open during 2019 and 2020. It is anticipated that the hotels will produce annual revenues of \$2 million to the City in Year 1 growing to \$6 million by Year 7 with net present value over 20 years to the City of \$65 million, net of city incentives.
- **Sports center** - On July 10, 2018 City Council authorized the design-build of the Virginia Beach Sports Center. The Center will be City-owned and privately operated, and the debt for the project will be paid by tourism funds through the Tourism Investment Program Fund, which includes primarily hotel and restaurant meal taxes generated by visitors. This project is designed to attract tournament events from outside the region and provide an amenity for local events. The Center is anticipated to open in fall 2020 and add 68 sporting events annually having a fiscal impact of \$4.2 million by the fifth year of operation.
- **Dome site** - As a result of a Request for Quotes received on April 10, 2017, the Virginia Beach Development Authority (VBDA) approved a 6-month exclusive dealing agreement on November 21, 2017 with Venture Realty Group to further develop their concept for the development of a mixed-use project on the Dome Site, which is a 10.35-acre site over three blocks located between Pacific and Baltic Avenues and 18th and 20th Streets. No agreement has been reached at this time.

Digital Port - The City has worked with private industry to serve as a hub for Transoceanic Communications Cables/Subsea cables and associated data centers. Underwater cables serve as the major carriers of the internet, and are responsible for the vast majority of the world's digital traffic. Two cables have recently been constructed and two additional cable projects were announced. In order to attract this industry, the City is offering reduced tax rates on data center equipment, fiber access hubs and certified power requirements. One data center has been constructed and three additional announced during 2018. Corporate Landing, a 325-acre, light industrial, research and data center park, is the city's hub for a world-class telecommunications system with the fastest undersea cables in the world, available data center sites certified by Dominion Energy, available fiber access hubs and a streamlined permitting process in place. The four cables as depicted in the chart are:



1. **Microsoft, Facebook and Telxius** constructed the first sub-sea cable, **MAREA**, connecting Bilbao Spain to Virginia Beach (a distance of 4,000 miles) that became operational during fall, 2017.
2. **Telxius** will complete a second under-sea cable in 2018, **BRUSA**, connecting Rio De Janeiro, Brazil and Puerto Rico to Virginia Beach.
3. **Google** announced the construction of its **Dunant** cable from France's Atlantic coast to Virginia Beach to expand its network and support growth of the Google Cloud.
4. **Assured Communications Advisors (ACA) International LLC and South Atlantic Express International Ltd** announced a new cable to link Cape Town, South Africa to Virginia Beach, which is planned for completion in 2020.

Data centers are being constructed in Virginia Beach to support the industry and newly constructed cables. Some of the new projects announced include:

Telefonica purchased 3.5 acres in Corporate Landing Business Park to construct a data center to support the MAREA and BRUSA cables.

Globalink purchased 11 acres in Corporate Landing Business Park and is constructing a 138,000 square-foot facility, which will be the first in the City to offer networks and other businesses direct access to the subsea cables through its carrier hotel.

ACA International LLC contracted for 10 acres in Corporate Landing Business Park to construct a \$52 million 130,000 square-foot Tier III data center and corporate headquarters which will add 30 jobs.

NxtVn acquired 10 acres adjacent to Corporate Landing Business Park to develop a data center campus of up to 1.4 million square feet at estimated cost of \$1.5 to \$2 billion.

PointOne, a hyperscale data center developer headquartered in Alberta, Canada, announced plans to invest \$80 million in Virginia Beach. The project will involve construction of two 31,000-square-foot facilities that will house edge computing data centers, a cable landing station for future subsea cables and an international internet business exchange. Phase I completion is anticipated in the fourth quarter of 2019.

ECONOMIC DEVELOPMENT

In order to meet the City's goal to grow the tax base, the City has a robust Economic Development Incentive Program (EDIP) to promote business development and expansion. Since the inception of EDIP in 1994, the City and Virginia Beach Development Authority (VBDA) have awarded 231 EDIP grants totaling \$61.7 million, which has generated more than \$2.4 billion in private investment and created and retained 35,495 jobs. For FY 2018, a total of \$5.3 million of EDIP grants were approved for 33 companies, which are intended to leverage more than \$303 million in private investment (ratio of \$57 of private investment to \$1 of public investment) and the creation/retention of 2,836 jobs in the City. Examples of these business developments and expansions include:

- **Stihl Inc.** announced a \$25 million state-of-the-art 80,000 square-foot expansion to construct a new administrative building. Anticipated completion date is in late 2019.
- **GTS (Global Technological Systems)** is constructing a \$54.7 million 500,000 square-foot green energy advanced manufacturing center on 30 acres at the former Owls Creek Golf Course site, creating 1,100 jobs with average salary of \$74,000. Planned opening of the center is in 2019.
- **Hermes Abrasives** reinvested \$3.75 million to make manufacturing improvements/state-of-the-art automation advancements in its 160,000 square-foot facility in Oceana Industrial Park and some real estate improvements. This business expansion will add 12 jobs with average salary of \$45,000.

- **Sunrise Global Marketing, LLC** plans to relocate its U.S. distribution operations into 218,000 square-feet of leased warehouse space in Oceana Industrial Park from Stihl Inc. creating 25 jobs.
- **SWaM Incentives** - Small, Women-and Minority-Owned and Service Disabled Veteran-Owned (SWaM) businesses (i.e. with 50 or fewer employees) comprise 95% of all businesses in Virginia Beach. SWaM businesses received \$2.5 million of EDIP grants.

Other Recent Economic Initiatives Include:

VABeachBio Innovation Park /Bio-medical and life sciences: The City's 155-acre bio-medical/health science research park, VABeachBio Innovation Park, is planned to accommodate over 1 million square-feet of commercial space. The City has included funding in the FY 2019 Budget for a master-lease of 30,000 square-feet for a Biomedical Accelerator to house startup companies. The building construction is scheduled for completion by fall 2019.

Currently, VABeachBio Accelerator 1,500 square-foot facility at Tidewater Community College that opened in 2016, is providing a wet lab space and shared equipment designed to give start-ups and international companies a foothold in the City and houses the headquarters of two companies, Sanyal Biotechnology LLC and One Way Liver S.L. (Owl Metabolomics) from Spain, which are working with Eastern Virginia Medical School on research and development to pharmaceutical companies related to treatment and cure of liver diseases.

Since its beginning in fall of 2017, the VABeachBio Innovation Challenge, a partnership between the City and the Center for Advancing Innovation, has attracted 300 interested participants. The goal is to create start-up companies from 20 pre-selected inventions licensed from federal labs and universities that will generate over 2,000 knowledge-based jobs. The inventions will focus on veteran-related illnesses. These new businesses will occupy the new Accelerator building in the VABeachBio Innovation Park.

Town Center - 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 \$41.3 million project features 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 309-seat live performance venue (Zeiders American Dream Theater). 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, and a new 50,000-square foot Class A office building with parking deck that opened March 2015 off of

Bonney Road. Construction in the Town Center/Pembroke Mall area occurring during FY 2018 includes a new 120-room \$24 million hotel in Convergence Center, a 127-room \$26.3 million hotel in Pembroke Office Park, and a 130,000 square-foot \$44 million Wegman's grocery store (first in the region) on Cleveland Street scheduled to open the first quarter of 2019.

A new project, the CityView Two mixed-use development at the intersection of Bonney Road and Constitution Drive is estimated to open in 2019. This project consists 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 544 structured and surface parking spaces. City View II will continue to expand the Central improvements/state-of-the-art automation advancements in its 160,000 square-foot facility in Oceana Industrial Park and some real estate improvements.

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 by reducing incompatible land uses surrounding the Naval Air Station (NAS) Oceana. 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. Since inception, the business component of the program has eliminated a total of 56 non-conforming commercial properties in the Accident Potential Zone 1 (APZ-1) and the City has committed a total of \$58.4 million to 46 businesses to promote compatible uses within the APZ-1 district. Included in that total, the VBDA has awarded \$3.1 million in Economic Development Investment Program (EDIP) grants for projects under the YesOceana program, leveraging more than \$58 million in new and retained private investment. For FY 2018, through the 100% locally funded APZ-1 Economic Incentives capital project, \$275,000 of incentive grants were awarded to six companies to generate \$5.4 million in new and retained private investment (ratio of \$19 of private investment to \$1 of public investment).

MAJOR INITIATIVES

The FY 2018 financial report reflects the use of resources to achieve the city government's vision as defined by City Council in its ten goal areas developed in its past Annual Goal Setting Workshops. To ensure that Virginia Beach remains a preferred coastal city to attract residents, businesses and visitors, the City tries to balance its efforts and use of resources to sustain the important components that make the City livable and successful. City Council's vision and goals provides direction for these efforts. Highlights of some key initiatives during FY 2018 impacting the success and sustainability of the City are shown below.

Continued Support for World-Class Schools and Educational Programs – Virginia Beach Public Schools is the largest school division in the region, with enrollment of 67,091 consisting of 55 elementary schools, 15 middle schools, 12 high schools, and a number of secondary/post-secondary specialty centers. The Virginia Beach City Public School division is the only division in the region to be 100% fully-accredited for its 87 schools for the second consecutive year with a 91.9% on-time graduation rate. Since 2007, Virginia Beach City Public Schools has modernized or replaced twelve school facilities, representing a capital investment of \$457 million dollars. Currently construction is approximately 60% complete on the \$26 million modernization of John B. Dey Elementary School (ES), while the \$32.5 million replacement of Thoroughgood ES and the \$78 million replacement of Princess Anne Middle School are both underway. With these three schools, 34 school facilities have been modernized or replaced in the past two decades; a capital investment of approximately three quarters of a billion dollars.

Volunteerism saves the City millions annually – The City has a long history of using volunteers to provide and/or assist in the provision of various services. For FY 2018, 32 departments reported use of 15,207 volunteers, who contributed 1.12 million hours of service (equivalent to 538.65 full-time equivalent positions) valued at \$27.7 million or a savings on the real estate tax of 4.9-cents per \$100 of assessed value. Volunteers in the Department of Emergency Medical Services (EMS) serve in ten independent Volunteer Rescue Squads, which is the largest use of volunteer EMS providers in the nation. The Rescue Squads are comprised of 515 highly trained and certified volunteer medics distributed throughout the 18 EMS stations augmented by 38 field career paramedics to ensure staffing of a minimum of 10 ambulances daily with the goal of 1 ambulance per 3,000 calls for service (totaling 16 ambulances). Volunteers provided 89% of the staffing for ambulances during FY 2018 equivalent to 92 FTEs and responded to over 45,000 calls for service, providing 352,979 hours of service valued at over \$8.7 million. The volunteer rescue squads rely on donations, grants from the State and City support (fuel and maintenance for ambulances, insurance, training, and etc.) to operate and do not charge users for their services.

Sea Level Rise/Recurrent Flooding Comprehensive Analysis - 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 underway, and Water Quality Regulations. The first phase of the SLR Study, Hazard Data Development & Building Level Risk Assessment, is designed to define the problem and its constituent parts, and has been completed including evaluation of all of the four major watersheds, Lynnhaven, Elizabeth, Atlantic, and Southern. The second phase, to identify adaptation strategies and to ascertain the right solutions for particular locations, is underway for all four of the major watersheds. Hydrodynamic modeling for the adaptation strategy alternatives is complete. A matrix to screen the adaptation strategy alternatives has been created and is under review to come up with the top three. The third phase is to provide recommendation for action, with priorities and implementation costs. The adaptation plan draft document for the preferred alternatives is scheduled to be presented to City Council in February 2019. The study of future flood insurance coverage needs and residual risk is ongoing.

Federal funding totaling \$30 million from the Army Corps of Engineers for the remainder of the Federal share for four Federal City cost-sharing infrastructure projects was announced in June, 2018 for various beach re-nourishment, dredging and ecosystem projects.

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.

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 year 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 in the General Fund of 8% to 12% of the following year's budgeted 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.

DEBT MANAGEMENT POLICIES

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 FY 2018.

For the ninth consecutive year, all three major rating agencies, Fitch Ratings, Moody's Investors Services and Standard & Poor's, affirmed the City's triple-A ratings with stable outlooks on its General Obligation Bonds. Ratings for Public Facility Revenue Bonds were one notch below the General Obligation rating at AA+/Aa1/AA+ by the rating agencies, respectively. Existing Water and Sewer Revenue Bonds were affirmed in at AAA by Fitch Ratings. Storm Water retained its rating from the last bond sale in 2016 at AAA and AA2 rating by Fitch Ratings and Moody's Investors Services, respectively. As of June 30, 2018, the City had 45 issues outstanding totaling \$1.22 billion comprised of \$932 million of tax supported debt for General Obligation and Public Facility Revenue Bonds, and \$290.1 million of self supported debt for Water and Sewer revenue bonds, Storm Water revenue bonds, and ARP individual purchase agreements.

Debt Indicator—Ratio Description	Established Standard	FY 2018	FY 2017
Annual Debt Service to General Governmental Expenditures	No greater than 10.0%	7.7%	8.3%
Overall Net Debt to Estimated Full Value	No greater than 3.5%	1.7%	1.7%
Overall Net Debt Per Capita	No greater than \$3,000	\$2,042	\$2,040
Overall Net Debt Per Capita to Per Capita Personal Income	No greater than 6.5%	3.7%	3.8%

CERTIFICATE OF ACHIEVEMENT AND AWARDS

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 of Virginia Beach for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This reflects the 39th time that the City has achieved this prestigious award over many years. In order to be awarded a Certificate of Achievement, a government must publish an efficiently organized CAFR providing full disclosure and transparency. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the GFOA presented a Distinguished Budget Presentation Award to the City of Virginia Beach for its annual budget for the fiscal year beginning July 1, 2017. This reflects the 32nd time the City has achieved this prestigious award over many years. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device. The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

The National Institute of Governmental Purchasing's (NIGP) Outstanding Agency Accreditation Award (OA4) was awarded to the City of Virginia Beach from 2016 through 2019. This OA4 accreditation formally recognizes excellence in public procurement through the establishment of a body of standards that evidence sound procurement practice. The City of Virginia Beach is part of an elite group of procurement organizations as one of only 63 government agencies that have attained this distinction na-

tionwide. Additionally in 2018, the City was awarded the Achievement of Excellence in Procurement from NPI (National Procurement Institute) for the third consecutive year. The City of Virginia Beach is one of only eight agencies in Virginia and one of only 65 cities in the United States and Canada to receive the award. The Purchasing Division also received the Sterling Agency Award from UPPCC (Universal Public Procurement Certification Council). The Sterling Agency Award recognizes exceptional agencies that in addition to achieving a fully certified procurement staff, have maintained UPPCC Agency Certification status for three consecutive years running.

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.

Respectfully submitted,



David L. Hansen
City Manager



Patricia A. Phillips
Director of Finance



Government Finance Officers Association

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for Excellence
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Presented to

**City of Virginia Beach
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

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, 2018, 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 3.7 percent of the assets, -6.0 percent of the net position, and 0.2 percent of the revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the City of Virginia Beach Sheriff's Office Supplemental Retirement Plan, which represents 1.7 percent, 2.5 percent, and 0.1 percent, respectively, of the assets and deferred outflows of resources, fund balance/net position, and revenues of the aggregate remaining fund information of the City. Those financial statements were audited by other auditors, whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Virginia Beach Community Development Corporation and the City of Virginia Beach Sheriff's Office Supplemental Retirement Plan, is based solely on the reports 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 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 June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter- Change in Accounting Principle

As described in Note 11 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Our opinion is not modified with respect to this matter. The implementation of this standard resulted in a restatement of the net position for governmental activities the business-type activities, the water and sewer, storm water fund, waste management and non-major proprietary funds.

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 21, 2018, 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 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. 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.



CliftonLarsonAllen LLP

Arlington, Virginia
November 21, 2018



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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Virginia Beach (the "City") provides this narrative overview and analysis of the City's financial performance during the fiscal year that ended June 30, 2018. 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

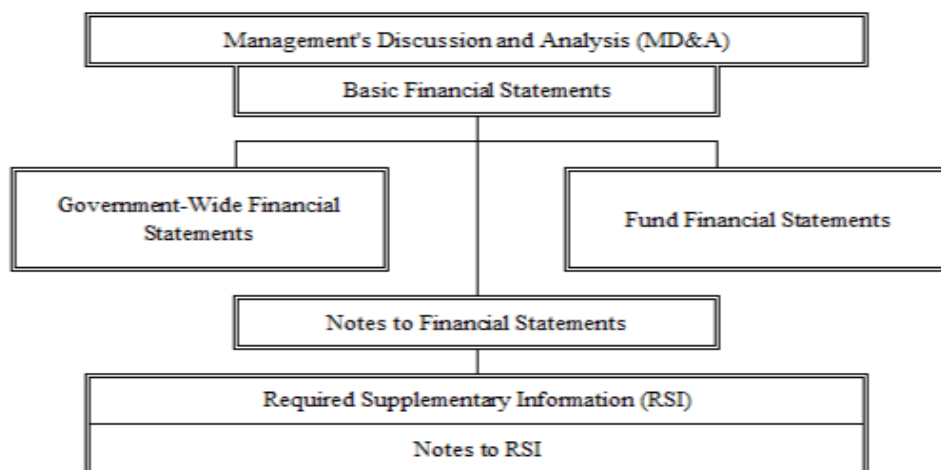
- For the year ended June 30, 2018, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of this statement has resulted in a restatement of the fiscal year 2018 beginning net position balances. Reduction to the beginning net positions for fiscal year 2018 were as follows: \$101.4 million for the Primary Government and \$146.0 million for the Virginia Beach Public Schools Component Unit.
- At the end of the fiscal year 2018, the total net position of the City on a government-wide basis, excluding component units, was \$3.7 billion. Of this amount, the unrestricted net position totals \$440.6 million. Total net position increased by \$133.4 million from the prior fiscal year end's net position, restated.
- The total net position for governmental activities was \$2.6 billion, an increase of \$66.2 million over the prior year's net position, restated. The business-type activities net position was \$1.2 billion, an increase of \$67.2 million over the prior year's net position, restated.
- As of the close of fiscal year 2018, the City's governmental funds reported combined ending fund balances of \$668.0 million an increase of \$61.1 million in comparison with the prior year.
- At the end of the fiscal year, the total unassigned fund balance for the City's general fund was \$114.3 million, a decrease of \$4.1 million from the prior year.
- For the ninth 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 \$67.6 million of new money General Obligation Public Improvement Bonds and \$33.4 million Public Facility Revenue Bonds (appropriation backed bonds). The City also issued \$71.5 million of General Obligation Public Improvement Refunding Bonds to achieve debt service savings of \$8.3 million over the next 15 years.

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, and the required supplementary information.

The City's basic financial statements comprise three components: *government-wide financial statements*, *fund financial statements* and *notes to the basic financial statements*. 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. The *notes to the basic financial statements* explain some of the information in the financial statements and provide more detailed data. This section is followed by the *required supplementary information* that further explains and supports the information in the financial statements.

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 non financial 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, certain economic development functions (blended component unit Virginia Beach Development Authority (VBDA)), 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, certain economic development functions, 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 Other 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 \$133.4 million, or 3.7%, over the prior year's net position, restated (Table 1). The net position for governmental activities increased by \$66.2 million and the business-type activities net position increased by \$67.2 million.

The City's total assets were \$5.7 billion. This amount includes \$4.5 billion of capital assets, net of accumulated depreciation, which include roads, bridges, parks, utilities (water, sewer, waste management, 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 \$305.8 million of net book value of School Board property equal to the total outstanding principal balance of the "on behalf" debt at June 30, 2018.

The largest component of the City's net position (\$3.2 billion or 85.6%) 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, 2018, the City reported \$440.6 million in the unrestricted category of its net position. This is \$85.7 million over last year's net position of \$354.9 million, restated. The unrestricted category includes fund balances of the general fund, capital projects, and special revenue funds that have been committed or assigned at the fund level. In fiscal year 2017, the capital projects net position was restricted; however, for comparability purposes, Table 1 shows this amount in the unrestricted net position.

Table 1
Statement of Net Position
(in Millions)

	Governmental Activities		Business- Type Activities		Total Primary Government	
	2018	2017*	2018	2017*	2018	2017*
Current and Other Assets	835.9	758.7	354.1	345.5	1,190.0	1,104.2
Capital Assets	3,310.2	3,317.0	1,201.6	1,158.7	4,511.7	4,475.7
Total Assets	<u>4,146.0</u>	<u>4,075.7</u>	<u>1,555.7</u>	<u>1,504.2</u>	<u>5,701.7</u>	<u>5,579.9</u>
Deferred Outflows of Resources	67.9	81.6	7.1	8.2	74.9	89.8
Long-Term Debt Outstanding	1,528.9	1,570.1	370.8	391.5	1,899.7	1,961.6
Other Liabilities	76.1	69.9	32.4	30.5	108.5	100.4
Total Liabilities	<u>1,605.0</u>	<u>1,640.0</u>	<u>403.2</u>	<u>422.0</u>	<u>2,008.2</u>	<u>2,062.0</u>
Deferred Inflows of Resources	51.0	25.5	4.4	2.4	55.4	27.9
Net Position						
Net Investment in Capital Assets	2,303.8	2,324.7	872.9	813.7	3,176.7	3,138.4
Restricted	68.2	62.3	27.7	24.2	95.9	86.5
Unrestricted (Deficit)	186.0	104.8	254.6	250.1	440.6	354.9
Total Net Position	<u>\$ 2,558.0</u>	<u>\$ 2,491.8</u>	<u>\$ 1,155.2</u>	<u>\$ 1,088.0</u>	<u>\$ 3,713.2</u>	<u>\$ 3,579.8</u>

* The Net Position and Long Term Debt Outstanding for FY 2017 were restated as the result of the City implementing GASB Statement No. 75 in FY 2018.

(continued)

Changes in Net Position (Statement of Activities)

The following table shows the revenues and expenses of the governmental and business-type activities.

Table 2
Changes in Net Position
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	90.7	88.7	217.6	208.8	308.3	297.5
Operating Grants & Contributions	182.2	180.8	-	0.3	182.3	181.1
Capital Grants & Contributions	32.1	30.3	28.3	6.6	60.4	36.9
General Revenues:						
Property Taxes	673.0	646.0	-	-	673.0	646.0
Other Taxes	306.8	312.6	-	-	306.8	312.6
Other	76.8	73.1	5.3	2.7	82.1	75.8
Total Revenues	1,361.6	1,331.5	251.2	218.4	1,612.9	1,549.9
Expenses:						
Legislative	1.2	1.2	-	-	1.2	1.2
Executive	4.3	4.2	-	-	4.3	4.2
Law	4.4	4.0	-	-	4.4	4.0
Finance	18.9	18.3	-	-	18.9	18.3
Human Resources	11.8	11.3	-	-	11.8	11.3
Judicial	61.6	61.6	-	-	61.6	61.6
Health	3.4	3.4	-	-	3.4	3.4
Police	99.0	101.6	-	-	99.0	101.6
Human Services	114.9	116.4	-	-	114.9	116.4
Public Works	182.1	173.6	-	-	182.1	173.6
Parks & Recreation	52.8	47.5	-	-	52.8	47.5
Library	17.6	18.4	-	-	17.6	18.4
Planning	19.4	11.2	-	-	19.4	11.2
Agriculture	3.3	4.6	-	-	3.3	4.6
Economic Development	4.5	1.6	-	-	4.5	1.6
Convention & Visitor Bureau	29.4	28.8	-	-	29.4	28.8
Information Technology	43.5	39.0	-	-	43.5	39.0
Emergency Communication & Citizen Services	9.1	9.0	-	-	9.1	9.0
Boards and Commissions	26.5	34.7	-	-	26.5	34.7
Fire	59.0	57.1	-	-	59.0	57.1
Budget and Management Services	1.3	1.4	-	-	1.3	1.4
Education	423.5	396.3	-	-	423.5	396.3
Housing & Neighborhood Preservation	28.5	28.3	-	-	28.5	28.3
Museums	10.8	11.1	-	-	10.8	11.1
Emergency Medical Services	12.6	12.5	-	-	12.6	12.5
General Government	3.7	20.9	-	-	3.7	20.9
Water & Sewer	-	-	115.3	107.9	115.3	107.9
Storm Water	-	-	33.5	34.7	33.5	34.7
Development Authority	-	-	17.5	12.6	17.5	12.6
Waste Management	-	-	37.1	39.7	37.1	39.7
Parking	-	-	4.0	3.4	4.0	3.4
Interest on Long-Term Debt	24.9	29.6	-	-	24.9	29.6
Total Expenses	1,272.0	1,247.6	207.4	198.3	1,479.4	1,446.0
Excess (Deficiency) Before Transfers	89.6	83.9	43.8	20.1	133.4	103.9
Transfers	(23.4)	(22.6)	23.4	22.6	-	-
Change in Net Position	66.2	61.3	67.2	42.7	133.4	103.9
Net Position – Beginning	2,491.8	2,526.3	1,088.0	1,050.9	3,579.8	3,577.3
Restatement of Beginning Net Position (Deficit)*	-	(95.8)	-	(5.6)	-	(101.4)
Net Position – Ending	\$ 2,558.0	\$ 2,491.8	\$ 1,155.2	\$ 1,088.0	\$ 3,713.2	\$ 3,579.8

* The restatement of the beginning net deficits in FY 2017 is the result of the City implementing GASB Statement No. 75 in FY 2018.

(continued)

Revenues

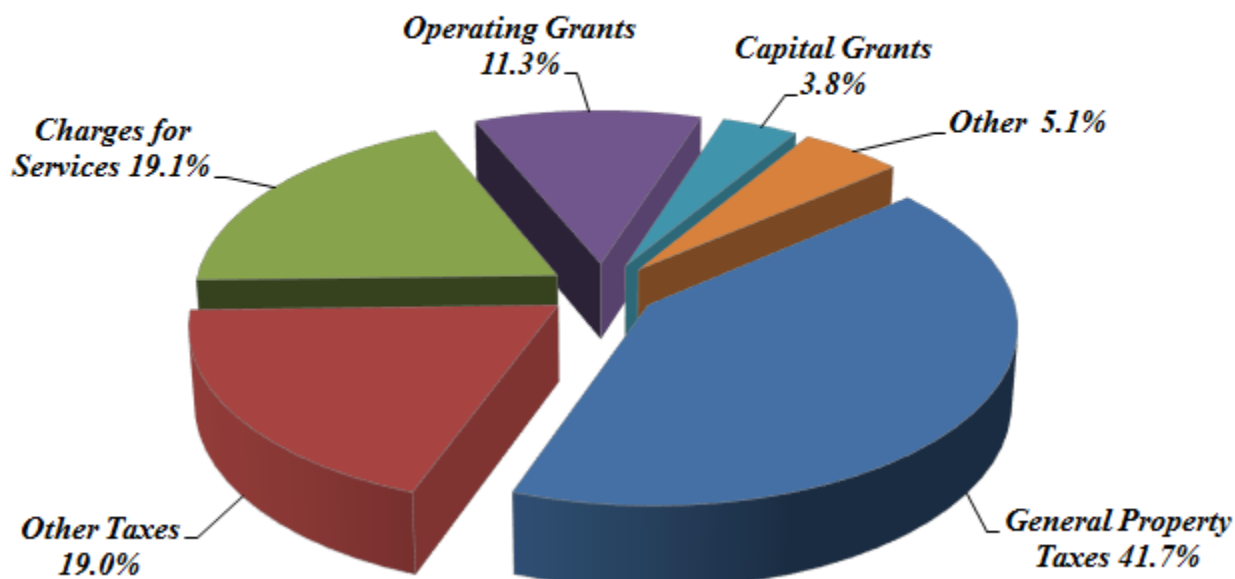
The City's total revenues were \$1.6 billion, an increase of \$62.9 million over the revenues from prior year. These revenues consist of program and general revenues. Program revenues are derived from the program itself and reduce the reliance on the City's general revenues; these include charges for services, operating and capital grants and contributions. General revenues are all other revenues and include property and other taxes, and interest earnings.

For *Governmental Activities*, program revenues totaled \$305.0 million, compared to \$299.8 million from the prior year. The increase is primarily due to increased receipts from the Commonwealth for support towards roads maintenance and construction projects.

General revenues totaled \$1.1 billion. This represents an increase of \$24.9 million over the prior year due to higher revenues in property taxes. The largest revenue sources for the City are property taxes at 41.7% of total. For fiscal year 2018, the real estate tax rate increased from \$0.99 to \$1.0025 per \$100 of property assessed value. This increase was dedicated to the School's phase-in of all-day kindergarten.

Business-type Activities generated program and general revenues of \$251.2 million, an increase of \$32.8 million compared to last year's revenues of \$218.4 million. The increase was primarily due to increases in the storm water fund fees and a \$26.5 million land transfer from the City to the development authority related to the biomedical park.

Figure 2: Revenues by Source - Primary Government as of June 30, 2018



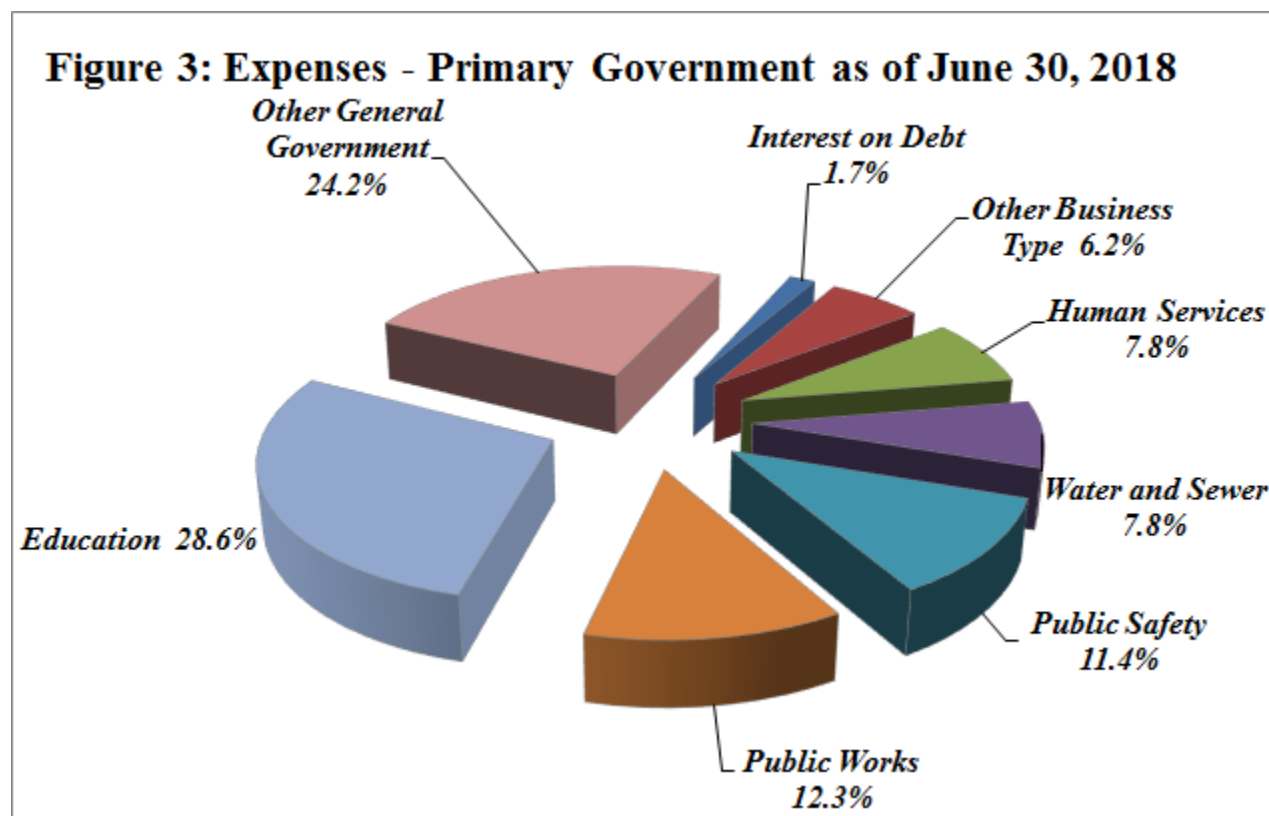
Expenses

The City's total cost of all programs and services was \$1.5 billion, a \$33.4 million increase over expenses from the prior year. Figure 3 shows the breakdown of major expenses by function.

Expenses (before transfers) for *Governmental Activities* totaled \$1.3 billion, an increase of \$24.4 million over the prior year. The increase in current year expenses was due to the repayment of \$5.0 million to the federal government for reimbursement of proceeds received towards the purchase of right of way for the light rail extension into Town Center, increased funding of \$4.6 million for beach restoration projects, and staffing and operating funds related to the new Kempsville Recreation Center which opened in the current fiscal year. The expenses also reflect a 1% general pay raise, a 1% merit raise for full-time employees, funding to address salary vertical compression and 139 new full-time positions in support of public safety, public works, human services, and housing functions.

Education continues to be one of the City's highest priorities and commitments. The City's funding for education totaled \$423.5 million (net of the adjustment to account for the tenancy in common legislation). This amount represents an increase of \$27.2 million over prior year due to additional funding for all-day kindergarten and to begin the expansion of the pre-kindergarten program.

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 certain economic development functions (blended component unit). For the current fiscal year these totaled \$207.4 million, a \$9.1 million increase from prior year, in part due to higher expenses in the Development Authority, the City's blended component unit. These expenses included cost of land sold, depreciation/amortization, selling and administrative expenses, and interest on outstanding debt obligations.



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 \$668.0 million, compared to \$606.9 million in the prior fiscal year or an increase of \$61.1 million over the prior fiscal year.

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

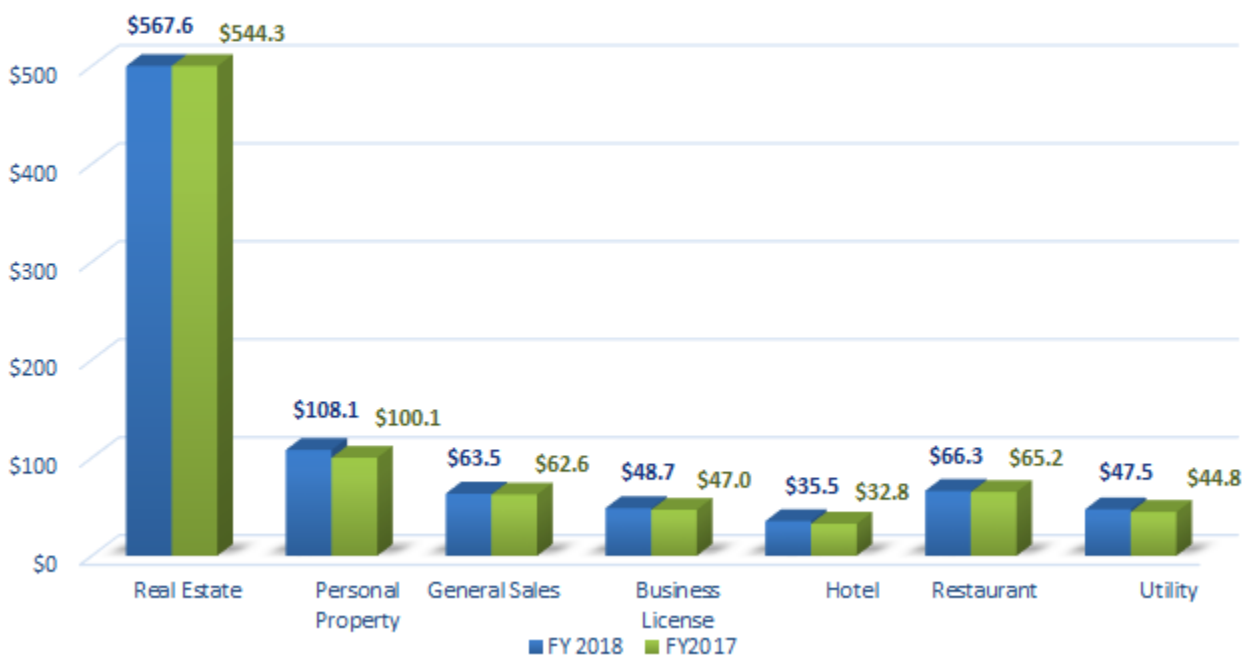
- \$11.1 million is nonspendable consisting in the City's loans receivable and investment in inventories.
- \$51.4 million is restricted, which can be spent only for the specific purposes stipulated by external providers, such as grantors or restricted through legislation. This amount includes debt service costs (\$33.3 million), federal and state grants for housing (\$8.4 million) and community services (\$2.2 million) programs.
- \$404.9 million is committed, which can only be used only for the specific purposes imposed by the formal action of City Council. Included in the committed fund balance is \$325.0 million for the capital improvement program, \$17.4 million for education, \$21.4 million for convention and visitor development, \$15.0 million for the agriculture reserve program activities and other smaller amounts in the special revenue funds.
- \$86.3 million 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. For example, this amount includes \$35.4 for the fiscal year 2019's capital program and \$28.4 for education, which includes \$22.9 million of unspent funding by the schools and reverted to the City.
- \$114.3 million 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 \$567.6 million increased by \$23.3 million from prior year. Real estate revenues are the City's single largest revenue source and comprised 41.8% of total revenues received for the year. This is mainly due to an increase of 3.1% in real estate assessed values and the 1.25 cents real estate tax rate increase (from \$0.99 to \$1.0025 per \$100 of assessed property value) which was dedicated to Schools for the phase-in of all-day kindergarten. In addition, City Council increased the portion of the real estate tax allocated to CIP projects from 0.8 cents to 1.0 cent (\$5.4 million) to fund storm water projects.
- Revenues recorded for personal property taxes of \$108.1 million were higher than prior year by \$8.0 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 \$303.5 million. This represents an \$5.0 million increase over the previous year mainly due to improved performance in sales, business license, meal, and hotel taxes.
- Federal and state funding of \$265.5 million, compares favorable to prior year's \$260.6 million.
- Full-time city employees received a 2% pay increase (1% general pay raise and a 1% merit raise).
- Revenues received in the capital projects fund from the federal and state governments were \$22.9 million and \$6.2 million, respectively, which were mostly in support of transportation projects. General Obligation bonds and premiums totaling \$106.7 million were issued in support of general government capital projects. The capital projects fund received cash funding totaling \$75.4 million from the general fund and other special revenue funds.

Figure 4: Selected Tax Revenues by Source (in millions)



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 \$1.2 billion.

Notable items are as follows:

- The Water and Sewer fund's net position increased by \$16.6 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 \$19.7 million, which provides funding to continue addressing backlogs in the areas of flood control and water quality over the next several years. In the current fiscal year, the equivalent residential unit fee increased from .433 cents to .458 cents per day.
- The net position for the Waste Management fund, increased by \$3.5 million. The fund accounts for the annual operating expenses of the waste management functions, including recycling activities, waste collection, and disposal at the landfill.
- The net position for the Development Authority, which is the City's blended component unit, increased by \$26.1 million due to the contribution from the City of the biomedical park land.

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 Exhibits 12 and 13):

- Compared to the prior year, most of the general fund revenues trended favorably, especially property tax revenues (\$7.3 million).

General fund departmental expenditures totaled \$987.0 million, which was \$81.5 million less than appropriated.

- Significant positive variances were the result of the following:
 - ⇒ Human Services (\$7.4 million) - due to lower expenditures in personnel charges (\$5.9 million) and a decrease in contracted labor for mental health services (\$1 million).
 - ⇒ Public Works (\$12.6 million) - due to savings in personnel charges (\$1.0 million), and timing of pavement maintenance projects that were not completed during the fiscal year (\$3.5 million).
 - ⇒ Education (\$31.7 million) - mainly due to \$22.9 million of unspent funding received from the City's general fund which was returned at year-end. This amount will be submitted to City Council in the next fiscal year for appropriation 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:
 - ⇒ \$10.5 million to the School's operating fund for the purchase of buses (\$5.0 million), technology projects (\$1.8 million), and other various expenditures for the Schools.
 - ⇒ \$8.8 million to be reserved in the School's reserve special revenue fund to cover possible shortfalls in fiscal year 2019.
 - ⇒ \$7.9 million for general employees compensation increases.
 - ⇒ \$8.0 million to appropriate surplus funding from the Sandbridge TIF to the general fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$114.3 million or 9.9% of next fiscal year's budgeted revenues, and is within City Council policy.

CAPITAL ASSETS

During the current fiscal year, the City's investment in capital assets of \$4.5 billion increased by \$36.0 million from prior year (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 placed in service during the year included:

- Lesner Bridge Replacement (\$18.7 million) – This project replaced the Lesner Bridge constructed in 1958 with two lanes of traffic in each direction and a 10 foot multi-use path on each span. The \$18.7 million is in addition to the \$82.3 million asset that was recorded in the bridge infrastructure in fiscal year 2017 for a total of \$101.0 million. The project is expected to be fully completed in fiscal year 2019.
- Parks and Recreation Administration Offices Relocation (\$11.4 million) - This project located in the Princess Anne Commons Area provided design and construction of a 28,500 square foot office building and a 4,000 square foot building. The new administration building consolidates offices from two aging structures and provide office and meeting space for approximately 115 employees.
- Parks and Special Use Facilities Development and Renovation (\$5.4 million) – This project provided for the development and renovation for the citywide network of neighborhood parks, community parks, metro parks, signature parks, and special use facilities. The project consisted of construction of new or renovation of existing park infrastructure and significantly contributes to the goal of promoting a healthy lifestyle and providing accessible recreation opportunities for all residents.
- Program Open Space Site Acquisition (\$5.3 million) – This project provided for the acquisition of open space and enhancing access to greenways, scenic waterways, cultural and natural resources, trails, parks, and athletic facilities, and the preservation of natural areas and flood plains.
- Information Technology Next Generation Network (\$4.4 million) – This project provided the expansion and enhancement of the existing matrix of underground optical fiber to connect approximately 66 off campus sites. In addition, the project significantly increased bandwidth, alleviated and eliminated network slowness and outages.
- Princess Anne Multi-Purpose Athletic Field Renovations (\$4.3 million) – This project provided construction and renovation of eight synthetic turf multi-purpose rectangular athletic fields and a new 280 vehicle lighted parking area and provided increased durability and year-round playability for the multi-purpose fields. This project located in the Princess Anne Athletic Complex (PAAC) will enable the city to attract large year-round athletic tournaments.
- Storm Water Lynnhaven Watershed Restoration project (\$4.3 million) - This project provided for funding to identify storm water quality initiatives in the Lynnhaven river drainage basin.
- Sanitary Sewer Pump Station Modifications (\$11.3 million) – This project provided funding for the replacement of pump stations experiencing hydraulic and mechanical problems.
- Sanitary Sewer Pump Station Flow Monitoring and Data Storage (\$6.6 million) – This project provided funding for the replacement of obsolete and failing process controllers and communications equipment in wastewater pump stations and to replace the Supervisory Control and Data Acquisition (SCADA) software.

Construction in progress expenditures for the fiscal year totaled \$176.8 million for general government, \$39.4 million for water/sewer and \$33.6 million for storm water projects. Major current year general government expenditures include funding for the replacement of the current Lesner Bridge (\$18.7 million); Housing Resource Center, a new facility that will provide shelter and services to homeless persons and those at risk of homelessness (9.6 million); Witchduck Road project to improve capacity (\$7.5 million), and the Chesapeake Beach Restoration (\$4.6 million). Water/sewer utility projects include expenditures for sanitary sewer pump modifications (\$11.0 million), sanitary sewer system revitalization (\$3.6 million), and upgrades to the sewer pump station flow

monitor/data storage (\$6.2 million). Storm water utility projects include expenditures for maintenance of city lakes, including dredging and structural repairs/upgrades of dams and spillways (\$5.1 million), and utility infrastructure rehabilitation and improvements to minimize flooding (\$7.6 million).

Table 3
Capital Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Non-Depreciable Assets:						
Land	\$ 1,015.0	\$ 1,007.2	\$ 167.4	\$ 165.1	\$ 1,182.4	\$ 1,172.3
Agriculture Reserve Program	46.1	46.1	-	-	46.1	46.1
Construction in Progress	168.5	175.2	41.0	67.7	209.5	242.9
Other Capital Assets:						
Infrastructure	2,291.6	2,259.0	-	-	2,291.6	2,259.0
Buildings	1,125.5	1,087.4	139.0	138.3	1,264.5	1,225.7
Machinery and Equipment	320.2	299.5	60.2	55.8	380.4	355.3
Utility System	-	-	1,426.5	1,326.2	1,426.5	1,326.2
Site Improvements	320.0	306.3	1.1	1.1	321.1	307.4
Less: Accumulated Depreciation	(1,976.7)	(1,863.7)	(633.7)	(595.5)	(2,610.4)	(2,459.2)
Totals	<u>\$ 3,310.2</u>	<u>\$ 3,317.0</u>	<u>\$ 1,201.5</u>	<u>\$ 1,158.7</u>	<u>\$ 4,511.7</u>	<u>\$ 4,475.7</u>

For detailed information on the City's capital asset activity, refer to Note 5 to the financial statements - Capital Assets and Land Held for Resale.

LONG TERM LIABILITIES

At the end of the fiscal year 2018, the City had \$1.2 billion in bonds and notes outstanding and \$677.6 million in other liabilities for a total of \$1.9 billion (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 \$56.5 billion, which makes the City's debt less than the current debt limitation of \$5.5 billion.

For the ninth 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 April 27, 2018, Fitch Ratings affirmed its AAA rating on the City's \$202.4 million in outstanding Water and Sewer System Revenue Bonds. The most recent ratings for the City's Storm Water Utility Revenue Bonds were for the Series 2015 bonds totaling \$23.5 million from Fitch Ratings at AAA and Moody's Investors Service at Aa2.

Three bond sales occurred during FY 2018 including one advanced refunding, and two new-money issuances.

- On December 28, 2017, the City issued \$71.5 million of General Obligation Public Improvement Refunding Bonds, Series 2017A to advance-refund a portion of the 2011A and the remaining balance of the 2012A Series General Obligation Public Improvement Bonds, which will reduce total debt service payments over the next 15 years by \$8.3 million. The three ratings agencies, Fitch Ratings, Moody's Investors Service, and Standard and Poor's rated the bonds AAA, Aaa, AAA, respectively.
- On March 13, 2018, the City issued \$67.6 million of new-money General Obligation Public Improvement Bonds, Series 2018A, which received ratings by Fitch Ratings, Moody's Investors Service, and Standard and Poor's of AAA, Aaa, AAA, respectively. Proceeds were used to reimburse the City for expenses for capital improvement projects, including, but not limited to, Witchduck Road – Phase II, Indian River Road/Kempsville Road Improvements, Housing Resource Center, Parks and Recreation Administration building, Kemps

Landing/Old Donation Center Replacement school, and various School renovation and rehabilitation projects (roofs, heating/air conditioning/ventilation systems, tennis courts).

- On March 28, 2018, the City issued appropriation backed Public Facility Revenue Bonds (PFRB) consisting of \$33.4 million of new-money bonds, which received ratings by Fitch Ratings, Moody's Investors Service, and Standard and Poor's of AA+, Aa1, AA+, respectively. Proceeds were used to reimburse the City for expenses for capital improvement projects including, but not limited to Burton Station Road Improvements - Phases III, Pacific Avenue Improvements, Greenwich Road Crossover/Cleveland Street Improvements, Adam Thoroughgood House Visitor Center Construction, Town Center - Phase VI, and various School projects including Energy Performance Contracts II, John B. Dey Elementary School Modernization, Thoroughgood Elementary School Replacement, and Princess Anne Middle School Replacement.

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 92.6% for workers compensation, 4.9% for general liability, and 2.5% for automobile liability. Landfill closure and post-closure care liability of \$20.9 million decreased \$5.0 million during the current fiscal year due to completion of a portion of the project.

Table 4
Long Term Liabilities
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bond	\$ 598.5	\$ 593.8	\$ -	\$ -	\$ 598.5	\$ 593.8
State Literary Fund Loans	1.5	1.9	-	-	1.5	1.9
Public Facility Revenue Bonds	266.5	261.3	244.0	254.6	510.6	515.9
Revenue Bonds	-	-	65.6	70.0	65.6	70.0
Agriculture Reserve Program	46.1	46.1	-	-	46.1	46.1
Sub-total	912.6	903.1	309.6	324.6	1,222.2	1,227.7
Other Long-Term Liabilities:						
Landfill Closure & Post-closure Care	20.9	25.9	-	-	20.9	25.9
Premium/Discount on Bonds Sold	92.3	89.4	18.8	20.0	111.1	109.4
Net Pension Liability	319.3	374.8	30.9	36.3	350.2	411.1
Net OPEB Liability	99.1	95.9	6.5	5.6	105.6	101.5
Accrued Compensated Leave	43.8	43.4	5.0	5.0	48.8	48.4
Estimated Claims & Judgments	40.9	37.7	-	-	40.9	37.7
	616.4	667.1	61.2	66.9	677.6	734.0
Totals	\$ 1,529.0	\$ 1,570.2	\$ 370.8	\$ 391.5	\$ 1,899.8	\$ 1,961.7

For detailed information the City's long-term debt activity, refer to Note 6 to the financial statements - Long-term Debt.

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 continue to perform well.

The above indicators were taken into account when adopting the budget for fiscal year 2019. The adopted budget includes the following highlights:

- The combined operating budgets for the City and Schools total \$2.0 billion, which represents a 2.0% overall increase over the adjusted budget for fiscal year 2018. The total budget supports \$1.1 billion in City programs and \$914.3 million in School's programs.

(continued)

- Provides a 2% pay increase for City and Schools employees and sets aside \$3.0 million to address salary compression throughout City departments.
- The funding provided by the City to the Schools totals \$412.8 million which includes \$29.3 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 \$583.4 million, an increase of 3.0% over prior year. This increase is attributable to increases in the assessment value of homes and new development. The real estate tax rate remained the same at \$1.0025 per \$100 of assessed value. The tax rate was increased in fiscal year 2018 from \$0.99 per \$100 of assessed property value to provide additional funding to the Schools for the expansion of full-day kindergarten.
- Personal property tax revenues increased 2.4% to \$159.7 million. There was no change in the personal property tax rate of \$4.00 per \$100 of assessed value.
- Hotel tax budgeted revenues total \$37.3 million, an increase of 6.9% 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.
- The fiscal year 2019 budget suspended the previously adopted 2.5 cent increase for fiscal year 2019 in the storm water daily ERU (equivalent residential units) rate. In fiscal year 2018, this daily rate increased to \$0.458 cents per ERU. This was part of a series of rate increases of 2.5 cents each year, through fiscal year 2022.
- The adopted Capital Improvement Program (CIP) for fiscal years 2019 through 2024 established six-year programmed funding of \$3.2 billion. For year one, the amount appropriated was \$394.7 million. The six-year program provides scheduled funding for the construction of projects for roadways (\$808.9 million), storm water (\$477.5 million), utilities (\$476.3 million), schools (\$378.7 million), economic and tourism development (\$349.4 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, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Community Development Corporation
ASSETS					
Cash and Investments	\$ 609,385,524	\$ 180,172,022	\$ 789,557,546	\$ 174,501,200	\$ 1,214,833
Restricted Cash & Cash Equivalents	64,577,782	85,554,852	150,132,634	-	-
Receivables (net)	79,360,171	32,585,938	111,946,109	2,950,531	3,700,957
Due from Other Governments	83,781,111	1,485,713	85,266,824	20,229,634	69,093
Internal Balances	(7,393,986)	7,393,986	-	-	-
Inventories	6,074,639	2,820,605	8,895,244	625,054	-
Other Assets	106,192	-	106,192	770,812	20,340
Land Held for Resale	-	44,078,965	44,078,965	-	803,764
Capital assets (net of accumulated depreciation):					
Land and Improvements	1,061,070,164	167,446,543	1,228,516,707	39,048,224	8,838,960
Buildings and Improvements	806,086,571	88,644,608	894,731,179	410,936,897	17,967,894
Improvements other than Buildings	214,515,987	1,068,566	215,584,553	21,014,604	-
Machinery and Equipment	76,169,275	17,104,951	93,274,226	42,205,890	67,809
Infrastructure	983,800,313	886,266,345	1,870,066,658	-	-
Construction in Progress	168,512,975	41,027,310	209,540,285	22,123,760	-
Total Capital Assets	3,310,155,285	1,201,558,323	4,511,713,608	535,329,375	26,874,663
Total Assets	4,146,046,718	1,555,650,404	5,701,697,122	734,406,606	32,683,650
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows from Pensions	48,733,630	4,714,087	53,447,717	88,179,000	-
Deferred Outflows from OPEB	15,314,981	1,615,743	16,930,724	27,188,000	-
Deferred Outflows from Debt Refunding	3,831,645	728,068	4,559,713	-	-
Total Deferred Outflows of Resources	67,880,256	7,057,898	74,938,154	115,367,000	-
LIABILITIES					
Accounts Payable	56,123,192	28,207,685	84,330,877	20,612,271	47,879
Accrued Liabilities	16,807,344	4,202,697	21,010,041	70,444,649	241,204
Due to Other Governments	3,151,498	-	3,151,498	108,980	-
Long-term Liabilities:					
Long Term Liabilities Due Within One Year	128,439,616	22,583,443	151,023,059	25,429,545	2,093,933
Compensated Absences (net of amount due within one year)	19,070,589	1,977,023	21,047,612	21,463,945	-
Claims and Contingencies (net of amount due within one year)	32,721,624	-	32,721,624	4,324,750	-
Bonds and Notes Payable (net of amount due within one year)	909,459,896	308,794,804	1,218,254,700	-	19,188,897
Landfill	20,827,496	-	20,827,496	-	-
Net Pension Liability	319,346,728	30,890,964	350,237,692	639,194,000	-
Net OPEB Liability	99,055,282	6,528,360	105,583,642	164,150,000	-
Total Liabilities	1,605,003,265	403,184,976	2,008,188,241	945,728,140	21,571,913
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows from Pensions	28,430,660	2,750,147	31,180,807	93,226,000	-
Deferred Inflows from OPEB	10,159,706	479,127	10,638,833	6,174,000	-
Deferred Inflows from Property Taxes	7,112,895	-	7,112,895	-	-
Deferred Inflows from Debt Refunding	5,223,019	1,050,356	6,273,375	-	-
Total Deferred Inflows of Resources	50,926,280	4,279,630	55,205,910	99,400,000	-
NET POSITION					
Net Investment in Capital Assets	2,303,812,475	872,858,539	3,176,671,014	535,329,375	5,591,833
Restricted for:					
Future Debt Service	39,034,254	27,722,095	66,756,349	-	-
Special Projects	29,210,821	-	29,210,821	27,763,831	-
Unrestricted (Deficit)	185,939,879	254,663,062	440,602,941	(758,447,740)	5,519,904
Total Net Position	\$ 2,557,997,429	\$ 1,155,243,696	\$ 3,713,241,125	\$ (195,354,534)	\$ 11,111,737

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, 2018

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Component Units
							Total
Primary Government:							
Governmental Activities:							
Legislative	\$ 1,197,802	\$ -	\$ -	\$ -	(1,197,802)	\$ -	\$ (1,197,802)
Executive	4,291,911	3,805	-	-	(4,288,106)	-	(4,288,106)
Law	4,407,207	-	-	-	(4,407,207)	-	(4,407,207)
Finance	11,839,137	1,435,352	1,512,625	-	(15,966,600)	-	(15,966,600)
Human Resources	61,571,616	31,826	-	-	(11,807,311)	-	(11,807,311)
Judicial	3,438,812	5,409,133	24,011,795	-	(32,150,688)	-	(32,150,688)
Health	99,016,027	-	153,595	-	(3,285,217)	-	(3,285,217)
Police	114,896,878	2,967,178	713,297	-	(95,335,552)	-	(95,335,552)
Human Services	182,095,702	25,755,690	60,454,520	-	(28,686,668)	-	(28,686,668)
Public Works	52,804,501	2,193,888	45,902,347	2,974,393	(131,029,074)	-	(131,029,074)
Parks & Recreation	17,605,034	16,988,062	2,681,120	-	(33,135,319)	-	(33,135,319)
Library	19,392,297	671,348	234,282	-	(16,699,404)	-	(16,699,404)
Planning	3,327,833	5,431,804	-	-	(13,960,493)	-	(13,960,493)
Agriculture	4,463,692	115,176	-	-	(3,212,657)	-	(3,212,657)
Economic Development	29,398,089	5,174,206	125,000	-	(4,338,692)	-	(4,338,692)
Convention & Visitor Development	43,482,116	1,929,285	-	-	(24,223,883)	-	(24,223,883)
Information Technology	9,050,582	141,396	1,942,381	-	(41,552,831)	-	(41,552,831)
Emergency Communications and Citizen Services	26,461,340	14,530	1,029,892	-	(6,966,805)	-	(6,966,805)
Boards and Commissions	58,983,144	717,111	3,222,190	-	(25,416,918)	-	(25,416,918)
Fire	1,341,640	-	-	-	(55,043,843)	-	(55,043,843)
Budget and Management Services	423,487,979	-	-	-	(1,341,640)	-	(1,341,640)
Education	28,485,380	182,387	22,021,001	-	(423,487,979)	-	(423,487,979)
Housing & Neighborhood Preservation	10,775,551	9,856,700	-	-	(6,281,992)	-	(6,281,992)
Museums	12,591,888	87,979	-	-	(918,851)	-	(918,851)
Emergency Medical Services	3,705,291	11,561,559	414,890	-	(12,089,019)	-	(12,089,019)
General Government	24,905,558	-	17,826,807	29,154,845	54,837,920	-	54,837,920
Interest and Fiscal Charges	-	-	-	-	(24,905,558)	-	(24,905,558)
Total Governmental Activities	1,271,935,584	90,668,415	182,245,742	32,129,238	(966,892,189)	-	(966,892,189)
Business-type Activities:							
Water and Sewer	115,336,137	127,939,734	-	361,008	-	12,964,605	12,964,605
Storm Water	33,518,183	41,715,744	-	5,451,012	-	13,648,573	13,648,573
Waste Management	37,051,532	34,225,087	42,871	-	-	(2,783,574)	(2,783,574)
Development Authority	17,545,543	7,721,739	-	22,446,884	-	12,623,080	12,623,080
Parking	3,984,236	6,014,164	-	-	-	2,029,928	2,029,928
Total Business-type Activities	207,435,631	217,616,468	42,871	28,258,904	-	38,482,612	38,482,612
Total Primary Government	1,479,371,215	308,284,883	182,288,613	60,388,142	(966,892,189)	38,482,612	(928,409,577)
Component Units:							
Virginia Beach School Board	830,174,931	14,324,576	164,134,388	-	-	-	(651,715,967)
Virginia Beach Community Development Corporation	6,470,604	3,557,969	1,305,439	-	-	-	-
Total Component Units	\$ 836,645,535	\$ 17,882,545	\$ 165,439,827	\$ -	\$ -	\$ -	\$ (651,715,967)

Net (Expenses) Revenues and Changes in Net Position (continued)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Community Development Corporation
\$	564,883,435	\$ -	564,883,435	\$ -	-
	108,123,397	-	108,123,397	-	-
	63,647,610	-	63,647,610	-	-
	48,908,305	-	48,908,305	-	-
	48,777,766	-	48,777,766	-	-
	66,608,924	-	66,608,924	-	-
	7,565,471	-	7,565,471	-	-
	11,447,553	-	11,447,553	-	-
	11,147,509	-	11,147,509	-	-
	6,485,738	-	6,485,738	-	-
	36,467,582	-	36,467,582	-	-
	5,783,324	-	5,783,324	-	-
	979,846,614	-	979,846,614	-	-
	53,412,868	-	53,412,868	262,130,219	-
	6,488,405	4,196,130	10,684,535	414,180	114,774
	16,752,791	1,115,089	17,867,880	649,331	579,503
	(23,409,462)	23,409,462	-	437,309,444	-
	1,033,091,216	28,720,681	1,061,811,897	700,503,174	694,277
	66,199,027	67,203,293	133,402,320	48,787,207	(912,919)
	2,491,798,402	1,088,040,403	3,579,838,805	(244,141,741)	12,024,656
\$	2,557,997,429	\$ 1,155,243,696	\$ 3,713,241,125	\$ (195,354,534)	\$ 11,111,737

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

Bank Stock

Total City Taxes

Grants and contributions

Investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning - Restated

Net Position - Ending

CITY OF VIRGINIA BEACH, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 166,646,324	\$ 341,573,944	\$ 62,444,094	\$ 570,664,362
Cash and Investments - Restricted	17,299,308	66,764	47,211,710	64,577,782
Cash Advances	106,192	-	-	106,192
Receivables (net of allowance for collectibles, where applicable):				
Property Tax	38,825,319	-	-	38,825,319
Accounts	1,604,463	-	899,576	2,504,039
Loans	6,499,126	-	5,189,187	11,688,313
Due from:				
Due from Other Funds	873,423	-	-	873,423
Due from Commonwealth	67,114,617	7,307,717	1,694,443	76,116,777
Due from Federal Government	1,896,047	2,997,375	2,770,807	7,664,229
Inventories	4,589,224	-	-	4,589,224
Total Assets	305,454,043	351,945,800	120,209,817	777,609,660
LIABILITIES				
Vouchers and Accounts Payable	31,719,576	16,705,694	5,435,512	53,860,782
Deposits Payable	5,387,359	-	-	5,387,359
Due to Other Funds	-	7,055,872	873,423	7,929,295
Intergovernmental Payables	1,794	3,149,704	-	3,151,498
Unearned Revenue	1,110,297	-	1,050,683	2,160,980
Total Liabilities	38,219,026	26,911,270	7,359,618	72,489,914
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	37,130,340	-	-	37,130,340
Total Deferred Inflows of Resources	37,130,340	-	-	37,130,340
FUND BALANCES				
Nonspendable:				
Inventories	4,589,224	-	-	4,589,224
Loans Receivable	6,499,126	-	-	6,499,126
Restricted for:				
Debt Service	-	-	33,322,213	33,322,213
Community Services Board	2,201,965	-	-	2,201,965
General Government	-	-	1,943,985	1,943,985
Housing and Community Development	-	-	8,362,444	8,362,444
Judicial	-	-	697,454	697,454
Public Safety	-	-	2,391,467	2,391,467
Special Service District	-	-	2,525,156	2,525,156
Committed to:				
Agriculture	-	-	15,015,776	15,015,776
Convention and Visitor Development	-	-	21,434,291	21,434,291
Education	17,299,308	-	61,346	17,360,654
Judicial	-	-	1,409,271	1,409,271
Capital Improvement Program:				
Engineering and Highways	-	64,795,168	-	64,795,168
Buildings	-	30,354,506	-	30,354,506
Parks and Recreation	-	3,007,802	18,404,511	21,412,313
Coastal	-	3,313,561	-	3,313,561
Economic and Tourism	-	30,678,023	-	30,678,023
General Government	-	192,885,470	-	192,885,470
Tax Increment Financing	-	-	6,229,555	6,229,555
Assigned to:				
Education	28,417,731	-	5,629	28,423,360
Judicial	-	-	100,000	100,000
Public Safety	-	-	285,915	285,915
Parks and Recreation	-	-	27,000	27,000
Special Service District	-	-	99,512	99,512
Tax Increment Financing	-	-	534,674	534,674
General Government	19,571,552	-	-	19,571,552
Capital Improvement Program - General	35,427,319	-	-	35,427,319
Risk Management	1,800,000	-	-	1,800,000
Unassigned	114,298,452	-	-	114,298,452
Total Fund Balances	230,104,677	325,034,530	112,850,199	667,989,406
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 305,454,043	\$ 351,945,800	\$ 120,209,817	\$ 777,609,660

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, 2018**

Total Fund Balances - Governmental funds (Exhibit 3)	\$	667,989,406
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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.		3,309,196,158
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Other long-term assets are not available to pay for current period expenditures and therefore are offset by unearned revenue in the governmental funds.		64,966,105
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Deferred Inflows and Outflows of Resources used to reflect deferred gains and losses on debt refunding bonds are not reported in the governmental funds.		(1,391,374)
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Deferred Inflows and Outflows of Resources used to reflect differences between expected and actual earnings on pension plan investments and other postemployment benefits are not reported in the governmental funds.		24,813,952
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Deferred Inflows of Resources used to reflect Property Taxes Levied in current year for subsequent year		(7,112,895)
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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)		(9,947,302)
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Services provided by the general government to business-type activities are not included in the entity-wide statements. The elimination decreases net position.		883,302
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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)
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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	(598,458,470)	
Net Pension Liability	(312,797,282)	
Net Other Postemployment Benefits Liability	(97,746,275)	
State Literary Fund Loans	(1,500,000)	
Accrued Interest on Bonds Sold	(11,428,834)	
Agriculture Reserve Strips	(46,102,662)	
Public Facility Revenue Bonds	(266,549,052)	
Premium on Bonds Sold	(92,341,252)	
Compensated Absences (annual and sick leave)	(43,103,412)	
Landfill Closure and Post-Closure Care	(20,827,496)	
		(1,490,854,735)

Total Net Position - Governmental Activities (Exhibit 1)	\$	2,557,997,429
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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, 2018

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
General Property Taxes:				
Real Estate property taxes	\$ 523,598,826	\$ -	\$ 43,974,191	\$ 567,573,017
Personal property taxes	108,123,397	-	-	108,123,397
Other Local Taxes	244,110,846	-	59,420,488	303,531,334
Fines and Forfeitures	5,025,663	-	723,589	5,749,252
Permits, Privilege Fees, and Regulatory Licenses	5,260,171	-	-	5,260,171
From Use of Money and Property	10,815,572	2,640,758	2,132,739	15,589,069
Charges for Services	52,937,550	270,731	19,148,068	72,356,349
Miscellaneous	5,767,749	2,566,074	4,583,232	12,917,055
From Commonwealth	158,779,654	6,226,255	22,637,710	187,643,619
From Federal Government	23,083,356	22,928,590	31,844,949	77,856,895
Total Revenues	<u>1,137,502,784</u>	<u>34,632,408</u>	<u>184,464,966</u>	<u>1,356,600,158</u>
<u>EXPENDITURES</u>				
Current Operating:				
Legislative	1,248,240	-	-	1,248,240
Executive	4,488,041	-	-	4,488,041
Law	4,477,543	-	-	4,477,543
Finance	19,293,822	-	-	19,293,822
Human Resources	11,912,017	-	-	11,912,017
Judicial	15,069,797	-	48,263,290	63,333,087
Health	3,309,858	-	132,620	3,442,478
Police	98,532,675	-	677,459	99,210,134
Human Services	110,043,335	-	7,202,563	117,245,898
Public Works	68,466,845	-	3,170,898	71,637,743
Parks and Recreation	14,572,673	-	33,974,809	48,547,482
Library	17,566,879	-	451,477	18,018,356
Planning	17,990,044	-	1,203,932	19,193,976
Agriculture	798,798	-	170,907	969,705
Economic Development	4,242,488	-	-	4,242,488
Convention and Visitor Development	9,556,293	-	17,502,157	27,058,450
Information Technology	24,774,178	-	-	24,774,178
Emergency Communications and Citizen Services	9,122,044	-	-	9,122,044
Boards and Commissions	33,601,257	-	-	33,601,257
Fire	55,031,729	-	3,119,725	58,151,454
Budget and Management Services	1,365,183	-	-	1,365,183
Education	387,052,069	49,759,899	-	436,811,968
Housing and Neighborhood Preservation	2,658,973	-	25,840,476	28,499,449
Museums	10,880,638	-	-	10,880,638
General Government	-	-	4,685,528	4,685,528
Emergency Medical Services	11,664,271	-	549,418	12,213,689
Capital Outlay	-	127,054,115	-	127,054,115
Debt Service:				
Principal Retirement	32,664,186	-	55,244,008	87,908,194
Interest and Fiscal Charges	16,663,522	-	26,208,966	42,872,488
Total Expenditures	<u>987,047,398</u>	<u>176,814,014</u>	<u>228,398,233</u>	<u>1,392,259,645</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>150,455,386</u>	<u>(142,181,606)</u>	<u>(43,933,267)</u>	<u>(35,659,487)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	9,367,325	75,386,313	75,604,573	160,358,211
Transfers Out	(148,106,176)	-	(22,642,723)	(170,748,899)
Proceeds of Refunding Bonds	-	-	71,530,000	71,530,000
Issuance of Debt	-	98,035,000	-	98,035,000
Premium on Bonds Sold	203,917	8,675,278	13,597,692	22,476,887
Payment to Refunding Bonds Escrow Agent	-	-	(84,900,655)	(84,900,655)
Total Other Financing Sources (Uses)	<u>(138,534,934)</u>	<u>182,096,591</u>	<u>53,188,887</u>	<u>96,750,544</u>
Net Change in Fund Balance	11,920,452	39,914,985	9,255,620	61,091,057
Fund Balance at Beginning of Year	218,184,225	285,119,545	103,594,579	606,898,349
Fund Balance at End of Year	<u>\$ 230,104,677</u>	<u>\$ 325,034,530</u>	<u>\$ 112,850,199</u>	<u>\$ 667,989,406</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, 2018**

Net Change in fund balance - total governmental funds (Exhibit 4)	\$	61,091,057
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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	\$	127,054,115	
General Government Expenditures		31,678,474	
Non-Capitalizable Capital Outlay Expenditures		(43,683,215)	
Depreciation on General Government Assets		(120,813,773)	
Contribution of Assets to General Government		2,974,393	
Loss on Disposition of Assets		<u>(3,603,529)</u>	(6,393,535)

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.		1,930,936
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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.		(8,059,572)
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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		(456,765)
Pension Expense		11,086,499
Other Postemployment Benefits		1,848,150

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.		5,152,257
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Change in net position of governmental activities (Exhibit 2)	\$	<u>66,199,027</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds	
	Water and Sewer	Storm Water
<u>ASSETS</u>		
Current Assets:		
Cash and Investments	\$ 120,905,063	\$ 38,321,901
Accounts Receivable - Net	15,824,570	5,307,460
Intergovernmental Receivables	1,485,713	-
Inventory	2,820,605	-
Total Current Assets	141,035,951	43,629,361
Noncurrent Assets:		
Cash and Investments - Restricted	77,017,850	5,957,820
Due From Other Funds	-	-
Land Held for Resale	-	-
Capital Assets:		
Land	13,802,936	133,186,347
Site Improvements	-	-
Buildings	18,940,552	664,899
Utility System	1,150,756,326	275,772,905
Construction in Progress	14,873,604	24,929,894
Machinery and Equipment	31,226,052	15,680,543
Less: Accumulated Depreciation	(517,204,945)	(73,321,067)
Total Capital Assets	712,394,525	376,913,521
Total Noncurrent Assets	789,412,375	382,871,341
Total Assets	930,448,326	426,500,702
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Debt Refundings Resulting in Loss Transactions	-	-
Deferred Outflows for Pensions	2,747,213	1,218,607
Deferred Outflows for OPEB	860,491	418,897
Total Deferred Outflows of Resources	3,607,704	1,637,504
<u>LIABILITIES</u>		
Current Liabilities:		
Vouchers and Accounts Payable	3,980,225	1,416,311
Deposits Payable	153,507	-
Accrued Interest Payable	2,217,113	203,038
Construction Contracts Payable	4,367,780	5,217,388
Unearned Revenue	693,704	-
Total Current Liabilities	11,412,329	6,836,737
Current Portion of Long-term Liabilities	12,109,272	2,620,701
Compensated Absences	962,775	551,382
Claims and Contingencies	-	-
Bonds and Notes Payable	207,823,551	40,797,490
Net Pension Liability	18,002,217	7,985,419
Net OPEB Liability	3,476,789	1,692,538
Total Liabilities	253,786,933	60,484,267
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Debt Refundings Resulting in Gain Transactions	-	-
Deferred Inflows for Pensions	1,602,693	710,922
Deferred Inflows for OPEB	255,167	124,218
Total Deferred Inflows of Resources	1,857,860	835,140
<u>NET POSITION</u>		
Net Investment in Capital Assets	494,198,086	334,195,066
Restricted for:		
Future Debt Services	17,979,295	3,388,443
Unrestricted (deficit)	166,233,856	29,235,290
Total Net Position	\$ 678,411,237	\$ 366,818,799

Reconciling Items:

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Total Net Position of Business-type activities (Exhibit 1)

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

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

Business-Type Activities - Enterprise Funds				Governmental Activities
Waste Management	Development Authority	Nonmajor Parking	Totals	Internal Service Funds
\$ 7,097,808	\$ 8,900,690	\$ 4,946,560	\$ 180,172,022	\$ 38,721,162
5,340,510	6,113,398	-	32,585,938	15
-	-	-	1,485,713	105
-	-	-	2,820,605	1,485,415
12,438,318	15,014,088	4,946,560	217,064,278	40,206,697
-	2,579,182	-	85,554,852	-
-	7,055,872	-	7,055,872	-
-	44,078,965	-	44,078,965	-
-	20,457,260	-	167,446,543	-
366,891	-	779,517	1,146,408	265,782
-	119,368,147	-	138,973,598	-
-	-	-	1,426,529,231	-
-	1,223,812	-	41,027,310	-
12,487,400	565,065	115,063	60,074,123	6,200,382
(5,940,206)	(36,763,096)	(409,576)	(633,638,890)	(5,507,037)
6,914,085	104,851,188	485,004	1,201,558,323	959,127
6,914,085	158,565,207	485,004	1,338,248,012	959,127
19,352,403	173,579,295	5,431,564	1,555,312,290	41,165,824
-	728,068	-	728,068	-
705,509	-	42,758	4,714,087	999,472
323,974	-	12,381	1,615,743	323,974
1,029,483	728,068	55,139	7,057,898	1,323,446
1,696,180	10,866,375	663,426	18,622,517	2,262,089
-	-	-	153,507	-
-	935,335	-	3,355,486	-
-	-	-	9,585,168	-
-	-	-	693,704	-
1,696,180	11,801,710	663,426	32,410,382	2,262,089
548,600	7,288,840	16,030	22,583,443	8,671,386
444,352	-	18,514	1,977,023	243,867
-	-	-	-	32,721,624
-	60,173,763	-	308,794,804	-
4,623,138	-	280,190	30,890,964	6,549,446
1,309,007	-	50,026	6,528,360	1,309,007
8,621,277	79,264,313	1,028,186	403,184,976	51,757,419
-	1,050,356	-	1,050,356	-
411,587	-	24,945	2,750,147	583,081
96,070	-	3,672	479,127	96,072
507,657	1,050,356	28,617	4,279,630	679,153
6,914,085	37,066,298	485,004	872,858,539	959,127
-	6,354,357	-	27,722,095	-
4,338,867	50,572,039	3,944,896	254,324,948	(10,906,429)
\$ 11,252,952	\$ 93,992,694	\$ 4,429,900	1,154,905,582	\$ (9,947,302)
			338,114	
			\$ 1,155,243,696	

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds	
	Water and Sewer	Storm Water
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 125,292,408	\$ 41,708,144
Insurance Recovery	21,292	-
Miscellaneous	15,399	9,399
Total Operating Revenues	125,329,099	41,717,543
<u>OPERATING EXPENSES</u>		
Cost of Goods Sold	24,811,117	-
Personal Services	28,862,054	13,923,187
Contractual Services	7,750,405	6,128,903
Internal Services	2,985,274	1,573,937
Other Charges	19,105,860	5,556,048
Leases and Rentals	-	730
Depreciation	29,253,509	5,670,476
Total Operating Expenses	112,768,219	32,853,281
<u>OPERATING INCOME (LOSS)</u>	12,560,880	8,864,262
<u>NONOPERATING REVENUES (EXPENSES)</u>		
From Commonwealth	-	-
Interest Income	2,640,214	440,839
Gain (Loss) From Sale of Assets	106,993	37,237
Payment Under Support Agreement	-	-
Interest and Fiscal Agent Fees	(2,822,403)	(802,826)
Total Nonoperating Revenues (Expenses)	(75,196)	(324,750)
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u>	12,485,684	8,539,512
Capital Contributions	4,233,832	399,021
Capital Contributions - Federal Government	-	5,313,421
Transfers In	-	5,450,374
Transfers Out	(99,000)	-
<u>CHANGE IN NET POSITION</u>	16,620,516	19,702,328
Total Net Position at Beginning of Year-Restated	661,790,721	347,116,471
Total Net Position at End of Year	\$ 678,411,237	\$ 366,818,799

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 NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Business-Type Activities - Enterprise Funds				Governmental Activities
Waste Management	Development Authority	Nonmajor Parking	Totals	Internal Service Funds
\$ 34,049,022	\$ 4,028,914	\$ 6,014,164	\$ 211,092,652	\$ 47,065,787
202,412	-	33,652	257,356	271,348
839,819	141,606	-	1,006,223	790
<u>35,091,253</u>	<u>4,170,520</u>	<u>6,047,816</u>	<u>212,356,231</u>	<u>47,337,925</u>
-	-	-	24,811,117	9,790,702
9,077,934	-	491,663	52,354,838	9,843,884
18,871,125	8,311,082	2,888,724	43,950,239	3,501,634
4,815,686	-	48,017	9,422,914	925,499
3,194,132	3,463,211	330,248	31,649,499	17,743,896
-	-	199,168	199,898	-
1,546,389	3,129,219	25,782	39,625,375	364,483
<u>37,505,266</u>	<u>14,903,512</u>	<u>3,983,602</u>	<u>202,013,880</u>	<u>42,170,098</u>
<u>(2,414,013)</u>	<u>(10,732,992)</u>	<u>2,064,214</u>	<u>10,342,351</u>	<u>5,167,827</u>
42,871	-	-	42,871	-
29,598	34,233	39,756	3,184,640	427,567
118,412	-	136	262,778	(9,835)
-	17,000,371	-	17,000,371	-
-	(2,642,031)	(579,606)	(6,846,866)	-
<u>190,881</u>	<u>14,392,573</u>	<u>(539,714)</u>	<u>13,643,794</u>	<u>417,732</u>
(2,223,132)	3,659,581	1,524,500	23,986,145	5,585,559
-	22,446,884	-	27,079,737	-
-	-	-	5,313,421	-
5,712,041	-	67,273	11,229,688	1,000,000
-	-	(1,190,000)	(1,289,000)	(550,000)
3,488,909	26,106,465	401,773	66,319,991	6,035,559
<u>7,764,043</u>	<u>67,886,229</u>	<u>4,028,127</u>		<u>(15,982,861)</u>
<u>\$ 11,252,952</u>	<u>\$ 93,992,694</u>	<u>\$ 4,429,900</u>		<u>\$ (9,947,302)</u>
			883,302	
			<u>\$ 67,203,293</u>	

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds	
	Water and Sewer	Storm Water
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from Customers and Users	\$ 129,602,597	\$ 43,788,656
Receipts from (Payments for) Interfund Services Provided	249,797	-
Other Operating Cash Receipts	15,399	9,399
Cash Payments to Suppliers of Goods and Services	(54,710,384)	(12,931,134)
Cash Payments to Employees for Services	(29,655,781)	(14,246,072)
Net Cash Provided (Used) By Operating Activities	45,501,628	16,620,849
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Intergovernmental Receipts	-	-
Receipts from Other Funds	-	29,873
Payments Under Support Agreement	-	-
Payments to Other Funds	(99,000)	-
Net Cash Provided (Used) By Noncapital Financing Activities	(99,000)	29,873
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Capital Contributions	3,872,824	11,132,943
Net Interest on Long-term Debt	(9,097,149)	(1,653,916)
Acquisition and Construction of Capital Assets	(40,644,968)	(31,986,448)
Proceeds from Sale of Salvage	106,993	37,237
Principal Paid on Capital Debt	(8,820,728)	(1,740,000)
Net Cash Provided (Used) By Capital and Related Financing Activities	(54,583,028)	(24,210,184)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest and Dividends Received	2,640,214	440,839
Net Increase (Decrease) in Cash and Investments	(6,540,186)	(7,118,623)
Cash and Investments, July 1	204,463,099	51,398,344
Cash and Investments, June 30	197,922,913	44,279,721
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>		
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	12,560,880	8,864,262
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided By Operating Activities:		
Depreciation and Amortization Expense	29,253,509	5,670,476
Changes in assets and liabilities:		
Accounts Receivable	5,936,809	2,080,512
Intergovernmental Receivables	(1,398,115)	-
Inventory	(298,077)	-
Deferred Outflow of Resources	748,832	294,968
Vouchers and Accounts Payable	196,999	328,484
Deposits Payable	5,950	-
Unearned Revenue	37,400	-
Deferred Inflow of Resources	1,136,011	514,943
Estimated Claims and Judgments	-	-
Accrued Compensated Leave	(55,557)	8,878
Net Pension Liability	(2,117,803)	(1,141,674)
Net OPEB Liability	(505,210)	-
Net Cash Provided (Used) By Operating Activities	45,501,628	16,620,849
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>		
Capital Contributions of Capital Assets	\$ 361,008	\$ -

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, 2018**

Business-Type Activities - Enterprise Funds				Governmental Activities
Waste Management	Development Authority	Nonmajor Parking	Totals	Internal Service Funds
\$ 35,796,934	\$ 4,111,331	\$ 6,014,164	\$ 219,313,682	\$ 47,337,120
-	(431,582)	-	(181,785)	-
839,819	13,453	33,652	911,722	790
(27,136,837)	(10,746,907)	(3,253,717)	(108,444,833)	(28,458,893)
(9,260,016)	-	(495,872)	(53,657,741)	(10,151,222)
239,900	(7,053,705)	2,298,227	57,941,045	8,727,795
42,871	-	-	42,871	-
5,712,041	1,120,862	67,273	6,930,049	450,000
-	-	(1,190,000)	(1,190,000)	-
-	-	(579,606)	(678,606)	-
5,754,912	1,120,862	(1,702,333)	5,104,314	450,000
-	16,468,397	-	31,140,018	-
-	(3,007,282)	-	(13,758,347)	-
(2,118,251)	-	(23,608)	(74,773,275)	(270,466)
118,412	-	136	262,778	(9,835)
-	(7,413,840)	-	(17,974,568)	-
(1,999,839)	6,047,275	(23,472)	(75,103,394)	(280,301)
29,598	34,233	39,756	3,184,640	427,567
4,024,571	148,665	612,178	(8,873,395)	9,325,061
3,073,237	11,331,207	4,334,382	274,600,269	29,396,100
7,097,808	11,479,872	4,946,560	265,726,874	38,721,161
(2,414,013)	(10,732,992)	2,064,214	10,342,351	5,167,827
1,546,389	3,225,071	25,782	39,721,227	364,483
1,545,500	-	-	9,562,821	(16)
-	2,970,811	-	1,572,696	-
-	21,716,534	-	21,418,457	(709,273)
89,317	-	12,667	1,145,784	261,519
(255,894)	(24,233,129)	214,965	(23,748,577)	1,042,699
-	-	-	5,950	-
-	-	-	37,400	-
322,280	-	17,382	1,990,616	416,535
-	-	-	-	3,169,530
19,466	-	12,042	(15,171)	(37,632)
(803,356)	-	-	(4,062,833)	-
190,211	-	(48,823)	(363,822)	(947,877)
239,900	(7,053,705)	2,298,229	57,606,899	8,727,795
\$ -	\$ -	\$ -	\$ 361,008	\$ -

CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and Investments	\$ -	\$ 467,073
General Account	4,981	-
Fixed Income	8,870,853	-
Stocks	22,810,764	-
Real Estate	2,956,951	-
Alternative Investments	7,603,589	-
Mutual Funds	2,289,058	-
Stable Value Funds	1,259,278	-
Total Assets	<u>45,795,474</u>	<u>467,073</u>
<u>LIABILITIES</u>		
Vouchers and Accounts Payable	<u>-</u>	<u>297,785</u>
<u>NET POSITION</u>		
Restricted	<u>\$ 45,795,474</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, 2018**

	Trust Funds
<u>ADDITIONS</u>	
Contributions From Primary Government	\$ 7,387,414
Investment Income (Loss):	
Increase (Decrease) in the Fair Value of Investments	3,909,365
Interest and Dividends	<u>112,940</u>
Total Investment Income (Loss)	<u>4,022,305</u>
Total Additions	<u>11,409,719</u>
<u>DEDUCTIONS</u>	
Benefits	7,561,836
Administrative Expenses	<u>38,424</u>
Total Deductions	<u>7,600,260</u>
Net Increase (Decrease) in Net Position	3,809,459
<u>RESTRICTED NET POSITION:</u>	
Beginning of Year	41,986,015
End of Year	<u>\$ 45,795,474</u>

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

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Virginia Beach, Virginia (the City), was formed on January 1, 1963, by the merger of Princess Anne County and the then former smaller City of Virginia Beach. This merger created what has become one of the largest cities in the Commonwealth of Virginia with an area of 310 square miles and an estimated population of 456,538.

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's financial statements are prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. All applicable GASB statements have been implemented. The following is a summary of the significant accounting policies of the City of Virginia Beach:

A. The Financial Reporting Entity

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 financial data of 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.

Blended Component Unit

The Virginia Beach Development Authority (VBDA) - The VBDA, 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 VBDA's financial records. Therefore, the VBDA'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 VBDA which necessitates this treatment as a blended component unit.

The VBDA was established for the specific purpose of attracting new industries and the expansion of existing industries. The VBDA's Commissioners are appointed by the City Council. The VBDA 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 VBDA facilitates economic development projects as needed by City Council. Complete financial statements of the VBDA may be obtained by writing to the Virginia Beach Development Authority, 4525 Main Street, Suite 700, Virginia Beach, VA 23462.

Discretely Presented Component Units

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 of the component units have a fiscal year end of June 30.

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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, VA 23456.

b. Virginia Beach Community Development Corporation (CDC) - The CDC 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 CDC is appointed by City Council. Funding received by the CDC from the City is in the form of grants. Complete financial statements of the CDC may be obtained by writing to Virginia Beach Community Development Corporation, 2700 International Parkway, Suite 300, Virginia Beach, VA 23452.

Joint Venture

Southeastern Public Service Authority (SPSA) - SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act. It is governed by a sixteen (16) member Board of Directors consisting of eight (8) members appointed by the Governor and eight members appointed by each of the member city or county. Budgeting and financing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. SPSA is responsible for its own financial matters, maintains its own books of accounts and is audited annually by independent accountants that it engages. The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements June 30, 2018. Complete financial statements of the SPSA can be obtained from SPSA, 730 Woodland Drive, Chesapeake, VA 23320.

Jointly Governed Organizations

Hampton Roads Planning District Commission (HRPDC) - A regional planning agency authorized by the Virginia Area Development Act of 1968, it was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. HRPDC performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, plus the counties of Gloucester, Isle of Wight, James City, Southampton, and York. Revenue of the HRPDC is received primarily from local governmental (member) contributions and various state and federal grant programs. The participating governments do not have an equity interest in the HRPDC and accordingly no equity interest has been reflected in the city's financial statements at June 30, 2018. Completed financial statements of the HRPDC can be obtained from the HRPDC 730 Woodlake Drive, Chesapeake, VA 23320.

Transportation District Commission (TDC) - The TDC was formed on June 29, 1999 to effect the merger of the Peninsula Transportation District Commission and the Tidewater Transportation District Commission effective October 1, 1999. The TDC was established in accordance with the Chapter 45 of Title 15.2 of the Code of Virginia. The TDC provides public transportation facilities and services within the cities of Chesapeake, Hampton, Norfolk, Portsmouth, Newport News and Virginia Beach. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of the TDC rests with

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professional management. The TDC is the governing body of Hampton Roads Transit (HRT). The participating governments do not have an equity interest in the TDC and accordingly no equity interest has been reflected in the city's financial statements at June 30, 2018. Completed financial statements of the TDC can be obtained from the TDC at HRT 509 E 18 Street Norfolk VA 23510

Hampton Roads Transportation Alliance Committee (HRTAC) The HRTAC was formed on July 1, 2014 to manage Hampton Roads Transportation Fund revenues and determine how new regional money, of approximately \$200 million annually will be invested in transportation projects. The twenty-three (23) member commission consists of mayors from local governments, state legislators and Commonwealth Transportation Board members from the fourteen (14) cities and counties embraced by the Commission including Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg and the Counties of Isle of Wight, James City Southampton and York. Separate financial statements are available from the HRTAC 700 Woodlake Drive, Chesapeake, VA 23320.

Hampton Roads Economic Development Alliance (HREDA) The HREDA is a non-profit, public-private partnership that aggressively markets Virginia's Hampton Roads attraction initiatives and activities are designed to promote the jurisdictions of Chesapeake, Franklin, Hampton, Isle of Wight, Newport News, Norfolk, Poquoson,, Portsmouth, Southampton County, Suffolk and Virginia Beach, Virginia. The business affairs are managed by a Board of not less than fifty (50) or more than three hundred (300) Directors. The participating governments do not have an equity interest in HREDA and accordingly no equity interest has been reflected in the city's financial statements at June 30, 2018. Separate financial statements are available from the HREDA, 500 Main Street, Suite 1300, Norfolk, VA 23510.

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. 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 incorporate 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 segment 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 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

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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 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.

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. The City has the following Special Revenue Funds which are described in detail in the Non-major Special Revenue Fund section: Agriculture Reserve Program, Central Business District South Tax Increment Financing, Combined Area Dredging Projects, Emergency FEMA, Federal Section Eight Program, Forfeited Assets, Grants Consolidated, Housing and Neighborhood Preservation, Law Library, Open Space, Parks and Recreation, Sandbridge Special Service District, Sandbridge Tax Increment Financing, Sheriff's Department, Tourism Advertising Program, Tourism Investment Program, Town Center Special Service District, Wetlands Board Mitigation.

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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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C. Basis of Accounting

The government-wide financial statements, Proprietary Fund and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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 deferred inflows. 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 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 postemployment 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, Storm Water Function, Waste Management Function, Parking 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

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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. They 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	

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 is 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.

CITY OF VIRGINIA BEACH, VIRGINIA
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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 unassigned 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 Budget and Management Services is hereby authorized to approve transfers of appropriations in an amount up to \$100,000 between any Appropriation Units included in the budget 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 unassigned fund balances. Additional appropriations that exceed 1% of the total estimated revenues shown in the adopted budget require a public hearing and one reading of the ordinance for approval by City Council.
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 City's Capital Project Fund and the Grants Consolidated Fund's budgets are adopted on a project basis. The budgets for these funds are adopted in conformity with generally accepted accounting principles in the United States of America (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. Street Maintenance) 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.
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

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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 unassigned 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 three hundred (300) 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 the City's Capital Improvement Program require a public hearing and one reading of the ordinance for approval. 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. Annual revenues and expenditures are reported within the applicable Special Revenue Funds.
11. All expenditures were within existing appropriations for the governmental major funds.

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

In accordance with Governmental Accounting Standards Board Statement (GASB) Number 16, an accrual has been made in the financial statements for accrued compensated leave. Annual leave, according to a

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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 fifty (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 twenty-four (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).

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.

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.

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

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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 budgeted revenues. 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).

Other postemployment 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 leasehold 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.

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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 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 Fund, Tourism Investment Program, and Tourism Advertising Program Fund.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 as such 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 as such 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 2018 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). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. Other Postemployment Benefits (OPEB)

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

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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U. New Accounting Standards

In Fiscal Year 2018, the City adopted four new statements of financial accounting standards issued by GASB:

- Statement No. 75, Accounting and Reporting for Postemployment Benefits other than Pensions
- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 85, Omnibus 2017
- Statement No. 86, Certain Debt Extinguishment Issues Statement

Statement No. 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to the employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. This statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/ expenditure. It replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans.

For defined benefit OPEB plans the statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information are addressed. The adoption of Statement No. 75 had no impact on the City's governmental fund financial statements. However, the adoption has resulted in the restatement of the City's Fiscal Year 2017 government-wide financial statements to reflect the reporting of net OPEB liabilities, deferred inflows of resources, deferred outflows of resources and the recognition of OPEB expense in accordance with the provisions of the Statement. Refer to Notes 10 and 14 for more information regarding the City's OPEB.

No. 83, establishes standards of accounting and financial reporting requirements, for legally enforceable liabilities associated with the retirement of certain tangible capital assets. State and local governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the regulation of the statement. Statements No. 83, 85 and 86 had no material impact on the City's financial statements.

V. Pronouncements Issued but not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows or financial presentation of the City upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB STATEMENT NO.	GASB ACCOUNTING STANDARD	EFFECTIVE FISCAL YEAR
84	Fiduciary Activities	2020
87	Leases	2021
88	Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements	2019
89	Accounting for Interest costs incurred before the end of a Construction Period	2021

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 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	\$ 4,589,224
Housing and EMS Loans	6,499,126
Total Nonspendable	<u>11,088,350</u>

Restricted:

Community Services Board	2,201,965
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Committed

Education	17,299,308
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Assigned:

Community Programs	\$ 130,941
Judicial	710,492
Library	57,123
Living Shorelines Program	10,723
Maritime Forest Program	43,512
Oyster Heritage Program	57,900
Public Safety	23,733
Other General Programs	<u>77,613</u>
Total Special Programs	1,112,037
General Government	<u>18,459,515</u>
Total General Government	19,571,552
Education	28,417,731
Capital Improvement Program - General	35,427,319
Risk Management	<u>1,800,000</u>
Total Assigned	85,216,602

Unassigned:

General Government	114,298,452
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Total Fund Balance	<u><u>\$ 230,104,677</u></u>
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NONMAJOR GOVERNMENTAL FUNDS:

Restricted:

Federal and State Grants	\$ 1,943,985
Housing and Community Development	8,362,444
Forfeited Assets - Judicial	697,454
Forfeited Assets - Police	2,391,467
Special Service Districts	<u>2,525,156</u>
Total Special Revenue Funds	15,920,506
Future Debt Service	<u>33,322,213</u>
Total Restricted	49,242,719

Committed:

Sandbridge & CBD TIF Programs	6,229,555
Parks and Recreation Activities	18,404,511
Educational	61,346
Tourism	21,434,291
Agriculture Program	15,015,776
Judicial	<u>1,409,271</u>
Total Committed	62,554,750

Assigned:

Sandbridge & CBD TIF Programs	534,674
Educational	5,629
Forfeited Assets - Judicial	100,000
Forfeited Assets - Police	285,915
Special Service Districts	99,512
Parks and Recreation Activities	<u>27,000</u>
Total Assigned	1,052,730

Total Fund Balance	<u><u>\$ 112,850,199</u></u>
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CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

3. RECEIVABLES AND ACCRUED LIABILITIES

A. Receivables

Receivables at June 30, 2018 consist of the following:

Primary Government

	Governmental Activities	Business-Type Activities	Total
Real Estate Taxes	\$ 17,274,621	\$ -	\$ 17,274,621
Personal Property Taxes	41,315,771	-	41,315,771
Loans	11,688,313	-	11,688,313
Due from Other Government	83,781,111	1,485,713	85,266,824
Accounts	38,974,415	35,683,459	74,657,874
Gross Receivables	193,034,231	37,169,172	230,203,403
Less: Allowance for Uncollectibles	(29,892,949)	(3,097,521)	(32,990,470)
Net Receivables - Entity Wide	<u>\$ 163,141,282</u>	<u>\$ 34,071,651</u>	<u>\$ 197,212,933</u>

Major Funds – Governmental

	General Fund	Capital Projects	Total
Real Estate Taxes	\$ 17,274,621	\$ -	\$ 17,274,621
Personal Property Taxes	41,315,771	-	41,315,771
Accounts	1,604,463	-	1,604,463
Loans	6,499,126	-	6,499,126
Intergovernmental Accounts	-	10,305,092	10,305,092
Gross Receivables	66,693,981	10,305,092	76,999,073
Less: Allowance for Uncollectibles	(19,765,073)	-	(19,765,073)
Net Receivables	<u>\$ 46,928,908</u>	<u>\$ 10,305,092</u>	<u>\$ 57,234,000</u>

Major Funds – Proprietary

	Water and Sewer	Storm Water	Waste Management	Virginia Beach Development Authority	Total
Accounts	\$ 18,735,956	\$ 5,472,777	\$ 5,361,328	\$ 6,113,398	\$ 35,683,459
Intergovernmental Accounts	1,485,713	-	-	-	1,485,713
Gross Receivables	20,221,669	5,472,777	5,361,328	6,113,398	37,169,172
Less: Allowance for Uncollectibles	(2,911,386)	(165,317)	(20,818)	-	(3,097,521)
Net Receivables	<u>\$ 17,310,283</u>	<u>\$ 5,307,460</u>	<u>\$ 5,340,510</u>	<u>\$ 6,113,398</u>	<u>\$ 34,071,651</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 consist of the following:

	School Board	Community Development Corporation	Total
Notes, Deed of Trust	\$ -	\$ 1,726,653	\$ 1,726,653
Accrued Interest	-	1,035,230	1,035,230
Intergovernmental Accounts	20,229,634	69,093	20,298,727
Due from Affiliate	-	529,318	529,318
Accounts	2,950,531	409,756	3,360,287
Net Receivables	<u>\$ 23,180,165</u>	<u>\$ 3,770,050</u>	<u>\$ 26,950,215</u>

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 2018 the real property rate was \$1.0025 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 with 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

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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\$0.5325 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, 2018:

Primary Government

	Governmental Activities
General Sales Tax	\$ 5,603,218
Telecommunications Tax	3,834,899
Personal Property Tax Relief Act	53,412,868
Other Grants, Entitlements, & Shared Revenues	2,497,336
Sheriff's Department	1,315,132
Other	2,145,712
Capital Projects	7,307,717
Total Due from Commonwealth	<u>\$ 76,116,882</u>

School Board Component Unit

State Share Sales Tax	\$ 6,174,029
Special Education-Regional Program	4,539,371
Technology Initiative	2,182,000
VA Learning Backpack Bayside	227,094
VA Learning Backpack Green Run	190,240
VA Learning Backpack Kempsville	206,381
Juvenile Detention Center	284,781
Dual Enrollment - TCC	348,280
Other Grants, Entitlements and Shared Revenues	72,073
Total Due from Commonwealth-Governmental Funds	<u>\$ 14,224,249</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. The following revenues were due from various Federal agencies at June 30, 2018:

Primary Government

	Governmental Activities
Community Development	\$ 608,663
Public Assistance Grants	1,846,732
Grants Consolidated	527,373
Housing Assistance	175,809
Capital Projects	2,997,375
Emergency FEMA	1,458,710
Other	49,567
Total Due from Federal Government	<u>\$ 7,664,229</u>

School Board Component Unit

Adult Basic Education	\$ 86,268
Carl Perkins	708,250
DODEA MCASP	17,705
DODEA Special Education	32,252
McKinney Homeless	21,794
National School Meal Program	939,499
Preschool Incentive	37,767
Title I	2,205,480
Title II	312,339
Title IV	144,166
Title VI-B	1,332,819
VPI+ Preschool Expansion	77,752
Other Grants, Entitlements and Shared Revenues	89,294
Total Due from Federal Government	<u>\$ 6,005,385</u>

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, 2018 are as follows:

General Fund	\$ 19,765,073
Water and Sewer Fund	2,911,386
Storm Water Fund	165,317
Waste Management Fund	20,818
Total	<u>\$ 22,862,594</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

E. Major Components of Accrued Liabilities at June 30, 2018 consist of the following:

Primary Government

	Governmental Activities	Business-Type Activities	Total
Accrued Interest Payable	\$ 11,428,834	\$ 3,355,486	\$ 14,784,320
Deposits Payable	5,378,510	153,507	5,532,017
Unearned Revenue	-	693,704	693,704
Total Accrued Liabilities	<u>\$ 16,807,344</u>	<u>\$ 4,202,697</u>	<u>\$ 21,010,041</u>

Component Units

	School Board	Community Development Corporation	Total
Accrued Interest Payable	\$ -	\$ 108,699	\$ 108,699
Unearned Revenue	10,021,890	-	10,021,890
Deposits Payable	75,000	132,505	207,505
Accrued Salaries	60,347,759	-	60,347,759
Total Accrued Liabilities	<u>\$ 70,444,649</u>	<u>\$ 241,204</u>	<u>\$ 70,685,853</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

Unearned revenue consists of the following as of June 30, 2018:

A. General Fund

Aquarium - Advance ticket receipts	\$ 227,097
Human Services - Advance program receipts	883,200
Total General Fund	<u>\$ 1,110,297</u>

B. Nonmajor Special Revenue Fund

Parks and Recreation - Advance customer Receipts	<u>\$ 1,050,683</u>
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C. Enterprise Funds

Water and Sewer - Customers and Developers tap and meter fees	<u>\$ 693,704</u>
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D. School Board Component Unit

School Operating Fund - Summer School Tuition	\$ 557,116
School Grants Fund - Early Reading Intervention, Algebra Readiness, VA Initiative at Risk Four Year Old, Project Graduation and other Grants	1,170,015
Other Governmental Funds - School Cafeterias - Charges for Services	431,264
Total Unearned Revenue - Governmental Funds	<u>2,158,395</u>
School Health Insurance Internal Service Fund - Prepayment of July health insurance premiums	-
Total Unearned Revenue - Governmental Activities	<u>\$ 7,863,495</u>
	<u>\$ 10,021,890</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

5. CAPITAL ASSETS AND LAND HELD FOR RESALE

A. Governmental Activities

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 1,007,179,777	\$ 11,101,207	\$ 3,313,482	\$ 1,014,967,502
Agriculture Reserve Program	46,102,662	-	-	46,102,662
Construction in Progress	175,219,792	92,393,568	99,100,385	168,512,975
Total Capital Assets Not Being Depreciated	<u>1,228,502,231</u>	<u>103,494,775</u>	<u>102,413,867</u>	<u>1,229,583,139</u>
Other Capital Assets:				
Buildings and Improvements	763,959,361	15,135,270	-	779,094,631
School Buildings	323,406,761	82,946,007	59,976,011	346,376,757
Site Improvements	306,008,490	13,690,613	-	319,699,103
Site Improvements - ISF	265,782	-	-	265,782
Equipment	293,032,263	28,415,117	7,470,856	313,976,524
Equipment - ISF	6,507,099	323,569	630,286	6,200,382
Roadway Network	2,003,966,991	13,999,218	-	2,017,966,209
Landfill Network	18,694,498	-	-	18,694,498
Bridge Network	138,655,356	18,684,286	-	157,339,642
Hurricane Protection Network	97,680,665	-	-	97,680,665
Total Other Capital Assets at Historical Cost	<u>3,952,177,266</u>	<u>173,194,080</u>	<u>68,077,153</u>	<u>4,057,294,193</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	259,649,056	19,176,307	-	278,825,363
School Buildings	30,913,447	9,646,007	-	40,559,454
Site Improvements	97,596,508	7,588,686	-	105,185,194
Site Improvements - ISF	263,469	235	-	263,704
Equipment	216,677,075	29,304,281	7,217,058	238,764,298
Equipment - ISF	5,456,297	364,249	577,213	5,243,333
Roadway Network	1,167,060,793	50,099,174	-	1,217,159,967
Landfill Network	18,676,153	-	-	18,676,153
Bridge Network	38,336,483	2,681,222	-	41,017,705
Hurricane Protection Network	29,073,263	1,953,613	-	31,026,876
Total Accumulated Depreciation	<u>1,863,702,544</u>	<u>120,813,774</u>	<u>7,794,271</u>	<u>1,976,722,047</u>
Total Capital Assets Being Depreciated, Net	<u>2,088,474,722</u>	<u>52,380,306</u>	<u>60,282,882</u>	<u>2,080,572,146</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,316,976,953</u>	<u>\$ 155,875,081</u>	<u>\$ 162,696,749</u>	<u>\$ 3,310,155,285</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Governmental Activities capital assets net of accumulated depreciation at June 30, 2018 are comprised of the following:

General Government Capital Assets, Net	\$ 3,309,196,158
Internal Service Fund Capital Assets, Net	<u>959,127</u>
Total	<u><u>\$ 3,310,155,285</u></u>

Depreciation was charged to governmental functions as follows:

Finance	\$ 23,925
Executive	24,325
Judicial	272,337
Health	5,051
Police	3,057,912
Public Works	80,243,863
Parks and Recreation	3,834,478
Libraries	96,571
Planning	425,782
Economic Development	21,522
Convention & Visitors Bureau	226,596
Information Technology	17,911,789
Boards and Commissions	260,381
Emergency Communications	60,360
Fire	2,530,285
Human Services	513,740
Education and Transfer to School	9,646,007
Housing & Neighborhood Preservation	60,706
Museums	82,774
General Government	644,267
Emergency Medical Services	871,103
Total	<u><u>\$ 120,813,774</u></u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

B. Component Unit - School Board

Capital Assets activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 39,048,224	\$ -	\$ -	\$ 39,048,224
Construction in Progress	4,434,661	24,251,796	6,562,697	22,123,760
Total Capital Assets Not Being Depreciated	43,482,885	24,251,796	6,562,697	61,171,984
Capital Assets Being Depreciated				
Buildings	743,286,341	13,656,940	27,779,731	729,163,550
Improvement Other Than Buildings	65,878,901	48,860	-	65,927,761
Machinery and Equipment	113,821,992	17,820,969	9,483,783	122,159,178
Total Capital Assets Being Depreciated	922,987,234	31,526,769	37,263,514	917,250,489
Less Accumulated Depreciation For:				
Buildings	310,020,832	21,547,993	13,342,172	318,226,653
Improvement Other Than Buildings	42,604,255	2,308,902	-	44,913,157
Machinery and Equipment	81,407,564	7,851,770	9,306,046	79,953,288
Total Accumulated Depreciation	434,032,651	31,708,665	22,648,218	443,093,098
Total Capital Assets Being Depreciated, Net	488,954,583	(181,896)	14,615,296	474,157,391
Component Unit School Board, Capital Assets, Net	\$ 532,437,468	\$ 24,069,900	\$ 21,177,993	\$ 535,329,375

C. Business-Type Activities

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 165,104,117	\$ 2,342,426	\$ -	\$ 167,446,543
Construction in Progress	67,725,018	77,963,077	104,660,785	41,027,310
Total Capital Assets Not Being Depreciated	232,829,135	80,305,503	104,660,785	208,473,853
Capital Assets Being Depreciated				
Buildings	138,308,699	664,899	-	138,973,598
Improvement Other Than Buildings	1,146,408	-	-	1,146,408
Utility System	1,326,062,491	100,626,678	159,938	1,426,529,231
Machinery and Equipment	55,849,670	5,582,449	1,357,996	60,074,123
Total Capital Assets Being Depreciated	1,521,367,268	106,874,026	1,517,934	1,626,723,360
Less Accumulated Depreciation For: *				
Buildings	46,006,994	3,920,539	-	49,927,533
Improvement Other Than Buildings	355,237	36,164	-	391,401
Utility System	509,697,237	30,385,242	133,152	539,949,327
Machinery and Equipment	39,434,823	5,283,430	1,347,624	43,370,629
Total Accumulated Depreciation	595,494,291	39,625,375	1,480,776	633,638,890
Total Capital Assets Being Depreciated, Net	925,872,977	67,248,651	37,158	993,084,470
Business-Type Activities Capital Assets, Net	\$ 1,158,702,112	\$ 147,554,154	\$ 104,697,943	\$ 1,201,558,323

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged to Business-Type Activities as follows:

Water and Sewer	\$	29,253,509
Storm Water		5,670,476
Waste Management		1,546,389
Development Authority		3,129,219
Parking		25,782
Total	\$	<u>39,625,375</u>

D. Major Fund - Water and Sewer Enterprise Fund

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 12,981,079	\$ 821,857	\$ -	\$ 13,802,936
Construction in Progress	31,278,461	42,381,954	58,786,811	14,873,604
Total Capital Assets Not Being Depreciated	<u>44,259,540</u>	<u>43,203,811</u>	<u>58,786,811</u>	<u>28,676,540</u>
Other Capital Assets:				
Buildings and Improvements	18,940,552	-	-	18,940,552
Utility System	1,092,790,301	58,125,963	159,938	1,150,756,326
Machinery and Equipment	29,351,238	2,304,903	430,089	31,226,052
Total Other Capital Assets at Historical Cost	<u>1,141,082,091</u>	<u>60,430,866</u>	<u>590,027</u>	<u>1,200,922,930</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	12,751,888	814,006	-	13,565,894
Utility System	451,684,014	26,282,881	133,152	477,833,743
Machinery and Equipment	24,078,774	2,156,623	430,089	25,805,308
Total Accumulated Depreciation	<u>488,514,676</u>	<u>29,253,510</u>	<u>563,241</u>	<u>517,204,945</u>
Total Capital Assets Being Depreciated, Net	<u>652,567,415</u>	<u>31,177,356</u>	<u>26,786</u>	<u>683,717,985</u>
Water and Sewer Capital Assets, Net	<u>\$ 696,826,955</u>	<u>\$ 74,381,167</u>	<u>\$ 58,813,597</u>	<u>\$ 712,394,525</u>

E. Major Fund – Storm Water Enterprise Fund

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 131,665,778	\$ 1,520,569	\$ -	\$ 133,186,347
Construction in Progress	36,446,557	34,357,311	45,873,974	24,929,894
Total Capital Assets Not Being Depreciated	<u>168,112,335</u>	<u>35,877,880</u>	<u>45,873,974</u>	<u>158,116,241</u>
Other Capital Assets:				
Buildings and Improvements	-	664,899	-	664,899
Utility System	233,272,190	42,500,715	-	275,772,905
Machinery and Equipment	15,300,317	1,135,688	755,462	15,680,543
Total Other Capital Assets at Historical Cost	<u>248,572,507</u>	<u>44,301,302</u>	<u>755,462</u>	<u>292,118,347</u>
Less Accumulated Depreciation For:				
Utility System	58,013,223	4,102,361	-	62,115,584
Machinery and Equipment	10,382,458	1,568,115	745,090	11,205,483
Total Accumulated Depreciation	<u>68,395,681</u>	<u>5,670,476</u>	<u>745,090</u>	<u>73,321,067</u>

CITY OF VIRGINIA BEACH, VIRGINIA
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Total Capital Assets Being Depreciated, Net	180,176,826	38,630,826	10,372	218,797,280
Storm Water Capital Assets, Net	<u>\$ 348,289,161</u>	<u>\$ 74,508,706</u>	<u>\$ 45,884,346</u>	<u>\$ 376,913,521</u>

F. Major Fund – Waste Management

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Total Capital Assets Not Being Depreciated	\$ -	\$ -	\$ -	\$ -
Other Capital Assets:				
Site Improvements	366,891	-	-	366,891
Machinery and Equipment	10,541,594	2,118,251	172,445	12,487,400
Total Other Capital Assets at Historical Cost	<u>10,908,485</u>	<u>2,118,251</u>	<u>172,445</u>	<u>12,854,291</u>
Less Accumulated Depreciation For:				
Site Improvements	43,429	16,677	-	60,106
Machinery and Equipment	4,522,833	1,529,712	172,445	5,880,100
Total Accumulated Depreciation	<u>4,566,262</u>	<u>1,546,389</u>	<u>172,445</u>	<u>5,940,206</u>
Total Capital Assets Being Depreciated, Net	6,342,223	571,862	-	6,914,085
Waste Management Capital Assets, Net	<u>\$ 6,342,223</u>	<u>\$ 571,862</u>	<u>\$ -</u>	<u>\$ 6,914,085</u>

G. Major Fund - Virginia Beach Development Authority

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 20,457,260	\$ -	\$ -	\$ 20,457,260
Construction in Progress	-	1,223,812	-	1,223,812
Total Capital Assets Not Being Depreciated	<u>20,457,260</u>	<u>1,223,812</u>	<u>-</u>	<u>21,681,072</u>
Other Capital Assets:				
Buildings and Improvements	119,368,147	-	-	119,368,147
Machinery and Equipment	565,065	-	-	565,065
Total Other Capital Assets at Historical Cost	<u>119,933,212</u>	<u>-</u>	<u>-</u>	<u>119,933,212</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	33,255,106	3,106,533	-	36,361,639
Machinery and Equipment	378,771	22,686	-	401,457
Total Accumulated Depreciation	<u>33,633,877</u>	<u>3,129,219</u>	<u>-</u>	<u>36,763,096</u>
Total Capital Assets Being Depreciated, Net	86,299,335	(3,129,219)	-	83,170,116
Development Authority Capital Assets, Net	<u>\$ 106,756,595</u>	<u>\$ (1,905,407)</u>	<u>\$ -</u>	<u>\$ 104,851,188</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

H. Component Unit - Virginia Beach Community Development Corporation

	Balance July 1, 2017	Increases	Decreases	Balance 6/30/2018
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 8,838,960	\$ -	\$ -	\$ 8,838,960
Total Capital Assets Not Being Depreciated	8,838,960	-	-	8,838,960
Other Capital Assets:				
Buildings and Improvements	31,739,772	-	258,062	31,481,710
Machinery and Equipment	67,809	-	-	67,809
Total Other Capital Assets at Historical Cost	31,807,581	-	258,062	31,549,519
Less Accumulated Depreciation For:	12,579,935	933,881	-	13,513,816
Component Unit-VA Beach Community Dev.	\$ 28,066,606	\$ (933,881)	\$ 258,062	\$ 26,874,663

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

Oceana West Corporate Park	\$ 1,555,548
Corporate Landing Office Park	9,736,447
London Bridge Commerce Park	1,624,500
Town Center Beacon Building	4,877,946
Hunt Club 2	200,305
Historic Kempsville	1,295,063
Bio-Med Park	24,789,156
Total Land Held for Resale	\$ 44,078,965

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, 2018	Outstanding Commitments	Unobligated Balance
<u>Government Activities</u>			
Engineering and Highways	\$ 96,989,495	\$ 64,620,168	\$ 238,761,435
Buildings	45,114,521	30,354,506	108,394,890
Parks and Recreation	7,546,843	3,007,802	28,956,135
Coastal	459,875	3,313,561	63,355,357
Economic and Tourism	18,402,241	30,678,023	34,252,452
Total Other Capital Assets at Historical Cost	\$ 168,512,975	\$ 131,974,060	\$ 473,720,269
<u>School Board Component Unit</u>			
Buildings and Improvements Other than Buildings	\$ 22,123,760	\$ 18,402,017	\$ -

CITY OF VIRGINIA BEACH, VIRGINIA
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JUNE 30, 2018

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, 2018:

	Expended through June 30, 2018	Outstanding Commitments	Unobligated Balance
Water & Sewer Utility Projects	\$ 14,873,604	\$ 31,356,617	\$ 55,762,434
Storm Water Projects	24,929,894	29,209,276	54,330,936
Development Authority	1,223,812	-	-
Total Business-Type Activities	<u>\$ 41,027,310</u>	<u>\$ 60,565,893</u>	<u>\$ 110,093,370</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. LONG-TERM DEBT

A. Summary of Changes in Long-Term Liabilities

1. Primary Government - Governmental Activities

	Balance			Balance	Amounts
	July 1, 2017*	Additions	Reductions	June 30, 2018	Due Within
					One Year
General Obligation Bonds	\$ 593,771,664	\$ 139,125,000	\$ 134,438,194	\$ 598,458,470	\$ 56,884,035
State Literary Fund Loans	1,875,000	-	375,000	1,500,000	375,000
Public Facility Revenue Bonds	261,335,212	30,440,000	25,226,160	266,549,052	27,566,160
Agriculture Reserve Program	46,102,662	-	-	46,102,662	-
Total Tax Supported Debt	903,084,538	169,565,000	160,039,354	912,610,184	84,825,195
Other Debt:					
Landfill Closure & Post-Closure Care	25,874,700	-	5,047,204	20,827,496	-
Premiums	89,330,712	22,476,888	19,466,348	92,341,252	10,666,345
Net Pension Liability	374,839,211	-	55,492,483	319,346,728	-
Net OPEB Liability	95,939,848	3,115,434	-	99,055,282	-
Accrued Compensation Leave	43,418,637	24,531,098	24,111,476	43,838,259	24,767,670
Estimated Claims & Judgements	37,732,500	3,169,530	-	40,902,030	8,180,406
Governmental Activities Long-Term Debt*	<u>\$ 1,570,220,146</u>	<u>\$ 222,857,950</u>	<u>\$ 264,156,865</u>	<u>\$ 1,528,921,231</u>	<u>\$ 128,439,616</u>

* Restated for Net OPEB Liability

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. LONG-TERM DEBT (continued)

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

2. Primary Government - Business-Type Activities

	Balance July 1, 2017*	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Revenue Bonds	\$ 254,576,004	\$ -	\$ 10,560,728	\$ 244,015,276	\$ 11,010,276
Public Facility Revenue Bonds	70,059,789	2,955,000	7,413,840	65,600,949	7,288,840
Total Self/Tax Supported Debt	324,635,793	2,955,000	17,974,568	309,616,225	18,299,116
Less/Add Deferred Amounts:					
For Issuance Premiums	20,068,893	207,061	1,452,748	18,823,206	1,283,579
Less Bond Discount	(47,219)	(22,407)	(7,694)	(61,932)	-
Total Bonds Payable	344,657,467	3,139,654	19,419,622	328,377,499	19,582,695
Net Pension Liability	36,258,848	-	5,367,884	30,890,964	-
Net OPEB Liability	5,579,727	948,633	-	6,528,360	-
Accrued Compensated Leave	5,000,344	2,896,542	2,919,115	4,977,771	3,000,748
Business-Type Activities Long-Term Debt*	\$ 391,496,386	\$ 6,984,829	\$ 27,706,621	\$ 370,774,594	\$ 22,583,443

* Restated for Net OPEB Liability

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

	Balance July 1, 2017*	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Revenue Bonds	\$ 211,056,004	\$ -	\$ 8,820,728	\$ 202,235,276	\$ 9,215,276
Add Deferred Amounts:					
For Issuance Premiums	17,118,776	-	1,157,612	15,961,164	1,157,613
Total Bonds Payable	228,174,780	-	9,978,340	218,196,440	10,372,889
Net Pension Liability	21,130,440	-	3,128,223	18,002,217	-
Net OPEB Liability	2,971,579	505,210	-	3,476,789	-
Accrued Compensated Leave	2,754,717	1,632,876	1,688,435	2,699,158	1,736,383
Water and Sewer Long-Term Liabilities*	\$ 255,031,516	\$ 2,138,086	\$ 14,794,998	\$ 242,374,604	\$ 12,109,272

* Restated for Net OPEB Liability

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

	Balance July 1, 2017*	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Revenue Bonds	\$ 43,520,000	\$ -	\$ 1,740,000	\$ 41,780,000	\$ 1,795,000
Add Deferred Amounts:					
For Issuance Premiums	1,064,421	-	125,965	938,456	125,966
Total Bonds Payable	44,584,421	-	1,865,965	42,718,456	1,920,966
Net Pension Liability	9,373,036	-	1,387,617	7,985,419	-
Net OPEB Liability	1,446,596	245,942	-	1,692,538	-
Accrued Compensated Leave	1,242,236	689,292	680,411	1,251,117	699,735
Storm Water Long-Term Liabilities*	\$ 56,646,289	\$ 935,234	\$ 3,933,993	\$ 53,647,530	\$ 2,620,701

* Restated for Net OPEB Liability

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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)

	Balance July 1, 2017*	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Net Pension Liability	\$ 5,426,494	\$ -	\$ 803,356	\$ 4,623,138	\$ -
Net OPEB Liability	1,118,796	190,211	-	1,309,007	-
Accrued Compensated Leave	973,486	552,916	533,450	992,952	548,600
Waste Management Long-Term Liabilities*	<u>\$ 7,518,776</u>	<u>\$ 743,127</u>	<u>\$ 1,336,806</u>	<u>\$ 6,925,097</u>	<u>\$ 548,600</u>

* Restated for Net OPEB Liability

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Public Facility Revenue Bonds	\$ 70,059,789	\$ 2,955,000	\$ 7,413,840	\$ 65,600,949	\$ 7,288,840
For Issuance Premiums	1,885,696	207,061	169,171	1,923,586	-
Less Bond Discount	(47,219)	(22,407)	(7,694)	(61,932)	-
Virginia Beach Development Authority Long-Term Debt	<u>\$ 71,898,266</u>	<u>\$ 3,139,654</u>	<u>\$ 7,575,317</u>	<u>\$ 67,462,603</u>	<u>\$ 7,288,840</u>

7. Component Unit - School Board

School-related long term debt is shown in table 6.A.1 for Primary Government - Governmental Activities as it is considered and reported as the City's long term debt. The City Council is the only elected local governing body authorized by sections 6.01 & 6.06 of the City Charter to incur debt in the name of the City for purposes permitted by the Constitution of Virginia (article VII, section 10).

	Balance July 1, 2017*	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Net Pension Liability	\$ 740,779,000	\$ 107,126,000	\$ 208,711,000	\$ 639,194,000	\$ -
Net OPEB Liability	145,998,000	33,752,000	15,600,000	164,150,000	-
Accrued Compensated Leave	20,651,961	25,478,353	12,211,074	33,919,240	12,455,295
Estimated Claims and Judgements	14,691,000	140,284,000	137,676,000	17,299,000	12,974,250
School Board Long-Term Liabilities*	<u>\$ 922,119,961</u>	<u>\$ 306,640,353</u>	<u>\$ 374,198,074</u>	<u>\$ 854,562,240</u>	<u>\$ 25,429,545</u>

* Restated for Net OPEB Liability

8. Component Unit - Virginia Beach Community Development Corporation

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Notes Payable	<u>\$ 21,310,426</u>	<u>\$ 503,344</u>	<u>\$ 530,940</u>	<u>\$ 21,282,830</u>	<u>\$ 2,093,933</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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:							
2018A PI	3/13/2018	\$ 67,595,000	2.885678	-	-	-	\$ 67,595,000
2017A PI Refunding	12/28/2017	71,530,000	2.253621	-	-	-	71,530,000
2016A PI	2/9/2016	61,255,000	2.437448	-	-	-	55,140,000
2016B PI Refunding	2/9/2016	50,430,000	1.771418	-	-	-	19,835,000
2015A PI	4/21/2015	51,295,000	2.617345	-	-	-	43,605,000
2015B PI Refunding	4/21/2015	56,530,000	1.989322	-	-	-	56,530,000
2014A PI	4/22/2014	85,050,000	2.920553	-	-	-	68,750,000
2013A PI	4/17/2013	22,885,000	2.587348	-	-	-	18,320,000
2013B PI Refunding	4/17/2013	33,795,000	2.143873	-	-	-	22,865,000
Pleasure House Point	7/10/2012	6,000,000	0.250000	-	-	-	2,859,861
2012A PI	4/18/2012	65,000,000	2.849726	-	-	-	13,000,000
2012B PI Refunding	4/18/2012	19,630,000	2.413515	-	-	-	19,630,000
2011A PI	6/29/2010	90,000,000	3.212396	-	-	-	12,540,000
2010-1 QSCB	7/8/2010	4,875,000	5.310000	-	-	-	2,595,000
2010 Recovery Zone	3/15/2010	5,995,000	3.038509	-	-	-	3,960,000
2010A PI	5/25/2010	60,000,000	2.970320	-	-	-	36,000,000
2009 PI Refunding	1/26/2010	20,755,000	3.041988	-	-	-	19,270,000
2009B PI Refunding	1/26/2010	78,875,000	2.910179	-	-	-	57,130,000
2009 PI	6/16/2009	72,000,000	3.655747	-	-	-	3,600,000
2008 VPSA	12/1/2008	6,350,705	-	-	-	-	3,703,609
2002 State Literary	1/1/2002	7,500,000	3.000000	-	-	-	1,500,000
Total General Obligation Bonds and Loans							599,958,470
Revenue Bonds:*							
2016 A W&S Revenue	6/8/2016	\$ 46,560,000	2.711344	-	100	-	45,505,000
2016 B W&S Refunding	6/8/2016	42,865,000	1.813975	-	100	-	39,125,000
2015 A Storm Water Revenue	1/28/2015	23,500,000	2.829639	100	-	-	21,625,000
2013 W&S Revenue	11/13/2013	44,845,000	3.641572	-	100	-	40,610,000
2010 A Storm Water Revenue	11/16/2010	20,000,000	3.170505	100	-	-	16,135,000
2010 B Storm Water Refunding	11/16/2010	7,380,000	2.607102	100	-	-	4,020,000
2010 A W&S Revenue	6/29/2010	65,000,000	3.475462	-	100	-	53,435,000
2010 B W&S Refunding	6/29/2010	8,410,000	3.027560	-	100	-	6,740,000
2010 C W&S Refunding	6/29/2010	24,950,000	3.156061	-	100	-	16,395,000
1998 Taxable W&S Revenue	8/28/1998	5,774,218	4.300000	-	100	-	425,276
Total Revenue Bonds							244,015,276
Public Facility Revenue Bonds:							
2018A Public Facility Revenue	3/28/2018	\$ 33,395,000	3.0289500	-	-	8.85	33,395,000
2016A Public Facility Revenue	11/3/2016	21,225,000	2.4588020	-	-	-	19,960,000
2016B Public Facility Revenue	11/3/2016	7,880,000	2.1224430	-	-	100.00	6,630,000
2015A Public Facility Revenue	6/25/2015	48,245,000	3.0509530	-	-	-	39,185,001
2015B Public Facility Revenue	6/25/2015	34,885,000	2.6779800	-	-	27.05	34,885,000
2014A Public Facility Revenue	6/18/2014	44,975,000	2.9840410	-	-	41.76	35,080,000
2014B Public Facility Revenue	6/18/2014	20,320,000	2.4309790	-	-	25.62	16,150,000
2013A Public Facility Revenue	6/19/2013	20,960,000	2.5996020	-	-	-	15,495,000
2012A Public Facility Revenue	4/18/2012	22,580,000	2.5996020	-	-	-	16,490,000
2012B Public Facility Refunding	4/18/2012	25,640,000	2.4489560	-	-	21.12	21,860,000
2010A Public Facility Revenue	5/25/2010	17,000,000	2.5823190	-	-	-	3,400,000
2010B Public Facility Revenue	5/25/2010	98,035,000	2.9935560	-	-	24.84	55,110,000
2010C Public Facility Refunding	5/25/2010	40,450,000	3.3969350	-	-	31.31	30,520,000
2007A Public Facility Revenue	6/26/2007	96,835,000	4.5444247	-	-	19.51	3,990,000
Total Public Facility Revenue Bonds							332,150,001
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							\$ 1,222,226,409

* Water and Sewer and Storm Water Enterprise Funds

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the outstanding balance of the defeased debt, including current year defeased debt, is \$114.5 million, and is considered in-substance defeased.

C. Summary of Recent Refundings

1. Advance Refunding of General Obligation Public Improvement Bonds, Series 2011A and 2012A

On December 28, 2017, the City issued \$71.53 million of General Obligation Public Improvement Refunding Bonds, Series 2017A to refund a portion of the 2011A and the remaining balance of the 2012A Series General Obligation Public Improvement Bonds. The refunding bonds combined with \$13.59 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 \$109.91 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 \$6.93 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 15 years by \$8.3 million and resulted in an economic gain of \$6.8 million. The escrow agent will call the series 2011A refunded bonds on June 1, 2021 and the 2012A refunded bonds on April 1, 2022.

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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. LONG-TERM DEBT (continued)

C. Summary of Recent Refundings (continued)

3. 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 refunded bonds including \$26,250,000 Series 2007 and \$27,000,000 Series 2008, and will call \$10,800,000 Series 2009 refunded bonds on June 1, 2019.

4. 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, 2007, and 2008 refunded bonds, and will call the remaining \$10.8 million Series 2009 refunded bonds on June 1, 2019.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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
2019	\$ 57,259,035	\$ 26,091,525
2020	57,355,502	23,311,441
2021	52,917,635	20,865,073
2022	49,725,076	18,781,459
2023	45,633,092	16,548,709
2024-2028	195,531,970	52,059,362
2029-2033	106,096,160	16,362,592
2034-2038	35,440,000	2,596,038
Totals	<u>\$ 599,958,470</u>	<u>\$ 176,616,199</u>

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
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	13,035,000	8,254,071
2024-2028	67,670,000	31,796,029
2029-2033	54,420,000	18,191,208
2034-2038	46,085,000	6,625,819
2039-2044	15,890,000	777,447
Totals	<u>\$ 244,015,276</u>	<u>\$ 103,833,088</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
2019	\$ 27,566,160	\$ 11,491,337	\$ 7,288,840	\$ 2,789,084
2020	29,055,881	10,225,868	7,449,119	2,468,114
2021	27,855,715	8,750,012	7,854,285	2,082,695
2022	28,138,500	7,367,431	8,446,500	1,692,175
2023	27,383,602	5,975,604	8,461,398	1,299,203
2024-2028	78,112,234	15,760,011	18,922,767	3,167,489
2029-2033	34,580,800	5,820,451	5,499,200	886,406
2034-2038	13,856,160	997,594	1,678,840	107,544
Totals	<u>\$ 266,549,052</u>	<u>\$ 66,388,308</u>	<u>\$ 65,600,949</u>	<u>\$ 14,492,710</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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. The Governmental Activities, Landfill Closure and Post-Closure Care, Federal Arbitrage Rebate (there are no set maturity dates for these liabilities) will also 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, 2018, was \$50,377,930. Of this amount, \$5,745,132 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 each 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, and has made the following changes to the funding dedication.

- On May 11, 2004, the Council reduced the dedicated rate to one cent.
- On May 9, 2006 the Council reduced the tax rate to nine tenths of one cent.
- On May 12, 2015, the Council reduced this amount to 56 one-hundredths of one cent.
- On May 9, 2018, the 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, 2018, 97 installment purchase agreements totaling 9,584 acres with a total purchase price of \$46,102,662 have been executed. There has been no change since June 30, 2017 as no additional installment purchase agreements were executed during FY2018 and no principal has been retired.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. LONG-TERM DEBT(continued)

E. Agricultural Reserve Program

Annual Debt Service requirements to maturity for Agricultural Reserve Program:

Year Ending June 30	Principal	Interest
2019	\$ -	\$ 2,374,569
2020	-	2,374,569
2021	-	2,374,569
2022	2,211,066	2,356,507
2023	6,949,719	1,915,485
2024-2028	11,302,302	7,356,414
2029-2033	6,344,003	4,920,666
2034-2038	14,386,498	2,137,612
2039-2043	4,909,074	458,624
Totals	<u>\$ 46,102,662</u>	<u>\$ 26,269,015</u>

F. Legal Debt Limit

The Constitution of Virginia (article VII, section 10) and the City Charter (section 6.05:1) impose a legal limit on the amount of general obligation debt that the City may issue without referendum; this legal limit is 10% of the total assessed value of taxable real property. At June 30, 2018, the City's debt limit was \$5.7 billion of which \$5.0 billion was available for the issuance of additional debt (which is known as the legal debt margin).

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:

- \$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, 2018, the total principal and interest remaining to be paid on the bonds is \$439,040.
- \$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, 2018, the total principal and interest remaining to be paid on the bonds is \$83,873,109.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. LONG-TERM DEBT (continued)

G. Water and Sewer Enterprise Revenue Bonds (continued)

- \$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, 2018, the total principal and interest remaining to be paid on the bonds is \$7,236,100.
- \$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, 2018, the total principal and interest remaining to be paid on the bonds is \$19,060,353.
- \$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, 2018, the total principal and interest remaining to be paid on the bonds is \$60,320,175.
- \$46.7 million in Water and Sewer Revenue Bonds issued in June 2016. The bonds are payable solely from water and sewer customer net revenues and are payable through 2042. At June 30, 2018, the total principal and interest remaining to be paid on the bonds is \$66,455,763.
- \$42.9 million in Water and Sewer Refunding Revenue Bonds issued in June 2016. The bonds are payable solely from water and sewer customer net revenues and are payable through 2031. At June 30, 2018, the total principal and interest remaining to be paid on the bonds is \$51,276,288.

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 \$288,660,827. 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, City Council set a goal of debt service coverage on its water and sewer revenue bonds at not less than 1.50 times of net revenues to debt service. At June 30, 2018, the debt service coverage on the water and sewer revenue bonds is 2.9 times. The total principal and interest expense for the current year and total customer operating income (excluding depreciation) were \$17,917,876 and \$52,688,435, respectively.

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, 2018, the total principal and interest remaining to be paid on the bonds is \$24,764,256.
- \$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, 2018, the total principal and interest remaining to be paid on the bonds is \$4,503,678.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. LONG-TERM DEBT (continued)

H. Storm Water Revenue Bonds(continued)

- \$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, 2018, the total principal and interest remaining to be paid on the bonds is \$29,919,603.

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 \$59,187,538. 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 has a goal of debt service coverage on its storm water revenue bonds at not less than 1.5 times of net revenues to debt service. At June 30, 2018, the debt service coverage on the storm water revenue bonds is 4.6 times. The total principal and interest expense for the current year and total customer operating income (excluding depreciation) were 3,393,917 and 15,775,296, respectively.

I. Debt Service Expenditures

	Principal*	Interest and Fiscal	
<u>General Government City:</u>	Retirement	Charges	Total
General Obligation Bonds	\$ 55,978,194	\$ 25,243,073	\$ 81,221,267
State Literary Fund Loans	375,000	56,250	431,250
Public Facility Revenue Bonds	25,226,160	11,356,025	36,582,185
Agriculture Reserve Program	-	2,374,570	2,374,570
Bank Charges & Bond Issuance Costs	-	1,029,425	1,029,425
Total Tax Supported Debt Service	<u>81,579,354</u>	<u>40,059,343</u>	<u>121,638,697</u>
	Principal*	Interest and Fiscal	
	Retirement	Charges	Total
<u>Enterprise Funds:</u>			
Revenue Bonds	10,560,728	10,725,501	21,286,229
Public Facility Revenue Bonds	6,733,840	2,997,081	9,730,921
Bank Charges & Bond Issuance Costs	-	25,564	25,564
Total Enterprise Debt Service	<u>17,294,568</u>	<u>13,748,146</u>	<u>31,042,714</u>
Total Debt Service	<u><u>\$ 98,873,922</u></u>	<u><u>\$ 53,807,489</u></u>	<u><u>\$ 152,681,411</u></u>

* Excludes bonds refunded

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. LONG-TERM DEBT (continued)

J. Accrued Compensated Leave

The accrued compensated leave is as follows at June 30, 2018:

	Primary Government		School Board	
	Governmental	Business-Type	School Board	
	Activities	Activities	Component Unit	Total
City - Annual	\$ 31,545,960	\$ 3,855,997	\$ -	\$ 35,401,957
City - Compensatory	9,149,195	520,938	-	9,670,133
City - Sick	3,143,104	600,836	-	3,743,940
School - Annual	-	-	10,431,218	10,431,218
School - Sick	-	-	18,646,404	18,646,404
School - Personal	-	-	4,841,618	4,841,618
Total	<u>\$ 43,838,259</u>	<u>\$ 4,977,771</u>	<u>\$ 33,919,240</u>	<u>\$ 82,735,270</u>

K. Authorized But Unissued Bonds

Purpose	June 30, 2018
<u>Charter Based Debt:</u>	
<u>General Obligation Debt:</u>	
2015 Charter Bonds	\$ 18,801,595
2016 Charter Bonds	61,295,293
2017 Charter Bonds	69,272,406
2018 Charter Bonds	72,208,245
Total General Obligation Debt	<u>221,577,539</u>
<u>Water and Sewer Debt:</u>	
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>
<u>Storm Water Utility Revenue Bonds:</u>	
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
2018 Storm Water Utility Revenue Bonds	30,077,004
Total Storm Water Utility Debt	<u>113,601,726</u>
Total Authorized and Unissued Charter Debt - June 30, 2018	<u><u>387,861,931</u></u>
<u>Appropriation-Supported Debt:</u>	
<u>Public Facility Revenue Bonds</u>	<u>222,605,596</u>
Total Authorized and Unissued Debt - June 30, 2018	<u><u>\$ 610,467,527</u></u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. LONG-TERM DEBT(continued)

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, as well as those found in the Agreement of Trust dated January 1, 2000, as amended and supplemented, for the Storm Water Revenue Bonds.

M. Compliance

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

N. Public Facility Revenue Bonds and Associated VBDA Support Agreements

City Council through the Capital Improvement Program has previously authorized the financing of various public facilities with the utilization of Public Facility Revenue Bonds (PFRB) issued through the Virginia Beach Development Authority (VBDA), a blended component unit of the City.

The VBDA issued PFRBs, 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 FY 2014. 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 PFRBs, Series 2010B & C, Series 2012B, 2014B, 2015B, and 2016B to advance refund certain maturities of the previously issued PFRBs series 2002A, 2003A, 2005A, 2007A, 2005B, 2007B and its 1998 Lease Revenue Bonds. During FY 2017-18, the Authority issued PFRB, Series 2018A, of which \$3.1 million (including premiums) paid for a public plaza and public infrastructure to elevate Zeiders American Dream Theater in Town Center Phase VI.

A portion of the PFRBs, Series 2003, 2005A, 2007A, 2010A, Series 2012A, 2014A, and 2018A was used to finance acquisition and construction of various capital improvements in the City of Virginia Beach.

PFRB debt is subject to annual appropriation by the City Council, and therefore, does 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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

7. ASSETS AND OBLIGATIONS UNDER LEASES

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 and used as needed for capital and structural improvements, maintenance and repair of the facility.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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).

As of June 30, 2018, 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.

		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:	June 30, 2018				
Money Market funds	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	0.01
Commercial Paper	177,350,646	-	177,350,646	-	0.94
U. S. Government Securities	387,692,168	-	387,692,168	-	0.41
	<u>\$ 575,042,814</u>	<u>\$ -</u>	<u>\$ 575,042,814</u>	<u>\$ -</u>	
Investments Measured at other than Fair Value:					
Certificates of Deposits	\$ 70,035,294				0.37
State Non Arbitrage Program – SNAP	28,389,438				0.03
State Treasurer's Local Government Pool (LGIP)	112,000,000				0.12
Virginia Investment Pool (VIP)	10,251,480				0.01
Virginia Investment Pool (VIP) - Liquidity Pool	150,699,080				0.01
Total Fair Value	<u>\$ 371,375,292</u>				
Total Investments					
Portfolio Weighted Average Maturity	<u>\$ 946,418,106</u>				<u>0.49</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2018:

	Primary Government	School Board Component Unit	Total
Cash and Investments	\$ 789,557,546	\$ 174,501,200	\$ 964,058,746
Restricted Cash and Cash Equivalents	150,132,634	-	150,132,634
Fiduciary Funds	467,073	19,331,595	19,798,668
Total	<u>\$ 940,157,253</u>	<u>\$ 193,832,795</u>	1,133,990,048
Less: Cash on Deposit			(187,571,942)
Total Fair Value of Investments at June 30, 2018			<u>\$ 946,418,106</u>

The City has investments in U.S. Government securities valued at \$387.7 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 \$371.4 million at June 30, 2018. 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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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		<u>AAA</u>		<u>A1/P1/F1+</u>
State Treasurer's Local Government Investment Pool (LGIP)	\$	112,000,000	\$	-
U. S. Government Securities		387,692,168		-
State Non Arbitrage Program (SNAP)		28,389,438		-

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.

At June 30, 2018, 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, 2018 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, 2018 \$939 in interest income from investments associated with one fund was assigned to another fund.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 financial and program compliance audits by the applicable federal or state agency or their representatives.

Furthermore, Federal grant programs in which the City participates have been audited in accordance with the provisions of the Office of Management 2 CFR 200, Uniform Administrative Requirements. 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, would not have a material adverse effect on the City's financial position.

C. 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.

D. Landfill Closure and Environmental Trust Fund Claims

On May 24, 2016, the City entered into a use and support agreement with Southeastern Public Service Authority of Virginia (SPSA). Under this agreement, effective January 1, 2018 which continues until June 2027, 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 a second agreement, which expired December 31, 2015, the City agreed to accept at the City's 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 2017 of the developed cells at the City landfill is 1.81 million tons. Future development could 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 8.24 million tons. Estimated remaining life of the landfill, based on current fill rates is 21 years for the existing developed capacity and 74 years for the permitted capacity.

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 \$20,827,496, 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 landfill conditions, changes in estimates, changes in technology or changes in laws or regulations. This amount is reflected in the government-wide financial statements. The City is required by law to submit a worksheet that demonstrates the ability to fund landfill closure and post-closure care costs.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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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 thirty (30) year period after cessation of each landfill's operation. The City's proportionate share of the funds, held by SPSA, total \$295,752 as of June 30, 2018.

E. Water Services Contract

The City and the City of 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. The City of 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.

F. Subsequent Event

In November 2018, both cities executed a thirty (30) year contract extension of the Water Services Contract until the year 2060. After the year 2060, there is a provision to have rolling extensions subject to a ten (10) year notice to terminate after the year 2060. The revised contract also calls for a \$20 million lump sum payment to Norfolk from unrestricted cash in the Water and Sewer Utility Fund after the contract is executed in FY2019. In addition, a new Water Sales Agreement was agreed upon to run concurrently with the existing Water Services Contract to be effective January 1, 2019 for the City to purchase ten (10) million gallons per day of Norfolk surplus water.

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, 2018 the City had outstanding encumbrances as follows:

General Fund

General Government	\$	1,993,873
Computer Replacement Program		1,699,976
Museums and Cultural Arts		368,547
Information Technology		1,556,964
Planning		597,394
Sandler Center for the Performing Arts		1,710,000
Human Services		388,220
Police		202,624
Public Works		1,529,077
Parks and Recreation		368,382
Vehicle Replacement		191,053
Total General Fund		<u>10,606,110</u>

Capital Projects Fund

Engineering and Highways	64,620,168
Buildings	30,354,506
Parks and Recreation	3,007,802
Coastal	3,313,561
Economic and Tourism	30,678,023
Total Capital Projects Fund	<u>131,974,060</u>

Nonmajor Special Revenue Funds

Total	<u><u>\$ 144,304,823</u></u>
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CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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)
	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.
2) Tax being abated	1% local sales tax	Business License Tax
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
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.
5) How recipients' taxes are reduced	Through sales tax dedication based on generated sales.	Pay maximum license fee of \$60 for the first 2 calendar years.
6) How amount of abatement is determined	1) 1% of local sales tax generated on-premise is paid to developer as an incentive payment - total of \$8.17M 2) 1% of state sales tax generated on-premise is paid to developer 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.
7) Provisions for recapturing abated taxes	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 (FY 2014) 2) Green Space/Historic Preservation Easement - \$2.37M (FY2014) 3) Cavalier Drive Improvements - \$2.45M (FY2014 and 2017) 4) Annual Grants based on increased Real Estate Tax Revenues - capped at \$5M in total; not yet paid	Eligible for Economic Development Investment Program Grant: FY18 - \$360,514 FY17 - \$250,097
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement	Real Estate Tax: FY18 - \$1,137,383 (Rebate for taxes paid from FY14 through FY18) Sales Tax: FY18 - \$17,873 (City's portion only)	Business License Tax: FY18 - \$319,900 FY17 - \$541,215

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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	
	Yes Oceana APZ-1 Incentives	ViBE Creative District
1) Purpose of Program	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.	To attract creative industries to the City, new establishments at which creative activities are carried on, establish framework for broadening economic development through creative endeavors, and to encourage creative activities at existing venues.
2) Tax being abated	Real Estate Tax; Business License Tax and Fees	Real Estate Tax; Business License Tax and Fees
3) Authority under which abatement agreements are entered into	VA Code 58.1-3220.1 and 58.3221 Ord. No. 2786, 9-23-03 Ord. No. 2932, 3-28-06 VB Code 35-72.1, 35.2-11	VB Code Section 9-1 through 9-9. Ord. No. 3402
4) Criteria to be eligible to receive abatement	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.	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.
5) How recipients' taxes are reduced	Credit on tax bill, rebate, and reimbursements of fees. All last 15 years.	Credit on bill for real estate tax. Through reimbursement of business, professional, and occupational license taxes. Reimbursement of fees.
6) How amount of abatement is determined	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.	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.
7) Provisions for recapturing abated taxes	N/A	N/A
8) Types of commitments made by the City other than to reduce taxes	Eligible for Economic Development Investment Program Grant: FY18 - \$134,645 FY17 - \$109,517	Eligible for Economic Development Investment Program Grant.
9) Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement	Business License Tax: FY18 - \$43,598 FY17 - \$50,320 No Real Estate Taxes have been credited to-date	There is currently only one qualifying establishment under this program and due to Virginia Law this amount cannot be disclosed, therefore it is included with the amount in APZ-1.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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	
	Public Private Partnerships	
	Field House	25th Street Parking Garage and iFLY
1) Purpose of Program	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	Admissions Tax
3) Authority under which abatement agreements are entered into	Development Agreement approved by City Council	Virginia Public-Private Education Facilities and Infrastructure Act of 2002
4) Criteria to be eligible to receive abatement	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	Company receives a rebate/incentive payment.	Company receives a rebate/incentive payment.
6) How amount of abatement is determined	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
8) Types of commitments made by the City other than to reduce taxes	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	Real Estate Tax: FY18 - \$143,514 FY17 - \$145,643	Admission Tax: FY18 - \$87,353 FY17 - \$86,003

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

11. INTERFUND BALANCES AND TRANSACTIONS, FUND RESULTS AND RECONCILIATIONS

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2018 were made up of the following:

Transfer To:	General Fund	Nonmajor Governmental	Water & Sewer Enterprise	Nonmajor Parking Enterprise	Internal Service	Total
General Fund	\$ 40,000	\$ 9,327,325	\$ -	\$ -	\$ -	\$ 9,367,325
Capital Projects Fund	60,988,332	12,648,981	99,000	1,100,000	550,000	75,386,313
Storm Water Fund	5,420,501	29,873	-	-	-	5,450,374
Waste Management	5,712,041	-	-	-	-	5,712,041
Nonmajor Governmental	74,945,302	569,271	-	90,000	-	75,604,573
Nonmajor Enterprise Funds	-	67,273	-	-	-	67,273
Internal Service Funds	1,000,000	-	-	-	-	1,000,000
						\$
Total	<u>\$ 148,106,176</u>	<u>\$ 22,642,723</u>	<u>\$ 99,000</u>	<u>\$ 1,190,000</u>	<u>\$ 550,000</u>	<u>172,587,899</u>

Purpose:

Transfers From General Fund:

\$ 60,988,332	Capital Projects Fund: Funding for Pay-As-You-Go Capital Projects Fund
5,420,501	Storm Water Fund: Funding for support of Capital Projects
5,712,041	Waste Management Fund: Funding for support of Operations
74,945,302	Nonmajor Governmental Funds: Funding for Special Revenue programs and Debt Fund
40,000	Oyster Heritage Fund: Funding for support of Operations
1,000,000	Internal Service Funds: For Risk Management support

Transfers From Nonmajor Governmental Funds:

\$ 9,327,325	General Fund: Special Revenue Funds, primarily surplus funds from Sandbridge TIF
12,648,981	Capital Projects Fund: Funding for Pay-As-You Go capital projects.
29,873	Storm Water Fund: Funding for support of Storm Water operations.
569,271	Nonmajor Governmental Funds: Funding for support of existing programs
67,273	Nonmajor Enterprise Funds: Funding for Parking support.

Transfer From Water and Sewer Fund

\$ 99,000	Water and Sewer Fund: Funding for support of Capital projects
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Transfer From Nonmajor Enterprise Fund:

\$ 1,100,000	Capital Project Funds: Economic and Tourism.
90,000	Nonmajor Governmental Funds: Funding for support of existing programs.

Transfer From Internal Service Fund:

\$ 550,000	Capital Project Funds: Internal Services
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CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

B. Net Position Deficit

The following Primary Government funds have deficit balances in equity at June 30, 2018:

Proprietary Funds:

Risk Management Fund	\$	18,624,412
School Site Landscaping	\$	110,269

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.

The deficit in the School Site Landscaping Funds is a result of the recognition of its share of June 30, 2018 Pension Liability and OPEB Liabilities. The rate structure will be evaluated for future adjustments.

C. Accounting Changes, Restatements and Fund Combinations

The City adopted GASB Statement No. 75, Financial Reporting for Postemployment Plans other than Pension Plans for the fiscal year ended June 30, 2018. Implementation of GASB 75. 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.

	FY2017 Ending Net Position	Net OPEB Liability Adjustment	FY2018 Beginning Net Position
Fund Type:			
Governmental Activities	\$ 2,587,584,250	\$ (95,785,848)	\$ 2,491,798,402
Business-type Activities	1,093,620,131	(5,579,728)	1,088,040,403
Total	<u>\$ 3,681,204,381</u>	<u>\$ (101,365,576)</u>	<u>\$ 3,579,838,805</u>

Governmental Activities Fund Restatements:

City Garage ISF	\$ (52,648)	\$ (562,961)	\$ (615,609)
Risk Management ISF	(22,232,614)	(49,883)	(22,282,497)
School Site Landscaping ISF	(613,008)	(434,691)	(1,047,699)
Telecommunications ISF	2,990,348	(71,261)	2,919,087

Business-type Activities Fund Restatements:

Water & Sewer	\$ 664,762,300	\$ (2,971,579)	\$ 661,790,721
Storm Water	348,563,067	(42,757)	348,520,310
Waste Management	8,882,839	(1,181,796)	7,701,043
Nonmajor Parking	4,070,884	(1,446,596)	2,624,288

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 an internal service Risk Management Fund to account for and finance its uninsured risks of loss. Under this program, the 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 (\$100,000 for schools), 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 \$10,000,000 of excess insurance coverage per claim and \$20,000,000 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 claims liability of \$40,902,030 is based on the ultimate cost of settling the claims, which includes incremental claim adjustment expenses (i.e., outside legal assistance) and estimated recoveries on unsettled claims as required by GASB Statement No. 30. The City prepares an update of the actuarial liability biennially, and believes the estimates contained herein substantially reflect estimated claims and judgments for the period ending June 30, 2018.

	Beginning Liability	Claims & Changes in Estimates	Claims Payments	Balance at Year-End
2017	\$ 31,100,210	\$ 18,305,526	\$ 11,673,236	\$ 37,732,500
2018	37,732,500	12,452,256	9,282,726	40,902,030

B. School Board Self-Insurance Program

The School Board is self-insured for a portion of its risks. The self-insurance coverage for Fire and Property Insurance is \$100,000 per occurrence (includes unnamed windstorm and earthquake damage) and 1% of the total insured value of the damaged covered property when such loss or damage results from a named windstorm (minimum deductible - \$250,000 per occurrence); Boiler and Machinery Breakdown coverage is \$10,000 per occurrence; School Leaders Liability (errors and omissions) coverage is \$350,000 per occurrence; Student Professional is \$2,350,000 and International Travel Liability coverage is \$1,000,000 per claim; Crime (Employee Dishonesty) coverage is \$100,000 per occurrence; Environmental Impairment and Cyber Liability coverage has a \$1,000,000 each claim/aggregate; 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

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 and the insurance coverage is substantially the same as in recent 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, 2018 is \$7,971,000 (undiscounted) as follows:

Fiscal Year	Beginning -of Fiscal-Year Liability	Current-Year Claims & Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2016	\$ 8,590,000	\$ 5,052,000	\$ 6,088,000	\$ 7,554,000
2017	7,554,000	5,838,000	6,025,000	7,367,000
2018	7,367,000	5,828,000	5,224,000	7,971,000

Self-Insured Health Care Benefits Program

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, 2018 is \$9,328,000 (undiscounted), as follows:

Fiscal Year	Beginning -of Fiscal-Year Liability	Current-Year Claims & Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2016	\$ 8,528,000	\$ 132,638,000	\$ 133,627,000	\$ 7,539,000
2017	7,539,000	132,594,000	132,809,000	7,324,000
2018	7,324,000	134,456,000	132,452,000	9,328,000

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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT

A. Virginia Retirement System

Plan Description

The City and School Board contribute to the Virginia Retirement System (VRS), which provides agent, multiple employer and cost-sharing, multiple-employer defined benefit pension plans administered by the Virginia Retirement System (System). The City employees and School Non Professional employees are covered by the VRS Political Subdivision Retirement Plan, which is the agent, multiple employer defined benefit. All full-time, salaried permanent (professional) employees of Virginia Beach City Public Schools (VBCPS) are covered by the VRS Teacher Retirement Plan, which is the cost-sharing, multiple employer defined benefit plan upon employment.

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

All full-time, salaried permanent employees of the City and School Board are automatically covered by the 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 pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has 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, 2018

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.</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.</p>	<p>About the Hybrid Retirement Plan: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</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, and they have not taken a refund.</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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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: <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. </p> <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. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions: Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</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>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p>Defined Contributions Component: 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 Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

**CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

		<p>Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</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 Defined Benefit Component: See definition under Plan 1.</p>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

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.		Defined Contribution Component: 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.
Average Final Compensation: A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation: A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation: Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
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%.	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.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	Sheriffs and regional jail superintendents: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: 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 Defined Benefit Component: 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>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: 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>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</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>Eligibility: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

<p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</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>Exceptions to COLA Effective Dates: Same as Plan 1.</p>	<p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage: Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local 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>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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. 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 Defined Benefit Component: Same as Plan 1, with the following exceptions: - Hybrid Retirement Plan members are ineligible for ported service. Defined Contribution Component: Not applicable.</p>
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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/2017-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, 2018

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>City</u>	<u>School Board Non Professional</u>
Inactive Members or Their Beneficiaries Currently Receiving Benefits	3,736	1,513
Inactive Members:		
Vested	840	283
Non-Vested	1,177	758
Active Elsewhere in VRS	807	400
Total Inactive Members	<u>2,824</u>	<u>1,441</u>
Active Members	<u>5,800</u>	<u>2,073</u>
Total	<u><u>12,360</u></u>	<u><u>5,027</u></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 and School divisions 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 City's contractually required employer contribution rate for the year ended June 30, 2018 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. This rate, 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.

The School Board Professional VRS plan's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. 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. The School Board (Non Professional) VRS pension plan's contractually required contribution rate for the year ended June 30, 2018 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. This rate, 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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Contributions (continued)

Contribution made by the Employer and Employee for the years ended June 30, 2018 and June 30, 2017 are listed in the table below:

Fiscal Year	City		School Board - Professional		School Board - Non-Professional	
	Employer Contributions	Employee Contributions	Employer Contributions	Employee Contributions	Employer Contributions	Employee Contributions
2018	\$ 44,501,507	\$ 15,882,008	\$ 65,402,518	\$ 20,037,536	\$ 2,969,741	\$ 2,115,200
2017	43,919,386	16,158,074	57,698,763	19,678,978	2,956,311	2,105,635

Net Pension Liability

The City's net pension liability measured as of June 30, 2017 totaled \$350,237,692. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

As of June 30, 2018, the School Board Professional Retirement Plan reported a liability of \$625,579,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 5.08685% as compared to 5.12286% at June 30, 2016. The School Board's net pension liability for the Non Professional Retirement Plan measured as of June 30, 2017 totaled \$13,615,000. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – City General Employees

The total pension liability for general employees in the City's Retirement Plans was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation:	2.5 percent
Salary increases, including inflation:	3.5 percent - 5.35 percent
Investment rate of return:	7.0 percent, net of pension plan investment expenses, including inflation*

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

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Actuarial Assumptions (continued)

Mortality rates:

Largest 10 - Non-LEOS: 20% of deaths are assumed to be service related.

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – Non-LEOS: 15% of deaths are assumed to be service related.

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10-Non-LEOS:

- Updated mortality rates to a more current mortality table - RP 2014 projected to 2020
- Lowered retirement rates at older ages and extended final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- Increased line of duty disability rates from 14% to 20%

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

- Updated mortality rates to a more current mortality table - RP 2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- Increased line of duty disability rates from 14% to 15%

**CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 - LEOS: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% of male.

All Others (Non 10 Largest) – Non-LEOS: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

**CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Actuarial Assumptions - City Public Safety Employees (continued)

Largest 10-LEOS:

- Updated mortality rates to a more current mortality table - RP 2014 projected to 2020
- Lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience at each year age and service year
- Increased disability rates
- Increased line of duty disability rates from 60% to 70%

All Others (Non 10 Largest) – LEOS:

- Updated mortality rates to a more current mortality table - RP 2014 projected to 2020
- Increased retirement age 50 rates and lowered rates at older ages
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better fit experience
- Decreased line of duty disability rates from 60% to 45%

Actuarial Assumptions – School Board

Professional/Teacher Retirement Plan

The total pension liability for the VRS Professional/Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95percent
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-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

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

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Actuarial Assumptions – School Board (continued)

Post-Disablement:

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

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

- Updated mortality rates to a more current mortality table - RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience

Non Professional Retirement Plan

The total pension liability for Non Professional (Non Teacher) Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 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: 15% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Actuarial Assumptions – School Board (continued)

- Update mortality rates to a more current mortality table - RP-2014 projected to 2020
- Lowered retirement rates at older ages and extended final retirement age from 70 to 75
- Adjusted termination rates to better fit experience at each age and service year
- Lowered disability rates

Long-Term Expected Rate of Return

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

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

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

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, 2019, 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, 2019 on, participating employers are assumed to contribute

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

City	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	<u>\$ 1,868,741,985</u>	<u>\$ 1,457,643,926</u>	<u>\$ 411,098,059</u>
Changes for the Year:			
Service Cost	36,385,569	-	36,385,569
Interest	127,496,045	-	127,496,045
Changes in assumptions	7,551,961	-	7,551,961
Difference between expected and actual experience	1,570,175	-	1,570,175
Contribution - Employer	-	43,305,500	(43,305,500)
Contribution - Employee	-	15,780,809	(15,780,809)
Net Investment Income	-	175,963,753	(175,963,753)
Benefit payments, including refunds of			
Employee Contributions	(94,739,837)	(94,739,837)	-
Administrative Expense	-	(1,029,901)	1,029,901
Other Changes	-	(156,044)	156,044
Net Changes	<u>78,263,913</u>	<u>139,124,280</u>	<u>(60,860,367)</u>
Balances at June 30, 2017	<u>\$ 1,947,005,898</u>	<u>\$ 1,596,768,206</u>	<u>\$ 350,237,692</u>

School Board Non Professional	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	<u>\$ 213,128,951</u>	<u>\$ 190,273,898</u>	<u>\$ 22,855,053</u>
Changes for the Year:			
Service Cost	4,027,098	-	4,027,098
Interest	14,519,133	-	14,519,133
Changes in assumptions	(1,332,150)	-	(1,332,150)
Difference between expected and actual experience	1,300,649	-	1,300,649
Contribution - Employer	-	2,959,847	(2,959,847)
Contribution - Employee	-	2,124,981	(2,124,981)
Net Investment Income	-	22,825,346	(22,825,346)
Benefit payments, including refunds of			
Employee Contributions	(11,425,531)	(11,425,531)	-
Administrative Expense	-	(135,200)	135,200
Other Changes	-	(20,191)	20,191
Net Changes	<u>7,089,199</u>	<u>16,329,252</u>	<u>(9,240,053)</u>
Balances at June 30, 2017	<u>\$ 220,218,150</u>	<u>\$ 206,603,150</u>	<u>\$ 13,615,000</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 for the City, School Board Non Professional and School Board's proportional share for the Professional/Teacher Retirement Plans, each 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:

	1% Decrease (6.00)%	Current Discount Rate (7.00%)	1% Increase (8.00)%
City's Net Pension Liability	\$ 591,062,319	\$ 350,237,692	\$ 148,776,884
School Board Non Professional Net Pension Liability	\$ 39,619,330	\$ 13,615,000	\$ (8,265,859)
School Board's Proportionate Share of the Net Pension Liability for the VRS Professional/Teacher Retirement Plan	\$ 934,199,432	\$ 625,579,398	\$ 370,287,903

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

For the year ended June 30, 2018, the City recognized pension expense of \$31,474,123. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,179,583	\$ 8,703,919
Changes of assumptions	5,766,627	-
Net difference between projected and actual earnings on plan investments	-	22,476,888
Employer contributions subsequent to the measurement date	44,501,507	-
Total	\$ 53,447,717	\$ 31,180,807

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The \$44,501,507 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 fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30:		
2019	\$	(17,066,935)
2020		6,574,415
2021		2,805,535
2022		(14,547,612)
2023		-
Thereafter		-

School Board Professional/Teachers Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the School Board recognize pension expense of \$41,220,000 for the Professional/Teacher Retirement Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 44,297,000
Change of assumptions	9,129,000	-
Net difference between projected and actual earnings on plan investments	-	22,728,000
Changes in proportion and differences between employer contributions and porportionate share of contributions	1,917,000	14,696,000
Employer contributions subsequent to the Measurement Date	65,403,000	-
Total	<u>\$ 76,449,000</u>	<u>\$ 81,721,000</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

A. Virginia Retirement System (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The \$65,403,000 reported as deferred outflows of resources related to pensions resulting from the 2017's contributions by the School Board for the Professional/Teachers plan subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30:		
2019	\$	(29,506,000)
2020		(5,278,000)
2021		(10,354,000)
2022		(22,738,000)
2023		(2,799,000)

In addition, for the year ended June 30, 2018, the School Board recognized pension expense was \$1,410,208 for the Non Professional Retirement Plan. At June 30, 2018, the School Board Non Professional Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board Non Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 920,000	\$ -
Changes in assumptions	-	848,000
Net difference between projected and actual earnings on plan investments	7,840,000	10,657,000
Employer contributions subsequent to the measurement date	2,970,000	-
Total	<u>\$ 11,730,000</u>	<u>\$ 11,505,000</u>

The \$2,970,000 reported as deferred outflows of resources related to pensions resulting from the 2017's contributions by the School Board Non Professional plan made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30:		
2019	\$	(1,829,000)
2020		965,000
2021		66,000
2022		(1,947,000)
2023		-
Thereafter		-

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

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 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 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, 2017, the composition of participants was as follows:

Employed participants with ending balances	403
Terminated participants with ending balances	115
Participants with zero ending balances	2
	<u>520</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 \$177, which consisted of excess funds remitted to participant accounts. 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 of 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 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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

B. Sheriff's Supplemental Retirement Plan (continued)

1. Description of the Plan (continued)

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.

Forfeitures - During the year ended June 30, 2017, forfeited non-vested accounts totaled \$33. Forfeitures of the Plan's contribution are reallocated to eligible participants. These forfeitures will be remitted to participant accounts subsequent to year-end.

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 (GAAP) 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 year 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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 allows for funds within fifteen major asset classes defined by either investment objective or risk category.

The Plan had the following investments as of June 30, 2017:

Mutual funds, at fair value:

AB Discovery Value Advisor	\$ 110,838
American Century Equity Growth Fund	44,841
American Funds 2010 Target Date Retire R5	4,750
American Funds 2015 Target Date Retire R5	47,676
American Funds 2020 Target Date Retire R5	141,659
American Funds 2025 Target Date Retire R6	104,347
American Funds 2030 Target Date Retire R7	137,717
American Funds 2035 Target Date Retire R8	142,115
American Funds 2040 Target Date Retire R9	154,620
American Funds 2045 Target Date Retire R5	52,925
American Funds 2050 Target Date Retire R5	19,306
American Funds 2055 Target Date Retire R5	14,459
American Funds Growth Fund of Amer R4	110,155
Baron Small Cap Retail	141,926
Delaware Value Inst	191,650
Eagle Small Cap Growth R5	14,218
Janus Henderson Forty S	15,106
MassMutual Select Mid Cap GR EQ II R5	11,576
MFS Massachusetts Investors Growth Fund	52,542
Templeton World Fund	95,356
Vanguard Institutional Index I	458,198
Vanguard Mid Cap Index Fund	50,664
Vanguard Total Bond Market Index Inv	117,019
William Blair International Growth N	55,395
	<u>2,289,058</u>

Separate account contract, at contract value:

Virginia Beach Fixed Income Fund	1,259,278
	<u>\$ 3,548,336</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. The Sheriff's Plan is self-trusted and thus does not have a Plan custodian. Securities that exist in book entry form are held in trust by the custodian in the name of the Plan.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

B. Sheriff's Supplemental Retirement Plan (continued)

4. Separate account contract

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 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, 2017, the crediting interest rate on the separate account contract was 1.75%.

At June 30, 2017 the fair value of the contract was as follows:

Components:

Underlying investments	\$	1,259,278
Wrap contract		(1,399)
Total	\$	<u>1,257,879</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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

B. Sheriff's Supplemental Retirement Plan (continued)

4. Separate account contract (continued)

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 or Strips
- Commercial paper
- Repurchase agreements fully collateralized by the United States Government, 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 and United States Agency Securities
- Mortgaged-backed securities issued by:
 - o Government National Mortgage Association ("GNMA")
 - o Federal National Mortgage Association ("FNMA")
 - o Federal Home Loan Mortgage Corporation ("FHLMC")
 - o Federal Home Loan Banks ("FHLB")
 - o Veteran Affairs' Vendee Loan
 - o 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
- 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 separate account 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, 2017, 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.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. RETIREMENT (continued)

B. Sheriff's Supplemental Retirement Plan (continued)

5. 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, 2017:

Assets at Fair Value as of June 30, 2017				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 2,289,058	\$ -	\$ -	\$ 2,289,058
Total	\$ 2,289,058	\$ -	\$ -	\$ 2,289,058

6. Revenue Sharing Fee Agreement

The Plan sponsor has contracted with 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.

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 pro-rata 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 2017 annual reconciliation, there was an excess of \$177 remitted to the Plan.

For the year ended June 30, 2017, activity in the general account was as follows:

Balance, beginning of the year	\$	3,907
Dividends and interest		66
Plan level administrative expenses		1,185
General account distributions		(177)
Total	\$	4,981

CITY OF VIRGINIA BEACH, VIRGINIA
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13. RETIREMENT (continued)

B. Sheriff's Supplemental Retirement Plan (continued)

7. Subsequent events

Subsequent to year-end, the Deferred Compensation Board and the City Council and School Board of the City of Virginia Beach, Virginia, the Plan Sponsor, voted to offer its employees the Commonwealth of Virginia Cash Match Plan (COV). The expectation is that Sheriff's existing plan will eventually be transferred to COV at a later date and continue for the benefit of employees of the City of Virginia Beach. Plan financials for the year ended June 30, 2017 are presented in accordance with U.S. GAAP accrual accounting.

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.

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14. OTHER POSTEMPLOYMENT BENEFITS

A. Single-Employer, Defined Benefit Plan

Plan Description

The City and School Board Other Postemployment Benefit Plans (OPEB) 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 OPEB other than pensions as defined in Section 15.2-1545 of the Virginia Code to retirees and their spouses and eligible dependents.

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 OPEB. In accordance with the 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 OPEB 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, 2018 includes:

	<u>City</u>	<u>School Board</u>
Active Participants	5,992	10,161
Retirees and Surviving Spouses	691	628
Spouses of Current Retirees	87	55
Total	<u>6,770</u>	<u>10,844</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.

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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, 2018 the actuarially determined contribution was set at \$6,296,000 for the City and at \$7,369,400 for the School Board. Plan members from each organization contributed \$3,044, \$2,082 and \$1,445 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, \$7,940 and \$6,455 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.

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, 2018.

The following is for the City and School Board:

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Expected Geometric Real Rate of Return
Core Fixed Income	19.60%	1.17%	0.99%
High Yield Bonds	1.40%	3.38%	2.77%
Large Cap US Equities	26.00%	5.53%	4.14%
Small Cap US Equities	10.00%	6.58%	4.57%
Developed Foreign Equities	13.00%	6.43%	4.66%
Emerging Market Equities	5.00%	8.76%	5.64%
Private Equity	5.00%	9.10%	6.63%
Hedge Funds / Absolute Return	10.00%	3.03%	2.63%
Real Estate (REITS)	7.00%	5.05%	3.86%
Commodities	3.00%	3.30%	1.78%
Assumed Inflation		2.60%	2.60%
Portfolio Real Mean Return		4.97%	4.22%
Portfolio Nominal Mean Return		7.57%	6.93%
Portfolio Standard Deviation			12.55%
Long-Term Expected Rate of Return			7.00%

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Net OPEB Liability

The City's Net OPEB Liability was measured as of June 30, 2018 and totaled \$54,690,641. The School Board's Net OPEB Liability was measured as of June 30, 2018 and totaled \$63,424,338. The City and School Board's Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based of 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.

Changes in Net OPEB Liability

	City		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of June 30, 2017	\$ 85,327,774	\$ 38,584,199	\$ 46,743,575
Changes for the year:			
Service Cost	1,452,138	-	1,452,138
Interest on Total OPEB Liability	5,558,785	-	5,558,785
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	(3,737,558)	-	(3,737,558)
Effect of Assumptions Changes or Inputs	15,718,896	-	15,718,896
Benefit Payments	(7,387,237)	(7,387,237)	-
Employer Contributions	-	7,387,237	(7,387,237)
Member Contributions	-	-	-
Net Investment Income	-	3,693,879	(3,693,879)
Administrative Expenses	-	(35,921)	35,921
Balances as of June 30, 2018	<u>\$ 96,932,798</u>	<u>\$ 42,242,157</u>	<u>\$ 54,690,641</u>

	School Board		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of June 30, 2017	\$ 72,462,906	\$ 27,134,224	\$ 45,328,682
Changes for the year:			
Service Cost	1,239,627	-	1,239,627
Interest on Total OPEB Liability	5,027,382	-	5,027,382
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	1,400,273	-	1,400,273
Effect of Assumptions Changes or Inputs	20,370,070	-	20,370,070
Benefit Payments	(6,679,101)	(6,679,101)	-
Employer Contributions	-	7,369,401	(7,369,401)
Member Contributions	-	-	-
Net Investment Income	-	2,597,704	(2,597,704)
Administrative Expenses	-	(25,409)	25,409
Balances as of June 30, 2018	<u>\$ 93,821,157</u>	<u>\$ 30,396,819</u>	<u>\$ 63,424,338</u>

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Sensitivity Analysis

The following presents the Net OPEB Liability of the City and the School Board calculated using the discount rate of 7.00%, as well as what the City and School Board's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rates.

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
City:			
Net OPEB Liability	\$ 62,422,982	\$ 54,690,641	\$ 47,719,319
School Board:			
Net OPEB Liability	\$ 70,897,698	\$ 63,424,338	\$ 56,577,456

The following presents the Net OPEB Liability of the City and the School Board using the current healthcare cost trend rates, as well as what the City and School Board's 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.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the City's and School Board's recognized OPEB expenses was \$5,812,417 and \$7,217,298, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 3,218,453
Changes in Assumptions	13,535,716	-
Net Difference between Projected and Actual Earnings	-	795,377
Total	\$ 13,535,716	\$ 4,013,830

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

Fiscal Year Ended June 30:	
2019	\$ 1,465,231
2020	1,465,231
2021	1,465,231
2022	1,465,230
2023	1,664,075
2024	1,996,888

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

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 1,208,455	\$ -
Changes in Assumptions	17,579,649	-
Net Difference between Projected and Actual Earnings	-	540,345
Total	\$ 18,788,104	\$ 540,345

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

Fiscal Year Ended June 30:	
2019	\$ 2,847,153
2020	2,847,153
2021	2,847,153
2022	2,847,152
2023	2,982,239
2024	3,876,909

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. 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.

Actuarial Assumptions

The demographic assumptions used are predominately consistent with those used in the City's June 30, 2017 Virginia Retirement System (VRS) valuation. The following represent the summary of information included in the January 1, 2018 actuarial valuation prepared for Milliman, Inc. for the period:

Valuation Date:	January 1, 2018
Measurement Date:	June 30, 2018
Inflation:	2.50%
Actuarial Cost Method:	Projected Unit Credit
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%
Healthcare Cost Trend Rate	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%
Mortality Rates	Based on the RP-2000 Employee Mortality Tables for males or females, as appropriate, with adjustment for mortality improvements based on scale AA.

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B. Multiple Employer, Cost Sharing Defined Benefit Plans

In addition, The City and School Board participates in a number Other Postemployment Benefit Plans each of which are multiple-employer, cost-sharing plans that are administered by the Virginia Retirement System (VRS). These plans include; Group Life Insurance, Line of Duty Act Program, and Virginia Local Disability Program. Information pertaining to each of this plans is included below.

Plan Descriptions

Group Life Insurance

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic group life insurance benefit for employees or participating employers. All full-time, salaried permanent employees of the City and School Board are automatically covered by the VRS GLI Program upon employment. This plan is administered by VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional life insurance coverage, the insurer bills employees directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB. Specific information for the GLI Program, including eligibility, coverage and benefits is set out in the table on the following page.

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GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees The Group Life Insurance (GLI) Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts The benefits payable under the GLI Program have several components</p> <p><u>Natural Death Benefit</u> The natural death benefit is equal to the employee's covered compensation rounded to the nearest highest thousand and then doubled</p> <p><u>Accidental Death Benefit</u> The accidental death benefit is double the natural death benefit.</p> <p><u>Other Benefit Provisions</u> In addition to the basic natural and accidental death benefit, the program provides additional benefits under specific circumstance. These Include: Accidental dismemberment benefit Safety Belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option</p>
<p>Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

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Line of Duty Act Program

The Line of Duty Act (LODA) Program was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. All paid employees and volunteers in hazardous duty positions in the City are automatically covered by the Line of Duty Act Program. As required by statute, VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by VRS's actuary using anticipating program cost and the number of covered individuals associated with all participating employers. Specific information for the Line of Duty Act Program, including eligibility, coverage and benefits is set out in the table below.

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line and Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</p>
<p>Benefit Amounts</p> <p>The LODA Program provides death and health insurances for eligible individuals:</p> <p>Death Benefit - The LODA Program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:</p> <ul style="list-style-type: none"> • \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. • \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. • An additional \$20,000 benefit is payable when certain members of the National Guard and US military reserves are killed in action in any armed conflict on or after October 7, 2001. <p>Health Insurance - The LODA Program provides health insurance for eligible individuals:</p> <ul style="list-style-type: none"> • Prior to July 1, 2017, these benefits were managed through various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. • Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resources Management. The health benefits are modeled after the State Employee Health benefits program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act

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Virginia Local Disability Program

All full-time salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee and Teacher Employee Virginia Local Disability Program. This plan is administered by VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program. Specific information for the VLDP, including eligibility, coverage and benefits is set out in the table below.

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

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Health Insurance Credit Program

The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include: Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</p>
<p>Benefit Amounts The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <p>At Retirement – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</p> <p>Disability Retirement – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</p>
<p>Health Insurance Credit Program Notes: The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.</p>

Contributions

Group Life Insurance

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school

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divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and employer component using a 60/40 split. Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each Employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program for the City were \$4,281,793 and \$4,140,668 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program for the School Board for combined professionals and nonprofessionals were \$3,099,941 and \$3,035,800 for the years ended June 30, 2018 and June 30, 2017, respectively.

Line of Duty Act Program

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program for the City were \$1,097,008 and \$1,022,399 for the years ended June 30, 2018 and June 30, 2017, respectively.

Virginia Local Disability Program

The contribution requirements for active hybrid employees is governed by §51.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended for the year ended June 30, 2018 was 0.60% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Virginia Local Disability Program for the City were \$281,708 and \$175,864 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Teacher Employee Virginia Local Disability Program for the School Board were \$194,392 and \$143,819 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Political Subdivision Employee Virginia Local Disability Program for the School Board were \$72,184 and \$57,093 for the years ended June 30, 2018 and June 30, 2017, respectively.

Health Insurance Credit Program

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit program were \$5,023,167 and \$4,434,183 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

As June 30, 2018, the City and School Board reported the following liabilities for their proportionate share of the multiple-employer, cost sharing plans administered by VRS:

	<u>City</u>	<u>School Board</u>
Net OPEB Liabilities:		
Group Life Insurance Program	\$ 25,877,000	\$ 36,367,000
Line of Duty Act Program	24,916,000	-
Virginia Local Disability Program	100,000	128,000
Health Insurance Credit Program	-	64,231,000
	<u>\$ 50,893,000</u>	<u>\$ 100,726,000</u>

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation as of that date. The City and School Board's proportion the Net OPEB liabilities were based on the City and School Board's contributions to VRS for the above plans for the year ended June 30, 2017 relative to the total of the employer contributions for all participating employers. A comparison of the City's and School Board's proportion of the City and School Board's contribution from June 30, 2017 to June 30, 2016 were as followed:

	<u>City</u>	<u>School Board</u>
Proportionate Share of Contributions as of June 30, 2017		
Group Life Insurance	1.71960%	2.41666%
Line of Duty Act Program	9.48107%	N/A
Virginia Local Disability Program - Political Subdivisions	18.65503%	5.20662%
Virginia Local Disability Program - Teachers	N/A	16.44512%
Health Insurance Credit Program	N/A	5.06312%
Proportionate Share of Contributions as of June 30, 2016		
Group Life Insurance	1.69956%	2.42673%
Line of Duty Act Program	9.92558%	N/A
Virginia Local Disability Program - Political Subdivisions	18.50570%	5.41742%
Virginia Local Disability Program - Teachers	N/A	14.96181%
Health Insurance Credit Program	N/A	5.12255%

CITY OF VIRGINIA BEACH, VIRGINIA
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For the year ended June 30, 2018, the City and School Board recognized OPEB expenses were as followed:

	<u>City</u>	<u>School Board</u>
Recognized Net OPEB Expenditures:		
Group Life Insurance	\$ 344,000	\$ 381,000
Line of Duty Act Program	2,050,000	-
Virginia Local Disability Program - Political Subdivision	199,000	119,000
Virginia Local Disability Program - Teachers	-	53,000
Health Insurance Credit Program	-	5,126,000
Total	<u>\$ 2,593,000</u>	<u>\$ 5,679,000</u>

Since there were changes in the proportionate shares between June 30, 2016 and June 30, 2017 of the City and School Board's contribution a portion of the Net OPEB expense were related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Group Life Insurance		
Difference between Expected & Actual Experience	\$ -	\$ 573,000
Net Difference between Projected and Actual Earnings	-	974,000
Changes in Assumptions	-	1,333,000
Changes in Proportionate Share	297,000	-
Employer Contributions subsequent to the Measurement Date	1,713,000	-
Total Group Life Insurance	<u>2,010,000</u>	<u>2,880,000</u>
Line of Duty Act		
Net Difference between Projected and Actual Earnings	-	42,000
Changes in Assumptions	-	2,574,000
Changes in Proportionate Share	-	1,101,000
Employer Contributions subsequent to the Measurement Date	1,097,008	-
Total Line of Duty Act	<u>1,097,008</u>	<u>3,717,000</u>
Virginia Local Disability Program - Political Subdivision		
Net Difference between Projected and Actual Earnings	8,000	-
Changes in Assumptions	-	28,000
Changes in Proportionate Share	-	-
Employer Contributions subsequent to the Measurement Date	280,000	-
Total Virginia Local Disability Program	<u>288,000</u>	<u>28,000</u>
Grand Total	<u><u>\$ 3,395,008</u></u>	<u><u>\$ 6,625,000</u></u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Employer Contributions subsequent to the measurement date totaled \$3,090,008 will be recognized as a reduction of the City's OPEB liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense in future reporting periods as follows:

Fiscal Year	
<u>Ended June 30:</u>	
2019	\$ (951,000)
2020	(1,011,000)
2021	(1,011,000)
2022	(1,009,000)
2023	(760,000)
2024	(1,578,000)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Group Life Insurance		
Difference between Expected & Actual Experience	\$ -	\$ 807,000
Net Difference between Projected and Actual Earnings	-	1,368,000
Changes in Assumptions	-	1,873,000
Changes in Proportionate Share	-	149,000
Employer Contributions subsequent to the Measurement Date	3,100,000	-
Total Group Life Insurance	<u>3,100,000</u>	<u>4,197,000</u>
Virginia Local Disability Program - Political Subdivision		
Net Difference between Projected and Actual Earnings	1,000	-
Changes in Assumptions	9,000	-
Employer Contributions subsequent to the Measurement Date	194,000	-
Total Virginia Local Disability Program	<u>204,000</u>	<u>-</u>
Virginia Local Disability Program - Teachers		
Net Difference between Projected and Actual Earnings	1,000	-
Changes in Assumptions	-	5,000
Employer Contributions subsequent to the Measurement Date	72,000	-
Total Virginia Local Disability Program	<u>73,000</u>	<u>5,000</u>
Health Insurance Credit Program		
Net Difference between Projected and Actual Earnings	-	116,000
Changes in Assumptions	-	660,000
Changes in Proportionate Share	-	655,000
Employer Contributions subsequent to the Measurement Date	5,023,000	-
Total Group Life Insurance	<u>5,023,000</u>	<u>1,431,000</u>
Grand Total	<u>\$ 8,400,000</u>	<u>\$ 5,633,000</u>

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Employer Contributions subsequent to the measurement date totaled \$8,389,000 will be recognized as a reduction of the School Board's OPEB liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the School Board's OPEB expense in future reporting periods as follows:

Fiscal Year
 Ended June 30:

2019	\$ (1,092,000)
2020	(1,088,000)
2021	(1,088,000)
2022	(1,088,000)
2023	(712,000)
2024	(554,000)

Actuarial Assumptions

The total Cost sharing OPEB liabilities administered by VRS were based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return – GLI, VLDP and HIC	7.0 Percent, net of investment expenses, including inflation*
Investment rate of return – LODA	3.56 Percent, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for 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 the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

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RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Line of Duty Act

Mortality rates – Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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NOTES TO FINANCIAL STATEMENTS
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RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years;
 unisex using 100% male

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

The following changes were made to the LODA program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. The following changes will be factored into future actuarial valuations for the LODA program: discontinuance of the spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries; the potential for VRS's periodic review of the disability status of a disabled employee; for those beneficiaries who become eligible for health care benefits as the result of a disability when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation; the extension of health care benefits for dependent children to age 26; and, the expansion of the definition of presumption of death or disability to include infectious diseases.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Net OPEB Liability

The net OPEB liability (NOL) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for each program are as follows (amounts expressed in thousands):

	Group Life Insurance	Line of Duty Act	Virginia Local Disability - Political Subdivision	Virginia Local Disability - Teachers	Health Insurance Credit
Total OPEB Liability	\$ 2,942,426	\$ 266,252	\$ 914	\$ 873	\$ 1,364,702
Plan Fiduciary Net Position	1,437,586	3,461	351	279	96,091
Employers' Net OPEB Liability	<u>\$ 1,504,840</u>	<u>\$ 262,791</u>	<u>\$ 563</u>	<u>\$ 594</u>	<u>\$ 1,268,611</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	48.86%	1.30%	38.40%	31.96%	7.04%

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

Long-Term Expected Rate of Return

Group Life Insurance, Virginia Local Disability Program and Health Insurance Credit Program

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

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Expected Geometric Real Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

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

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Line of Duty Act Program

The long-term expected rate of return on Line of Duty Act OPEB investments was set at 3.56% for this valuation. Since Line of Duty Act is funded on a current-disbursement basis, it is not able to use the VRS pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

Discount Rate

Group Life Insurance, Virginia Local Disability Program, and Health Insurance Credit Program

The discount rate used to measure the City and School Board's Group Life Insurance and Virginia Local Disability Program OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the City and School Board for the VRS Group Life Insurance and VRS Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all employer are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Group Life Insurance and Virginia Local Disability Program OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Group Life Insurance and Virginia Local Disability Program OPEB liability.

Line of Duty Act Program

The discount rate used to measure the total Line of Duty Act OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rate equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the Line of Duty Act OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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Sensitivity Analysis

The following presents the City and School Board's proportionate share of the Net OPEB liabilities using the current discount rate, as well as what the City and School Board's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current.

Group Life Insurance, Virginia Local Disability Program, and Health Insurance Credit Program

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Group Life Insurance:			
City	\$ 33,469,000	\$ 25,877,000	\$ 19,722,000
School Board	47,037,000	36,367,000	27,716,000
Virginia Local Disability Program - Political Subdivision			
City	\$ 113,000	\$ 100,000	\$ 85,000
School Board	34,000	30,000	26,000
Virginia Local Disability Program - Teachers			
School Board	\$ 113,000	\$ 98,000	\$ 81,000
Health Insurance Credit Program			
School Board	\$ 71,689,000	\$ 64,231,000	\$ 57,893,000

Line of Duty Act Program

	1% Decrease 2.56%	Discount Rate 3.56%	1% Increase 4.56%
Line of Duty Act:			
City	\$ 28,252,000	\$ 24,916,000	\$ 22,125,000

Because the Line of Duty Act Program contains a provisions for the payment of health insurances premiums, the liabilities are also impacted by the health care trend rate. The following presents the covered employer's proportionate share of the net Line of Duty Act OPEB liability using health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net Line of Duty Act OPEB liability would be if it were using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	1% Decrease 6.75% decreasing to 4.00%	Health Care Trend Rates 7.75% decreasing to 5.00%	1% Increase 8.75% decreasing to 6.00%
Line of Duty Act:			
City	\$ 2,141,000	\$ 24,916,000	\$ 29,594,000

OPEB Plan Fiduciary Net Position

Detailed information about the Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the VRS Chief Financial Officer at PO Box 2500, Richmond, VA, 23218-2500.

**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 CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	City			
	FY 2014	FY 2015	FY 2016	FY 2017
Total Pension Liability				
Service Cost	\$ 35,838,242	\$ 35,932,562	\$ 36,304,048	\$ 36,385,569
Interest	114,650,965	119,573,242	122,642,141	127,496,045
Changes of benefit terms	-	-	-	-
Changes in assumptions	-	-	-	7,551,961
Differences between expected and actual experience	-	(24,723,400)	3,527,958	1,570,175
Benefit Payments, including refunds of employee contributions	(77,985,409)	(82,356,519)	(91,525,484)	(94,739,837)
Net change in total pension liability	72,503,798	48,425,885	70,948,663	78,263,913
Total pension liability - beginning	1,676,863,639	1,749,367,437	1,797,793,322	1,868,741,985
Total pension liability - ending (a)	1,749,367,437	1,797,793,322	1,868,741,985	1,947,005,898
Plan Fiduciary Net Position				
Contributions - employer	45,827,648	48,703,360	49,521,364	43,305,500
Contributions - employee	14,813,559	14,937,006	15,185,917	15,780,809
Net investment income	194,451,721	64,442,330	24,961,833	175,963,753
Benefit Payments, including refunds of employee contributions	(77,985,409)	(82,356,519)	(91,525,484)	(94,739,837)
Administrative expenses	(1,053,309)	(887,459)	(910,017)	(1,029,901)
Other	10,242	(13,597)	(10,675)	(156,044)
Net change in plan fiduciary net position	176,064,452	44,825,121	(2,777,062)	139,124,280
Plan fiduciary net position - beginning	1,239,531,415	1,415,595,867	1,460,420,988	1,457,643,926
Plan fiduciary net position - ending (b)	\$ 1,415,595,867	\$ 1,460,420,988	\$ 1,457,643,926	\$ 1,596,768,206
Net pension liability, ending	\$ 333,771,570	\$ 337,372,334	\$ 411,098,059	\$ 350,237,692
Net position as a percentage of the total pension liability	80.9%	81.2%	78.0%	82.0%
Covered-employee payroll	\$ 292,873,927	\$ 299,462,518	\$ 305,412,468	\$ 317,193,072
City's net pension liability as a percentage of covered - employee payroll	114.0%	112.7%	134.6%	110.4%

*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 CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	School Board Non Professional			
	FY 2014	FY 2015	FY 2016	FY 2017
Total Pension Liability				
Service Cost	\$ 4,171,321	\$ 4,089,939	\$ 4,079,432	\$ 4,027,098
Interest	13,051,394	13,574,596	14,020,741	14,519,133
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(747,303)	264,387	1,300,649
Changes in assumptions	-	-	-	(1,332,150)
Benefit Payments, including refunds of employee contributions	(9,473,141)	(10,023,655)	(11,063,812)	(11,425,531)
Net change in total pension liability	7,749,574	6,893,577	7,300,748	7,089,199
Total pension liability - beginning	191,185,052	198,934,626	205,828,203	213,128,951
Total pension liability - ending (a)	198,934,626	205,828,203	213,128,951	220,218,150
Plan Fiduciary Net Position				
Contributions - employer	3,646,317	3,739,486	3,876,348	2,959,847
Contributions - employee	2,000,972	2,041,468	2,113,676	2,124,981
Net investment income	25,850,848	8,507,018	3,214,427	22,825,346
Benefit Payments, including refunds of employee contributions	(9,473,141)	(10,023,655)	(11,063,812)	(11,425,531)
Administrative expenses	(141,126)	(118,985)	(120,635)	(135,200)
Other	1,363	(1,792)	(1,394)	(20,191)
Net change in plan fiduciary net position	21,885,233	4,143,540	(1,981,390)	16,329,252
Plan fiduciary net position - beginning	166,226,515	188,111,748	192,255,288	190,273,898
Plan fiduciary net position - ending (b)	\$ 188,111,748	\$ 192,255,288	\$ 190,273,898	\$ 206,603,150
Net pension liability - ending	\$ 10,822,878	\$ 13,572,915	\$ 22,855,053	\$ 13,615,000
Plan fiduciary net position as a percentage of total pension liability	94.56%	93.41%	89.28%	93.82%
Covered-employee payroll	\$ 40,427,033	\$ 41,802,052	\$ 43,230,375	\$ 44,260,959
Net pension liability as a percentage of covered - employee payroll	26.77%	32.47%	52.87%	30.76%

**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 PENSION CONTRIBUTIONS
JUNE 30, 2018

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					
June 30, 2009	\$ 46,807,902	N/A	N/A	\$ 285,860,524	-
June 30, 2010	46,669,506	N/A	N/A	283,887,453	-
June 30, 2011	48,318,936	N/A	N/A	276,523,016	-
June 30, 2012	49,052,965	N/A	N/A	284,200,896	-
June 30, 2013	44,694,773	N/A	N/A	285,349,525	-
June 30, 2014	45,827,648	45,827,648	-	292,873,927	15.65
June 30, 2015	48,703,360	48,703,360	-	299,462,518	16.26
June 30, 2016	49,847,919	49,847,919	-	305,412,468	16.32
June 30, 2017	43,919,386	43,919,386	-	317,193,072	13.85
June 30, 2018	44,501,507	44,501,507	-	328,337,502	13.55
School Board Non Professional					
June 30, 2009	\$ 2,831,929	N/A	N/A	\$ 42,649,526	-
June 30, 2010	2,729,315	N/A	N/A	41,104,135	-
June 30, 2011	2,426,088	N/A	N/A	38,755,403	-
June 30, 2012	2,495,274	N/A	N/A	39,860,613	-
June 30, 2013	3,671,537	N/A	N/A	40,302,269	-
June 30, 2014	3,645,565	3,645,565	-	40,017,176	9.11
June 30, 2015	3,732,422	3,732,422	-	40,970,605	9.11
June 30, 2016	3,857,605	3,857,605	-	42,344,732	9.11
June 30, 2017	2,956,311	2,956,311	-	42,112,697	7.02
June 30, 2018	2,969,741	2,969,741	-	42,303,998	7.02
School Board Professional / Teacher					
June 30, 2009	\$ 35,091,117	N/A	N/A	\$ 398,310,068	-
June 30, 2010	24,481,748	N/A	N/A	391,372,694	-
June 30, 2011	15,177,733	N/A	N/A	386,201,856	-
June 30, 2012	23,959,120	N/A	N/A	378,501,098	-
June 30, 2013	44,228,510	N/A	N/A	379,318,265	-
June 30, 2014	43,992,831	43,992,831	-	377,297,007	11.66
June 30, 2015	55,858,551	55,858,551	-	385,231,385	14.50
June 30, 2016	54,463,409	54,463,409	-	387,364,218	14.06
June 30, 2017	57,698,763	57,698,763	-	393,579,555	14.66
June 30, 2018	65,402,518	65,402,518	-	400,750,722	16.32

**Schedules above are 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
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2017 are not material.

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

Largest 10 – Non-LEOS:

- Updated mortality rates to a more current mortality table - RP 2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- Increased line of duty disability rate from 14% to 20%

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

- Updated mortality rates to a more current mortality table - RP 2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- Increased line of duty disability rate from 14% to 15%

Largest 10 –LEOS:

- Updated mortality rates to a more current mortality table - RP 2014 projected to 2020
- Lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience
- Increased disability rates
- Increased line of duty disability rate from 60% to 70%

All Others (Non 10 Largest) – LEOS:

- Updated mortality rates to a more current mortality table - RP 2014 projected to 2020
- Increased retirement 50 rates, and lowered rates at older ages
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Decreased line of duty rate from 60% to 45%

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
JUNE 30, 2018

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
June 30, 2018	5.08685%	625,579,000	393,579,555	158.95	72.92

**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
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY AND RELATED RATIOS

	City	
	FY 2018	FY 2017
Total OPEB Liability		
Service Cost	\$ 1,452,138	\$ 2,092,692
Interest	5,558,785	5,784,254
Economic/Demographic Gains or Losses	(3,737,558)	-
Assumption Changes	15,718,896	-
Benefit Payments	(7,387,237)	(6,074,717)
Net change in total OPEB liability	11,605,024	1,802,229
Total OPEB liability - beginning	85,327,774	83,525,542
Total OPEB liability - ending (a)	96,932,798	85,327,771
Plan Fiduciary Net Position		
Employer Contributions	7,387,237	6,074,717
Benefit Payments	(7,387,237)	(6,074,717)
Net Investment Income	3,693,879	4,405,718
Administrative Expenses	(35,921)	(34,423)
Net change in plan fiduciary net position	3,657,958	4,371,295
Plan fiduciary net position - beginning	38,584,199	34,212,904
Plan fiduciary net position - ending (b)	\$ 42,242,157	\$ 38,584,199
Political subdivisions's net OPEB liability, ending (a) - (b)	\$ 54,690,641	\$ 46,743,572
Fiduciary net position as a percentage of the total OPEB liability	43.58%	45.22%
Covered-employee Payroll	\$ 327,257,500	\$ 306,050,000
City's OPEB liability as a percentage of covered payroll	16.71%	15.27%
Net Money-Weighted Rate of Return	9.58%	12.89%

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.

** 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 EMPLOYER'S SHARE OF NET OPEB LIABILITY AND RELATED RATIOS

	School Board	
	FY 2018	FY 2017
Total OPEB Liability		
Service Cost	\$ 1,239,627	\$ 1,529,672
Interest	5,027,382	4,928,893
Economic/Demographic Gains or Losses	1,400,273	-
Assumption Changes	20,370,070	-
Benefit Payments	(6,679,101)	(5,661,710)
Net change in total OPEB liability	21,358,251	796,855
Total OPEB liability - beginning	72,462,906	71,666,051
Total OPEB liability - ending (a)	93,821,157	72,462,906
Plan Fiduciary Net Position		
Employer Contributions	7,369,401	5,661,710
Benefit Payments	(6,679,101)	(5,661,710)
Net Investment Income	2,597,704	3,098,316
Administrative Expenses	(25,409)	(24,357)
Investment Gains or Losses	-	-
Net change in plan fiduciary net position	3,262,595	3,073,959
Plan fiduciary net position - beginning	27,134,224	24,060,265
Plan fiduciary net position - ending (b)	\$ 30,396,819	\$ 27,134,224
Political subdivisions's net OPEB liability, ending (a) - (b)	\$ 63,424,338	\$ 45,328,682
Fiduciary net position as a percentage of the total OPEB liability	32.40%	37.45%
Covered-employee Payroll	\$ 444,517,100	\$ 426,884,300
City's OPEB liability as a percentage of covered payroll	14.27%	10.62%
Net Money-Weighted Rate of Return	9.56%	12.89%

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.

** 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%
2018	6,296,000	7,387,237	(1,091,237)	327,257,500	2.26%

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%
2018	7,369,400	7,369,400	-	444,517,100	1.66%

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	Projected 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	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%
Payroll Growth	None Assumed
Discount Rate	7.00%
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 EMPLOYER'S SHARE OF THE NET OPEB LIABILITY

City:	<u>6/30/2018</u>
<u>Group Life Insurance (GLI)</u>	
Employer's Portion of the Net GLI OPEB Liability	1.71960%
Employers Proportionate Share of the Net GLI OPEB Liability	\$ 25,877,000
Employer's Covered Payroll	\$ 328,337,502
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	7.88%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	48.86%
<u>Line of Duty Act (LODA)</u>	
Employer's Portion of the Net LODA OPEB Liability	9.48107%
Employers Proportionate Share of the Net LODA OPEB Liability	\$ 24,916,000
Employer's Covered Payroll	\$ 110,808,888
Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered Payroll	22.49%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%
<u>Virginia Local Disability Program (VLDP) - Political Subdivision</u>	
Employer's Portion of the Net VLDP OPEB Liability	18.65503%
Employers Proportionate Share of the Net VLDP OPEB Liability	\$ 100,000
Employer's Covered Payroll	\$ 46,992,859
Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of its Covered Payroll	0.21%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	38.40%

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF THE NET OPEB LIABILITY

	<u>6/30/2018</u>
School Board:	
<u>Group Life Insurance (GLI)</u>	
Employer's Portion of the Net GLI OPEB Liability	2.42%
Employers Proportionate Share of the Net GLI OPEB Liability	\$ 36,367,000
Employer's Covered Payroll	\$ 435,693,000
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.35%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	48.86%
<u>Health Insurance Credit</u>	
Employer's Portion of the Net LODA OPEB Liability	5.06312%
Employers Proportionate Share of the Net LODA OPEB Liability	\$ 64,231,000
Employer's Covered Payroll	\$ 393,580,000
Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered Payroll	16.32%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	7.04%
<u>Virginia Local Disability Program (VLDP) - Political Subdivision</u>	
Employer's Portion of the Net VLDP OPEB Liability	5.20662%
Employers Proportionate Share of the Net VLDP OPEB Liability	\$ 30,000
Employer's Covered Payroll	\$ 9,515,500
Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of its Covered Payroll	0.32%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	38.40%
<u>Virginia Local Disability Program (VLDP) - Teachers</u>	
Employer's Portion of the Net VLDP OPEB Liability	16.44512%
Employers Proportionate Share of the Net VLDP OPEB Liability	\$ 98,000
Employer's Covered Payroll	\$ 49,489,310
Employer's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of its Covered Payroll	0.20%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	31.96%

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OPEB GROUP LIFE INSURANCE ANNUAL CONTRIBUTIONS

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
Primary Government					
2018	\$ 1,707,355	\$ 1,707,355	\$ -	\$ 328,337,502	0.52%
2017	1,649,404	1,649,404	-	317,193,072	0.52%
2016	1,618,686	1,465,980	152,706	305,412,468	0.48%
2015	1,587,151	1,437,420	149,731	299,462,518	0.48%
2014	1,552,232	1,405,795	146,437	292,873,827	0.48%
2013	1,512,352	1,369,678	142,674	285,349,525	0.48%
2012	1,250,484	795,763	454,721	284,200,896	0.28%
2011	1,216,701	774,264	442,437	276,523,016	0.28%
2010	1,021,995	577,462	444,533	213,874,865	0.27%
2009	1,029,098	771,823	257,275	285,860,524	0.27%
School Board - Nonprofessional					
2018	\$ 234,625	\$ 234,625	\$ -	\$ 45,120,109	0.52%
2017	230,517	230,517	-	44,330,131	0.52%
2016	231,831	209,960	21,871	43,741,730	0.48%
2015	221,058	200,204	20,854	41,709,123	0.48%
2014	214,578	194,335	20,243	40,486,356	0.48%
2013	214,874	194,603	20,271	40,542,262	0.48%
2012	177,366	112,869	64,497	40,310,446	0.28%
2011	180,009	114,551	65,458	40,911,148	0.28%
2010	149,737	81,292	68,445	30,108,222	0.27%
2009	154,052	115,539	38,513	42,792,139	0.27%
School Board - Teachers					
2018	\$ 2,131,438	\$ 2,131,438	\$ -	\$ 409,891,865	0.52%
2017	2,087,447	2,087,447	-	401,432,134	0.52%
2016	2,079,432	1,883,259	196,173	392,345,632	0.48%
2015	2,053,604	1,859,868	193,736	387,472,533	0.48%
2014	2,011,839	1,822,043	189,796	379,592,250	0.48%
2013	2,020,542	1,829,925	190,617	381,234,424	0.48%
2012	1,670,960	1,063,338	607,622	379,763,714	0.28%
2011	1,702,047	1,083,121	618,926	386,828,969	0.28%
2010	1,413,188	752,881	660,307	278,844,851	0.27%
2009	1,438,844	1,079,133	359,711	399,678,773	0.27%

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OPEB LINE OF DUTY ANNUAL CONTRIBUTIONS

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
Primary Government					
2018	\$ 1,097,008	\$ 1,097,008	\$ -	\$ 110,808,888	0.99%
2017	1,022,399	1,022,399	-	103,532,167	0.99%
2016	968,155	968,155	-	96,868,601	1.00%
2015	957,130	957,130	-	94,604,103	1.01%
2014	984,695	984,695	-	91,967,153	1.07%
2013	849,069	849,069	-	90,935,125	0.93%
2012	399,191	399,191	-	90,230,497	0.44%
2011	N/A**	N/A**	N/A**	N/A**	N/A**
2010	N/A**	N/A**	N/A**	N/A**	N/A**
2009	N/A**	N/A**	N/A**	N/A**	N/A**

**FY 2011 was the first year for the Line of Duty Act Program (LODA), however there were no contributions.

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OPEB VIRGINIA LOCAL DISABILITY PROGRAM ANNUAL CONTRIBUTIONS

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
Primary Government					
2018	\$ 281,957	\$ 281,957	\$ -	\$ 46,992,859	0.60%
2017	205,536	205,536	-	34,255,962	0.60%
2016	137,137	137,137	-	22,856,172	0.60%
2015	68,668	68,668	-	11,444,652	0.60%
2014	8,612	8,612	-	1,435,308	0.60%
2013	N/A**	N/A**	N/A**	N/A**	N/A**
2012	N/A**	N/A**	N/A**	N/A**	N/A**
2011	N/A**	N/A**	N/A**	N/A**	N/A**
2010	N/A**	N/A**	N/A**	N/A**	N/A**
2009	N/A**	N/A**	N/A**	N/A**	N/A**
School Board - Nonprofessional					
2018	\$ 71,950	\$ 71,950	\$ -	\$ 11,991,585	0.60%
2017	57,365	57,365	-	9,560,850	0.60%
2016	40,146	40,146	-	6,691,000	0.60%
2015	18,242	18,242	-	3,040,304	0.60%
2014	1,611	1,611	-	268,436	0.60%
2013	N/A**	N/A**	N/A**	N/A**	N/A**
2012	N/A**	N/A**	N/A**	N/A**	N/A**
2011	N/A**	N/A**	N/A**	N/A**	N/A**
2010	N/A**	N/A**	N/A**	N/A**	N/A**
2009	N/A**	N/A**	N/A**	N/A**	N/A**
School Board - Teachers					
2018	\$ 194,449	\$ 194,449	\$ -	\$ 62,725,531	0.31%
2017	143,865	143,865	-	46,408,200	0.31%
2016	80,152	80,152	-	27,638,756	0.29%
2015	14,772	14,772	-	15,383,610	0.10%
2014	2,253	2,253	-	776,969	0.29%
2013	N/A**	N/A**	N/A**	N/A**	N/A**
2012	N/A**	N/A**	N/A**	N/A**	N/A**
2011	N/A**	N/A**	N/A**	N/A**	N/A**
2010	N/A**	N/A**	N/A**	N/A**	N/A**
2009	N/A**	N/A**	N/A**	N/A**	N/A**

**FY 2014 was the first year for the Virginia Local Disability Program

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULES OF REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF OPEB HEALTH INSURANCE CREDIT PROGRAM ANNUAL CONTRIBUTIONS

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
School Board - Teachers					
2018	\$ 5,023,021	\$ 5,023,021	\$ -	\$ 408,375,692	1.23%
2017	4,914,862	4,435,363	479,499	399,582,254	1.11%
2016	4,609,056	4,140,339	468,717	390,598,006	1.06%
2015	4,556,498	4,093,125	463,373	386,143,862	1.06%
2014	4,417,613	4,191,068	226,545	377,573,722	1.11%
2013	4,440,741	4,213,011	227,730	379,550,508	1.11%
2012	4,075,643	2,264,246	1,811,397	377,374,381	0.60%
2011	4,150,250	1,305,695	2,844,555	384,282,424	0.34%
2010	4,366,561	2,882,490	1,484,071	277,162,513	1.04%
2009	4,445,315	4,286,554	158,761	396,903,109	1.08%

Detailed information about the individual Cost sharing OPEB plans are available in the seperately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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OTHER SUPPLEMENTAL INFORMATION

**NONMAJOR
GOVERNMENTAL FUNDS**

NONMAJOR GOVERNMENTAL FUNDS

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.

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.

**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash and Investments	\$ 62,444,094	\$ -	\$ 62,444,094
Cash and Investments - Restricted	13,889,497	33,322,213	47,211,710
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts	899,576	-	899,576
Loans	5,189,187	-	5,189,187
Due from:			
Commonwealth	1,694,443	-	1,694,443
Federal Government	2,770,807	-	2,770,807
Total Assets	<u>86,887,604</u>	<u>33,322,213</u>	<u>120,209,817</u>
<u>LIABILITIES</u>			
Vouchers and Accounts Payable	5,435,512	-	5,435,512
Due to Other Funds	873,423	-	873,423
Unearned Revenue	1,050,683	-	1,050,683
Total Liabilities	<u>7,359,618</u>	<u>-</u>	<u>7,359,618</u>
<u>FUND BALANCES</u>			
Restricted for:			
Debt Service	-	33,322,213	33,322,213
General Government	1,943,985	-	1,943,985
Housing and Community Development	8,362,444	-	8,362,444
Judicial	697,454	-	697,454
Public Safety	2,391,467	-	2,391,467
Special Service District	2,525,156	-	2,525,156
Committed to:			
Agriculture	15,015,776	-	15,015,776
Convention and Visitor Development	21,434,291	-	21,434,291
Education	61,346	-	61,346
Judicial	1,409,271	-	1,409,271
Parks and Recreation	18,404,511	-	18,404,511
Tax Increment Financing	6,229,555	-	6,229,555
Assigned to:			
Education	5,629	-	5,629
Judicial	100,000	-	100,000
Public Safety	285,915	-	285,915
Parks and Recreation	27,000	-	27,000
Special Service District	99,512	-	99,512
Tax Increment Financing	534,674	-	534,674
Total Fund Balances	<u>79,527,986</u>	<u>33,322,213</u>	<u>112,850,199</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 86,887,604</u>	<u>\$ 33,322,213</u>	<u>\$ 120,209,817</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, 2018

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<u>REVENUES</u>			
General Property Taxes - Real Estate	\$ 43,974,191	\$ -	\$ 43,974,191
Other Local Taxes	59,420,488	-	59,420,488
Fines and Forfeitures	723,589	-	723,589
From Use of Money and Property	2,612,605	(479,866)	2,132,739
Charges for Services	19,148,068	-	19,148,068
Miscellaneous	4,583,232	-	4,583,232
From Commonwealth	22,637,710	-	22,637,710
From Federal Government	31,374,243	470,706	31,844,949
Total Revenues	<u>184,474,126</u>	<u>(9,160)</u>	<u>184,464,966</u>
<u>EXPENDITURES</u>			
Current Operating:			
Judicial	48,263,290	-	48,263,290
Health	132,620	-	132,620
Police	677,459	-	677,459
Human Services	7,202,563	-	7,202,563
Public Works	3,170,898	-	3,170,898
Parks and Recreation	33,974,809	-	33,974,809
Library	451,477	-	451,477
Planning	1,203,932	-	1,203,932
Agriculture	170,907	-	170,907
Convention and Visitor Development	17,502,157	-	17,502,157
Fire	3,119,725	-	3,119,725
Housing and Neighborhood Preservation	25,840,476	-	25,840,476
General Government	4,685,528	-	4,685,528
Emergency Medical Services	549,418	-	549,418
Debt Service:			
Principal Retirement	25,634,696	29,609,312	55,244,008
Interest and Fiscal Charges	13,185,341	13,023,625	26,208,966
Total Expenditures	<u>185,765,296</u>	<u>42,632,937</u>	<u>228,398,233</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,291,170)</u>	<u>(42,642,097)</u>	<u>(43,933,267)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	33,669,379	41,935,194	75,604,573
Transfers Out	(22,642,723)	-	(22,642,723)
Proceeds of Refunding Bonds	-	71,530,000	71,530,000
Premium on Bonds Sold	-	13,597,692	13,597,692
Payment to Refunding Bonds Escrow Agent	-	(84,900,655)	(84,900,655)
Total Other Financing Sources and (Uses)	<u>11,026,656</u>	<u>42,162,231</u>	<u>53,188,887</u>
Net Change in Fund Balance	9,735,486	(479,866)	9,255,620
Fund Balance at Beginning of Year	69,792,500	33,802,079	103,594,579
Fund Balance at End of Year	<u>\$ 79,527,986</u>	<u>\$ 33,322,213</u>	<u>\$ 112,850,199</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, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>General Property Taxes</u>				
Real Estate	\$ 519,659,479	\$ 519,659,479	\$ 521,567,882	\$ 1,908,403
Personal Property	100,237,210	100,237,210	104,275,153	4,037,943
Interest and Penalties on Personal Property	2,283,301	2,283,301	3,848,244	1,564,943
Interest and Penalties on Real Estate Taxes	2,201,565	2,201,565	2,030,944	(170,621)
Total General Property Taxes	624,381,555	624,381,555	631,722,223	7,340,668
<u>Other Local Taxes</u>				
General Sales	65,135,023	65,135,023	63,511,403	(1,623,620)
Utility	50,618,426	50,618,426	49,832,408	(786,018)
Business Licenses	46,786,036	46,786,036	48,676,655	1,890,619
Automobile Licenses	10,807,765	10,807,765	10,961,726	153,961
Bank Stock	3,328,454	3,328,454	3,469,803	141,349
City Tax on Deeds	7,617,589	7,617,589	7,475,502	(142,087)
City Tax on Wills	76,288	76,288	89,969	13,681
Cigarette	11,113,112	11,113,112	10,645,743	(467,369)
Amusement	-	-	4,986	4,986
Hotel Taxes	7,215,382	7,215,382	7,228,742	13,360
Restaurant Meals	43,841,222	43,841,222	42,213,909	(1,627,313)
Total Other Local Taxes	246,539,297	246,539,297	244,110,846	(2,428,451)
<u>Permits, Privilege Fees, and Regulatory Licenses</u>				
Police Permits and Licenses	544,525	544,525	531,481	(13,044)
Planning Permits and Licenses	4,495,676	4,495,676	4,479,874	(15,802)
Other Permits, Fees and Licenses	53,516	53,516	36,256	(17,260)
Public Works Fees	1,871	1,871	4,500	2,629
Fire Permits	180,045	180,045	208,060	28,015
Total Permits, Privilege Fees, and Regulatory Licenses	5,275,633	5,275,633	5,260,171	(15,462)
<u>Fines and Forfeitures</u>				
Court Fines and Forfeitures	2,478,956	2,478,956	2,301,902	(177,054)
Fire Lane Violations	1,115,000	1,115,000	1,086,225	(28,775)
Overweight Vehicles Fees	230,000	230,000	171,721	(58,279)
DUI Response Reimbursements	26,700	26,700	32,388	5,688
Red Light Violations	1,950,000	1,950,000	1,433,427	(516,573)
Total Fines and Forfeitures	5,800,656	5,800,656	5,025,663	(774,993)
<u>From Use of Money and Property</u>				
<u>Revenue from Use of Money:</u>				
Interest on Bank Deposits	1,199,286	1,317,984	5,424,385	4,106,401
<u>Revenue from Use of Property:</u>				
Farmers Market Fees	25,066	25,066	47,645	22,579
Photocopying Machines	126,342	126,342	101,542	(24,800)
Convention Center Rent	1,800,000	1,800,000	1,884,084	84,084
Convention Center Concessions	2,011,854	2,011,854	2,095,637	83,783
Rent - Amphitheatre	179,218	179,218	218,844	39,626
Lease of Land and Property	1,391,040	1,407,540	870,397	(537,143)
Tower/Antenna Leases	182,308	182,308	173,038	(9,270)
Total from Use of Money and Property	6,915,114	7,050,312	10,815,572	3,765,260
<u>Charges For Services</u>				
Court Costs	1,283,622	1,283,622	1,024,505	(259,117)
Police - False Alarm Fees	460,300	460,300	547,359	87,059
Fire Services	246,425	246,425	370,975	124,550
Animal Adoption Fees	37,700	37,700	30,505	(7,195)
Other Charges and Fees	250,771	250,771	144,744	(106,027)
Human Services	27,180,313	27,180,313	25,747,868	(1,432,445)
Aquarium and Historical Houses	9,708,996	9,708,996	9,819,228	110,232
Library Fees	443,000	443,000	321,758	(121,242)
Planning Maps, Publications, and Fees	434,797	434,797	292,756	(142,041)
Convention Center	130,000	130,000	170,913	40,913
Other Services Provided	703,521	737,226	746,788	9,562
Reimbursement - Freedom of Information Act Costs	5,100	5,100	33,199	28,099
Water and Sewer Direct Charges	6,149,445	6,161,266	5,412,099	(749,167)
Waste Management Direct Charges	2,226,319	2,290,137	1,819,800	(470,337)
Storm Water Direct Charges	2,145,875	2,197,457	2,455,053	257,596
Water and Sewer Right of Way Utility	4,000,000	4,000,000	4,000,000	-
Total Charges for Services	55,406,184	55,567,110	52,937,550	(2,629,560)

(continued)

**CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Miscellaneous Revenue</u>				
Miscellaneous	2,079,712	2,081,250	2,090,858	9,608
Returned Check Processing Charges	62,500	62,500	78,887	16,387
Donations	6,060	57,619	55,983	(1,636)
City Treasurer Charges	1,080,000	1,080,000	1,250,002	170,002
Contemporary Arts	65,500	65,500	63,054	(2,446)
Aquarium Foundation	1,268,501	1,268,501	983,028	(285,473)
Sale of Properties	450	450	30,325	29,875
Sale of Salvage Materials	545,000	545,000	523,155	(21,845)
Refund of Surplus - Health Department	50,000	50,000	201,096	151,096
DVP Street Light Reimbursement	510,000	510,000	226,728	(283,272)
Reimbursement - Responsible Parties - HAZMAT	-	-	6,685	6,685
Reimbursement - DMV	56,856	335,856	257,948	(77,908)
Total Miscellaneous Revenue	5,724,579	6,056,676	5,767,749	(288,927)
<u>From Commonwealth</u>				
Rolling Stock Tax	15,625	15,625	14,640	(985)
Mobile Homes Sales Tax	32,930	32,930	44,760	11,830
Passenger Car Rental Tax	1,246,263	1,246,263	1,168,506	(77,757)
Reimbursement - Treasurer	650,000	650,000	663,173	13,173
Reimbursement - Commissioner of the Revenue	678,079	678,079	714,338	36,259
Reimbursement - General Registrar's Salary	76,954	76,954	75,392	(1,562)
Reimbursement - Clerk of Circuit Court	1,931,111	1,931,111	1,976,275	45,164
Reimbursement - Commonwealth's Attorney	2,613,174	2,613,174	2,768,166	154,992
Reimbursement - Health Department Automobile	120,099	120,099	14,931	(105,168)
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	287,980	(62,020)
Mental Health, Developmental Services and Substance Abuse	13,830,231	12,976,846	13,177,741	200,895
Juvenile Justice Block Grant	3,513,529	3,868,127	3,723,467	(144,660)
Circuit Court Clerk Technology	-	595,077	258,294	(336,783)
Maintenance of Roads	47,879,094	49,547,749	48,552,749	(995,000)
Recordation Fees	1,993,535	1,993,535	2,394,898	401,363
Public Assistance Grants	14,000,614	14,125,614	14,510,696	385,082
Medicaid	323,000	1,273,000	1,415,672	142,672
DMV Select Program	165,000	165,000	135,114	(29,886)
Virginia Commission For The Arts	5,000	5,000	4,500	(500)
Wireless E-911 Services Board	1,735,000	1,735,000	1,942,381	207,381
State Aid Library	240,684	240,684	234,282	(6,402)
Other State Revenue	-	-	435	435
Total From Commonwealth	156,095,101	158,935,046	158,779,654	(155,392)
<u>From Federal Government</u>				
Indirect Costs - Social Services	806,732	806,732	860,970	54,238
Federal Emergency Management Agency	197,454	197,454	103,015	(94,439)
SEVAMP Grant	37,000	37,000	62,402	25,402
Mental Health, Developmental Services and Substance Abuse	2,800,314	3,769,437	4,084,173	314,736
USDA Juvenile Detention	65,829	65,829	112,310	46,481
Public Assistance Grants	16,547,409	16,547,409	17,576,353	1,028,944
Federal Reimbursement of Interest	282,763	282,763	284,133	1,370
Total From Federal Government	20,737,501	21,706,624	23,083,356	1,376,732
TOTAL REVENUES	1,126,875,620	1,131,312,909	1,137,502,784	6,189,875
<u>Other Financing Sources</u>				
Transfers In	1,304,163	9,430,795	9,367,325	(63,470)
Use of Fund Balance	38,635,606	75,921,312	-	(75,921,312)
Premium on Bonds Sold	-	-	203,917	203,917
Total Other Financing Sources	39,939,769	85,352,107	9,571,242	(75,780,865)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 1,166,815,389	\$ 1,216,665,016	\$ 1,147,074,026	\$ (69,590,990)

**CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Legislative Department</u>				
Municipal Council	\$ 517,719	\$ 590,245	\$ 587,085	\$ 3,160
City Clerk	648,579	738,941	661,155	77,786
Total Legislative Department	<u>1,166,298</u>	<u>1,329,186</u>	<u>1,248,240</u>	<u>80,946</u>
<u>Executive Department</u>				
City Manager	2,085,461	2,161,080	2,135,421	25,659
Organizational Development Office	687,625	698,276	485,648	212,628
Media and Communication Group	1,611,987	1,712,433	1,661,399	51,034
Volunteer Council	211,508	214,578	205,573	9,005
Total Executive Department	<u>4,596,581</u>	<u>4,786,367</u>	<u>4,488,041</u>	<u>298,326</u>
<u>Law Department</u>				
City Attorney	<u>4,226,703</u>	<u>4,619,410</u>	<u>4,477,543</u>	<u>141,867</u>
<u>Finance Department</u>				
Director of Finance:				
Director's Office	1,064,549	1,089,135	1,088,182	953
Comptroller's Office	838,130	902,482	899,346	3,136
Payroll	860,629	876,586	868,700	7,886
Purchasing	1,975,459	2,487,630	2,051,782	435,848
Local Vehicle Registration	<u>313,000</u>	<u>605,000</u>	<u>592,000</u>	<u>13,000</u>
Total Director of Finance	<u>5,051,767</u>	<u>5,960,833</u>	<u>5,500,010</u>	<u>460,823</u>
Commissioner of the Revenue	4,624,431	4,803,136	4,746,025	57,111
Board of Equalization	3,004	3,004	1,381	1,623
City Real Estate Assessor	3,238,304	3,304,156	3,185,355	118,801
Treasurer	<u>6,067,276</u>	<u>6,145,534</u>	<u>5,861,051</u>	<u>284,483</u>
Total Finance Department	<u>18,984,782</u>	<u>20,216,663</u>	<u>19,293,822</u>	<u>922,841</u>
<u>Human Resource Department</u>				
Director's Office	386,634	392,419	393,340	(921)
Employee Relations	2,958,018	3,103,426	2,870,322	233,104
Benefits Administration	19,065,028	9,258,076	7,305,143	1,952,933
Occupational Safety	<u>1,353,946</u>	<u>1,368,401</u>	<u>1,343,212</u>	<u>25,189</u>
Total Human Resources Department	<u>23,763,626</u>	<u>14,122,322</u>	<u>11,912,017</u>	<u>2,210,305</u>
<u>Judicial Department</u>				
Circuit Court	1,096,374	1,138,166	1,120,672	17,494
General District Court	462,413	466,663	405,831	60,832
Juvenile and Domestic Relations - District Court	181,768	194,461	158,897	35,564
Commonwealth's Attorney	8,380,781	8,562,603	8,214,542	348,061
Clerk of the Circuit Court	3,428,563	4,095,922	3,659,158	436,764
Magistrates	70,483	70,483	44,505	25,978
Juvenile Probation	<u>1,501,428</u>	<u>1,508,417</u>	<u>1,466,192</u>	<u>42,225</u>
Total Judicial Department	<u>15,121,810</u>	<u>16,036,715</u>	<u>15,069,797</u>	<u>966,918</u>
<u>Health Department</u>				
Preventive Medicine	<u>3,395,214</u>	<u>3,463,843</u>	<u>3,309,858</u>	<u>153,985</u>
<u>Human Services Department</u>				
Administration	11,116,898	11,143,168	7,424,212	3,718,956
Mental Health	23,468,842	23,015,422	20,640,471	2,374,951
Developmental Services	21,842,267	22,078,884	21,604,169	474,715
Substance Abuse	5,099,671	6,206,464	6,081,656	124,808
Social Services	33,669,836	33,483,240	33,609,703	(126,463)
Comprehensive Services Act Administration & Social Services	10,807,937	11,092,180	10,254,187	837,993
Indian River Road ICF/MR	4,961,819	5,009,371	5,161,279	(151,908)
Juvenile Detention Center	<u>4,986,136</u>	<u>5,395,473</u>	<u>5,267,658</u>	<u>127,815</u>
Total Human Services Department	<u>115,953,406</u>	<u>117,424,202</u>	<u>110,043,335</u>	<u>7,380,867</u>

(continued)

**CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Police Department</u>				
Director's Office	3,441,261	3,492,438	3,589,787	(97,349)
Personnel and Training	4,864,769	5,045,221	4,937,713	107,508
Crime Prevention	74,624,144	75,988,473	71,871,306	4,117,167
Investigative Division	18,178,090	18,587,935	18,133,869	454,066
Total Police Department	101,108,264	103,114,067	98,532,675	4,581,392
<u>Public Works Department</u>				
Director's Office	302,088	286,878	339,735	(52,857)
Administration Services	7,113,203	7,103,046	6,963,424	139,622
Real Estate Office	10,079,286	10,261,068	9,325,623	935,445
Customer Service/Administration	47,842,390	52,919,483	49,680,790	3,238,693
Sandbridge Reserves	-	8,000,000	-	8,000,000
Support Services and Systems Support	972,154	987,224	856,028	131,196
Facilities Management	1,497,920	1,516,225	1,301,245	214,980
Total Public Works Department	67,807,041	81,073,924	68,466,845	12,607,079
<u>Library Department</u>				
Director's Office	1,480,625	1,575,939	1,514,832	61,107
Central Library	2,480,660	2,540,546	2,499,854	40,692
Great Neck Area Library	647,765	661,709	658,765	2,944
Bayside Area Library	979,678	997,474	956,836	40,638
Oceanfront Area Library	765,930	781,808	688,169	93,639
Kempsville Area Library	1,214,134	1,236,183	1,173,974	62,209
Windsor Woods Area Library	654,209	672,659	606,093	66,566
Pungo/Blackwater Area Library	414,225	423,827	403,860	19,967
Princess Anne Library	1,145,280	1,166,017	990,319	175,698
Joint Use Library	1,886,804	1,917,018	1,808,466	108,552
Youth and Family Services	1,246,450	1,278,208	1,255,642	22,566
Support Services	4,978,039	5,320,195	5,010,069	310,126
Total Library Department	17,893,799	18,571,583	17,566,879	1,004,704
<u>Planning Department</u>				
Director's Office	1,721,721	2,446,217	1,939,653	506,564
Comprehensive Planning	-	6,279	30,107	(23,828)
Environment and Sustainability	-	-	16,410	(16,410)
Development Services	2,963,144	3,015,540	2,800,233	215,307
Public Utilities - Development Services	312,961	318,744	312,434	6,310
Current Planning	7,806,070	7,844,990	7,602,175	242,815
Building Permits and Inspection	3,933,172	4,010,057	3,836,529	173,528
Chesapeake Bay Program	-	-	16,712	(16,712)
Wetlands Program	-	-	8,058	(8,058)
Transportation Program	232,956	237,323	197,029	40,294
Zoning Administration	1,196,923	1,216,743	1,230,704	(13,961)
Total Planning Department	18,166,947	19,095,893	17,990,044	1,105,849
<u>Agriculture Department</u>				
Director's Office	305,719	312,026	325,789	(13,763)
Virginia Cooperative Extension	313,528	317,185	278,213	38,972
Farmers Market	217,873	221,921	194,796	27,125
Total Agriculture Department	837,120	851,132	798,798	52,334
<u>Economic Development Department</u>				
Director of Economic Development	3,855,536	4,134,168	3,941,509	192,659
Growsmart	376,834	408,764	300,979	107,785
Total Economic Development Department	4,232,370	4,542,932	4,242,488	300,444

(continued)

**CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Convention and Visitor Development</u>				
Director's Office	1,619,992	1,685,120	1,516,540	168,580
Tourism Marketing and Sales	556,096	564,543	539,151	25,392
Convention Marketing and Sales	1,206,045	1,225,295	1,136,721	88,574
Sports Marketing	457,024	464,330	479,211	(14,881)
Convention Center	6,294,534	6,548,394	5,884,670	663,724
Total Convention and Visitor Development	10,133,691	10,487,682	9,556,293	931,389
<u>Parks and Recreation Department</u>				
Landscape Administration	2,526,553	2,770,414	2,543,161	227,253
Grounds Maintenance	7,460,337	7,563,417	7,336,821	226,596
Parks Maintenance	3,111,652	3,216,493	3,146,679	69,814
Special Zones Management	731,077	750,757	721,587	29,170
Resort Area Landscaping	795,721	907,178	824,425	82,753
Total Parks and Recreation Department	14,625,340	15,208,259	14,572,673	635,586
<u>Boards and Commissions</u>				
General Registrar	1,812,948	2,122,368	2,066,711	55,657
Zoning Board of Appeals	1,808	1,808	1,636	172
Wetlands Board of Virginia Beach	5,071	5,071	4,973	98
Chesapeake Bay Preservation Board	9,756	9,756	9,192	564
Audit Services	851,682	889,150	885,579	3,571
Cultural Affairs	988,283	1,219,021	1,028,193	190,828
COIG - General Operation Grants	501,436	501,436	501,436	-
Lease/Rent of Facilities	1,762,659	1,762,659	1,622,071	140,588
Arts and Humanities Commissions	575,000	575,000	573,962	1,038
Planning Commission	26,687	30,283	30,871	(588)
Sandler Center for Performing Arts	820,000	2,510,061	800,061	1,710,000
Regional Participation	2,364,973	3,302,073	3,269,765	32,308
Vehicle Replacements	5,357,514	6,022,541	5,793,041	229,500
Revenue Reimbursements	15,290,376	15,940,376	15,850,077	90,299
Independent Financial Services	164,999	245,500	161,330	84,170
Computer Replacement Program	1,590,365	3,027,713	1,002,359	2,025,354
Total Boards and Commissions	32,123,557	38,164,816	33,601,257	4,563,559
<u>Fire Department</u>				
Fire Marshall's Office	2,830,040	2,983,474	2,615,831	367,643
Fire Administration	2,298,022	2,351,064	2,398,029	(46,965)
Fire Operations	45,714,929	48,237,967	48,092,032	145,935
Emergency Management	451,130	499,753	452,220	47,533
Fire Training	1,500,170	1,548,230	1,473,617	74,613
Total Fire Department	52,794,291	55,620,488	55,031,729	588,759
<u>Information Technology</u>				
IT Business Center	1,714,580	1,765,216	1,698,538	66,678
Applications Support	8,764,640	10,099,545	8,974,391	1,125,154
Operations Support	1,088,486	1,108,796	980,735	128,061
System Support	7,999,133	8,217,843	7,467,893	749,950
Center for GIS	2,098,608	2,142,039	1,991,685	150,354
Video Services	-	-	66,360	(66,360)
GF Telecommunications	595,881	641,722	623,162	18,560
Technology Services	3,046,916	3,196,723	2,786,918	409,805
Mail Services	223,545	229,008	184,496	44,512
Total Information Technology	25,531,789	27,400,892	24,774,178	2,626,714

(continued)

**CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Emergency Communications and Citizens Services</u>				
Emergency Communications	8,459,055	8,538,531	6,980,779	1,557,752
Director's Office	227,935	231,954	254,152	(22,198)
Administration	473,953	479,983	357,430	122,553
Citizen Services	928,154	948,713	795,976	152,737
Training	50,000	50,000	78,133	(28,133)
Technology and Support	770,757	882,803	655,574	227,229
Total Emergency Communications and Citizen Services	10,909,854	11,131,984	9,122,044	2,009,940
<u>Housing and Neighborhood Preservation</u>				
Code Enforcement	3,921,477	3,985,709	2,658,973	1,326,736
<u>Museums Department</u>				
Aquarium and Marine Science Center	10,806,593	10,902,467	9,216,366	1,686,101
Aquarium Foundation	1,268,501	1,290,133	989,674	300,459
Historical Preservation	680,982	832,877	674,598	158,279
Total Museum Department	12,756,076	13,025,477	10,880,638	2,144,839
<u>Budget and Management Services Department</u>				
Director's Office	1,442,622	1,455,982	1,365,183	90,799
<u>Emergency Medical Services</u>				
Director's Office	793,296	864,971	877,741	(12,770)
Operations	3,538,014	3,709,262	3,612,152	97,110
Lifeguard Services	1,963,187	1,977,695	1,961,235	16,460
Training	842,765	874,779	837,484	37,295
Emergency Response System	4,202,215	4,302,733	4,159,898	142,835
Regulation & Enforcement	247,543	252,189	215,761	36,428
Total Emergency Medical Services	11,587,020	11,981,629	11,664,271	317,358
<u>Debt Service</u>				
Principal Retirement	34,603,501	33,684,251	32,664,186	1,020,065
Interest and Fiscal Charges	18,463,644	18,394,301	16,663,522	1,730,779
Total Debt Service	53,067,145	52,078,552	49,327,708	2,750,844
<u>Education</u>				
School Operating	386,184,156	396,639,136	373,757,172	22,881,964
School Capital Projects	3,591,000	4,491,000	4,491,000	-
School Operating from Reserves	8,803,897	17,607,794	8,803,897	8,803,897
Total Education	398,579,053	418,737,930	387,052,069	31,685,861
Total Department Expenditures	1,024,725,876	1,068,527,639	987,047,398	81,480,241

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO FINAL BUDGET
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Other Financing Uses</u>				
Transfers Out:				
General Debt Service	41,935,194	41,935,194	41,935,194	-
Housing and Neighborhood Preservation	507,171	539,999	539,999	-
General Government Capital Projects	20,962,654	20,923,818	20,923,818	-
Engineering and Highways Capital Projects	13,446,712	16,733,712	16,733,712	-
Parks and Recreation Capital Projects	3,248,770	3,248,770	3,248,770	-
Economic & Tourism Capital Projects	6,553,426	6,553,426	6,553,426	-
Coastal Capital Projects	13,528,607	13,528,607	13,528,607	-
Grants Consolidated	810,954	1,462,532	1,431,331	(31,201)
Sheriff's Department	23,718,707	24,515,857	24,515,857	-
Parks and Recreation	5,972,545	6,223,868	6,223,868	-
Storm Water Utility Capital Projects	5,420,501	5,420,501	5,420,501	-
Federal Section 8	115,000	141,821	141,821	-
Federal Housing Assistance Program	136,266	136,266	136,266	-
Waste Management	5,712,041	5,712,041	5,712,041	-
Risk Management	-	1,000,000	1,000,000	-
Public Safety City Marina	20,965	20,965	20,965	-
Oyster Heritage Fund	-	40,000	40,000	-
Total Other Financing Uses	<u>142,089,513</u>	<u>148,137,377</u>	<u>148,106,176</u>	<u>(31,201)</u>
 TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	 <u>\$ 1,166,815,389</u>	 <u>\$ 1,216,665,016</u>	 <u>\$ 1,135,153,574</u>	 <u>\$ 81,449,040</u>

**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:

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.

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.

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.

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

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.

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 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.

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

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.

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.

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

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.

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.

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.

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.

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.

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.

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. This 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.

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.

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**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

	Agriculture Reserve Program	Central Business District South Tax Increment Financing	Combined Area Dredging Projects	Emergency FEMA
<u>ASSETS</u>				
Cash and Investments	\$ 15,016,683	\$ -	\$ 441	\$ -
Restricted Cash	-	1,677,331	4,550	-
Accounts Receivable	-	-	-	-
Loans Receivable	-	-	-	-
Due from Commonwealth	-	-	-	-
Due from Federal Government	-	-	-	1,458,710
Total Assets	<u>15,016,683</u>	<u>1,677,331</u>	<u>4,991</u>	<u>1,458,710</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	907	-	-	152,903
Due to Other Funds	-	-	-	873,423
Unearned Revenue	-	-	-	-
Total Liabilities	<u>907</u>	<u>-</u>	<u>-</u>	<u>1,026,326</u>
<u>FUND BALANCES</u>				
Restricted for:				
General Government	-	-	-	-
Housing and Community Development	-	-	-	-
Judicial	-	-	-	-
Public Safety	-	-	-	432,384
Special Service District	-	-	-	-
Committed for:				
Agriculture	15,015,776	-	-	-
Convention and Visitor Development	-	-	-	-
Education	-	-	-	-
Judicial	-	-	-	-
Parks and Recreation	-	-	-	-
Tax Increment Financing	-	1,169,330	-	-
Assigned to:				
Education	-	-	-	-
Judicial	-	-	-	-
Public Safety	-	-	-	-
Parks and Recreation	-	-	-	-
Special Service District	-	-	4,991	-
Tax Increment Financing	-	508,001	-	-
Total Fund Balances	<u>15,015,776</u>	<u>1,677,331</u>	<u>4,991</u>	<u>432,384</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,016,683</u>	<u>\$ 1,677,331</u>	<u>\$ 4,991</u>	<u>\$ 1,458,710</u>

**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

Federal Section Eight Program	Forfeited Assets	Grants Consolidated	Housing and Neighborhood Preservation	Law Library	Open Space
\$ 426,072	\$ -	\$ 1,355,075	\$ 848,246	\$ 71,902	\$ 1,701,679
136,025	3,244,775	-	853,699	-	-
553,630	-	-	-	-	-
-	-	-	5,189,187	-	-
-	-	379,311	-	-	-
-	-	527,373	784,472	-	-
<u>1,115,727</u>	<u>3,244,775</u>	<u>2,261,759</u>	<u>7,675,604</u>	<u>71,902</u>	<u>1,701,679</u>
244,623	202,323	317,774	184,264	4,927	16,463
-	-	-	-	-	-
-	-	-	-	-	-
<u>244,623</u>	<u>202,323</u>	<u>317,774</u>	<u>184,264</u>	<u>4,927</u>	<u>16,463</u>
-	-	1,943,985	-	-	-
871,104	-	-	7,491,340	-	-
-	697,454	-	-	-	-
-	1,959,083	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	61,346	-
-	-	-	-	-	-
-	-	-	-	-	1,685,216
-	-	-	-	-	-
-	-	-	-	5,629	-
-	100,000	-	-	-	-
-	285,915	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>871,104</u>	<u>3,042,452</u>	<u>1,943,985</u>	<u>7,491,340</u>	<u>66,975</u>	<u>1,685,216</u>
<u>\$ 1,115,727</u>	<u>\$ 3,244,775</u>	<u>\$ 2,261,759</u>	<u>\$ 7,675,604</u>	<u>\$ 71,902</u>	<u>\$ 1,701,679</u>

(continued)

**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

	<u>Parks and Recreation</u>	<u>Sandbridge Special Service District</u>	<u>Sandbridge Tax Increment Financing</u>	<u>Sheriff's Department</u>
<u>ASSETS</u>				
Cash and Investments	\$ 18,310,987	\$ -	\$ -	\$ 1,403,607
Restricted Cash	-	737,929	5,086,898	-
Accounts Receivable	219,139	-	-	126,807
Loans Receivable	-	-	-	-
Due from Commonwealth	-	-	-	1,315,132
Due from Federal Government	-	-	-	252
Total Assets	<u>18,530,126</u>	<u>737,929</u>	<u>5,086,898</u>	<u>2,845,798</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	1,074,523	15,972	-	1,436,527
Due to Other Funds	-	-	-	-
Unearned Revenue	1,050,683	-	-	-
Total Liabilities	<u>2,125,206</u>	<u>15,972</u>	<u>-</u>	<u>1,436,527</u>
<u>FUND BALANCES</u>				
Restricted for:				
General Government	-	-	-	-
Housing and Community Development	-	-	-	-
Judicial	-	-	-	-
Public Safety	-	-	-	-
Special Service District	-	643,359	-	-
Committed for:				
Agriculture	-	-	-	-
Convention and Visitor Development	-	-	-	-
Education	-	-	-	-
Judicial	-	-	-	1,409,271
Parks and Recreation	16,377,920	-	-	-
Tax Increment Financing	-	-	5,060,225	-
Assigned to:				
Education	-	-	-	-
Judicial	-	-	-	-
Public Safety	-	-	-	-
Parks and Recreation	27,000	-	-	-
Special Service District	-	78,598	-	-
Tax Increment Financing	-	-	26,673	-
Total Fund Balances	<u>16,404,920</u>	<u>721,957</u>	<u>5,086,898</u>	<u>1,409,271</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,530,126</u>	<u>\$ 737,929</u>	<u>\$ 5,086,898</u>	<u>\$ 2,845,798</u>

(continued)

**CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

Tourism Advertising Program	Tourism Investment Program	Town Center Special Service District	Wetlands Board Mitigation	Totals
\$ 2,437,195	\$ 20,530,832	\$ -	\$ 341,375	\$ 62,444,094
-	-	2,148,290	-	13,889,497
-	-	-	-	899,576
-	-	-	-	5,189,187
-	-	-	-	1,694,443
-	-	-	-	2,770,807
<u>2,437,195</u>	<u>20,530,832</u>	<u>2,148,290</u>	<u>341,375</u>	<u>86,887,604</u>
1,365,261	168,475	250,570	-	5,435,512
-	-	-	-	873,423
-	-	-	-	1,050,683
<u>1,365,261</u>	<u>168,475</u>	<u>250,570</u>	<u>-</u>	<u>7,359,618</u>
-	-	-	-	1,943,985
-	-	-	-	8,362,444
-	-	-	-	697,454
-	-	-	-	2,391,467
-	-	1,881,797	-	2,525,156
-	-	-	-	15,015,776
1,071,934	20,362,357	-	-	21,434,291
-	-	-	-	61,346
-	-	-	-	1,409,271
-	-	-	341,375	18,404,511
-	-	-	-	6,229,555
-	-	-	-	5,629
-	-	-	-	100,000
-	-	-	-	285,915
-	-	-	-	27,000
-	-	15,923	-	99,512
-	-	-	-	534,674
<u>1,071,934</u>	<u>20,362,357</u>	<u>1,897,720</u>	<u>341,375</u>	<u>79,527,986</u>
<u>\$ 2,437,195</u>	<u>\$ 20,530,832</u>	<u>\$ 2,148,290</u>	<u>\$ 341,375</u>	<u>\$ 86,887,604</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, 2018

	Agriculture Reserve Program	Central Business District South Tax Increment Financing	Combined Area Dredging Projects	Emergency FEMA
<u>REVENUES</u>				
General Property Taxes	\$ 4,890,480	\$ 7,098,077	\$ 550,911	\$ -
Other Local Taxes	-	500,000	-	-
Fines and Forfeitures	-	-	-	-
From Use of Money and Property	113,805	874	-	-
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
From Commonwealth	-	-	-	-
From Federal Government	-	-	-	2,529,493
Total Revenues	<u>5,004,285</u>	<u>7,598,951</u>	<u>550,911</u>	<u>2,529,493</u>
<u>EXPENDITURES</u>				
Current:				
Judicial	-	-	-	-
Health	-	-	-	-
Police	-	-	-	-
Human Services	-	-	-	-
Public Works	-	-	-	-
Parks and Recreation	-	-	-	-
Library	-	-	-	-
Planning	-	-	-	-
Agriculture	170,907	-	-	-
Convention and Visitor Development	-	-	-	-
Fire	-	-	-	-
Housing and Neighborhood Preservation	-	-	-	-
General Government	-	-	-	2,443,607
Emergency Medical Services	-	-	-	-
Debt Service:				
Principal Retirement	-	5,258,840	-	-
Interest and Fiscal Charges	2,376,990	2,555,355	-	-
Total Expenditures	<u>2,547,897</u>	<u>7,814,195</u>	<u>-</u>	<u>2,443,607</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,456,388</u>	<u>(215,244)</u>	<u>550,911</u>	<u>85,886</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	-	-
Transfers Out	-	(150,000)	(558,219)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(150,000)</u>	<u>(558,219)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>2,456,388</u>	<u>(365,244)</u>	<u>(7,308)</u>	<u>85,886</u>
FUND BALANCES - JULY 1	<u>12,559,388</u>	<u>2,042,575</u>	<u>12,299</u>	<u>346,498</u>
FUND BALANCES - JUNE 30	<u>\$ 15,015,776</u>	<u>\$ 1,677,331</u>	<u>\$ 4,991</u>	<u>\$ 432,384</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, 2018

Federal Section Eight Program	Forfeited Assets	Grants Consolidated	Housing and Neighborhood Preservation	Law Library	Open Space
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	5,291,171
-	-	-	-	-	-
6,898	25,195	5,823	19,621	2,644	589
-	-	7,357	-	257,997	-
3,130,228	549,636	5,550	1,954	-	-
-	233,349	3,147,032	782,522	-	-
17,778,853	15,341	8,942,443	2,058,095	-	-
20,915,979	823,521	12,108,205	2,862,192	260,641	5,291,760
-	48,471	594,534	-	-	-
-	-	132,620	-	-	-
-	419,714	257,745	-	-	-
-	-	7,202,563	-	-	-
-	-	20,000	-	-	-
-	-	-	-	-	369,614
-	-	-	-	451,477	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,119,725	-	-	-
21,232,490	-	1,337,695	3,270,291	-	-
-	-	-	-	-	-
-	-	549,418	-	-	-
-	-	-	-	-	1,961,170
-	-	-	-	-	593,142
21,232,490	468,185	13,214,300	3,270,291	451,477	2,923,926
(316,511)	355,336	(1,106,095)	(408,099)	(190,836)	2,367,834
141,821	-	1,628,531	898,337	-	-
-	-	(1,374,097)	(350,930)	(59,090)	(1,000,000)
141,821	-	254,434	547,407	(59,090)	(1,000,000)
(174,690)	355,336	(851,661)	139,308	(249,926)	1,367,834
1,045,794	2,687,116	2,795,646	7,352,032	316,901	317,382
\$ 871,104	\$ 3,042,452	\$ 1,943,985	\$ 7,491,340	\$ 66,975	\$ 1,685,216

(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, 2018

	<u>Parks and Recreation</u>	<u>Sandbridge Special Service District</u>	<u>Sandbridge Tax Increment Financing</u>	<u>Sheriff's Department</u>
<u>REVENUES</u>				
General Property Taxes	\$ 18,888,120	\$ 712,530	\$ 9,845,623	\$ -
Other Local Taxes	-	3,931,043	-	-
Fines and Forfeitures	-	-	-	-
From Use of Money and Property	1,396,050	13,953	57,050	12,969
Charges for Services	14,012,929	-	-	4,844,239
Miscellaneous	57,935	-	-	2,744
From Commonwealth	10,718	-	-	18,464,089
From Federal Government	-	-	-	50,018
Total Revenues	<u>34,365,752</u>	<u>4,657,526</u>	<u>9,902,673</u>	<u>23,374,059</u>
<u>EXPENDITURES</u>				
Current:				
Judicial	-	-	-	47,620,285
Health	-	-	-	-
Police	-	-	-	-
Human Services	-	-	-	-
Public Works	-	504,696	-	-
Parks and Recreation	32,983,052	-	-	-
Library	-	-	-	-
Planning	-	-	-	-
Agriculture	-	-	-	-
Convention and Visitor Development	-	-	-	-
Fire	-	-	-	-
Housing and Neighborhood Preservation	-	-	-	-
General Government	-	-	-	-
Emergency Medical Services	-	-	-	-
Debt Service:				
Principal Retirement	2,325,113	-	-	-
Interest and Fiscal Charges	1,562,043	-	-	-
Total Expenditures	<u>36,870,208</u>	<u>504,696</u>	<u>-</u>	<u>47,620,285</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,504,456)</u>	<u>4,152,830</u>	<u>9,902,673</u>	<u>(24,246,226)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	6,244,833	90,000	-	24,515,857
Transfers Out	(2,488,979)	(4,235,380)	(10,114,620)	(500,000)
Total Other Financing Sources (Uses)	<u>3,755,854</u>	<u>(4,145,380)</u>	<u>(10,114,620)</u>	<u>24,015,857</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>1,251,398</u>	<u>7,450</u>	<u>(211,947)</u>	<u>(230,369)</u>
FUND BALANCES - JULY 1	<u>15,153,522</u>	<u>714,507</u>	<u>5,298,845</u>	<u>1,639,640</u>
FUND BALANCES - JUNE 30	<u>\$ 16,404,920</u>	<u>\$ 721,957</u>	<u>\$ 5,086,898</u>	<u>\$ 1,409,271</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, 2018

Tourism Advertising Program	Tourism Investment Program	Town Center Special Service District	Wetlands Board Mitigation	Totals
\$ -	\$ -	\$ 1,988,450	\$ -	\$ 43,974,191
12,050,396	37,647,878	-	-	59,420,488
-	520,536	172,003	31,050	723,589
107,932	535,017	311,395	2,790	2,612,605
1,246	-	24,300	-	19,148,068
9,633	818,157	7,395	-	4,583,232
-	-	-	-	22,637,710
-	-	-	-	31,374,243
12,169,207	39,521,588	2,503,543	33,840	184,474,126
-	-	-	-	48,263,290
-	-	-	-	132,620
-	-	-	-	677,459
-	-	-	-	7,202,563
-	2,646,202	-	-	3,170,898
-	622,143	-	-	33,974,809
-	-	-	-	451,477
-	1,203,932	-	-	1,203,932
-	-	-	-	170,907
12,736,967	4,765,190	-	-	17,502,157
-	-	-	-	3,119,725
-	-	-	-	25,840,476
-	-	2,241,921	-	4,685,528
-	-	-	-	549,418
-	16,089,573	-	-	25,634,696
-	6,097,811	-	-	13,185,341
12,736,967	31,424,851	2,241,921	-	185,765,296
(567,760)	8,096,737	261,622	33,840	(1,291,170)
-	-	150,000	-	33,669,379
(56,838)	(1,274,571)	(479,999)	-	(22,642,723)
(56,838)	(1,274,571)	(329,999)	-	11,026,656
(624,598)	6,822,166	(68,377)	33,840	9,735,486
1,696,532	13,540,191	1,966,097	307,535	69,792,500
\$ 1,071,934	\$ 20,362,357	\$ 1,897,720	\$ 341,375	\$ 79,527,986

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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Real Estate Property Taxes	\$ 4,878,451	\$ 4,878,451	\$ 4,890,480	\$ 12,029
From Use of Money and Property	31,917	31,917	113,805	81,888
Total Revenues	<u>4,910,368</u>	<u>4,910,368</u>	<u>5,004,285</u>	<u>93,917</u>
<u>EXPENDITURES</u>				
Agriculture Reserve Program	874,651	874,651	170,907	703,744
Debt Service:				
Interest and Fiscal Charges	<u>4,035,717</u>	<u>4,035,717</u>	<u>2,376,990</u>	<u>1,658,727</u>
Total Expenditures	<u>4,910,368</u>	<u>4,910,368</u>	<u>2,547,897</u>	<u>2,362,471</u>
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	2,456,388	2,456,388
<u>FUND BALANCE - JULY 1</u>	<u>12,559,388</u>	<u>12,559,388</u>	<u>12,559,388</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 12,559,388</u>	<u>\$ 12,559,388</u>	<u>\$ 15,015,776</u>	<u>\$ 2,456,388</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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Real Estate Property Taxes	\$ 7,107,950	\$ 7,107,950	\$ 7,098,077	\$ (9,873)
Other Local Taxes	500,000	500,000	500,000	-
From Use of Money and Property	2,000	2,000	874	(1,126)
Total Revenues	<u>7,609,950</u>	<u>7,609,950</u>	<u>7,598,951</u>	<u>(10,999)</u>
<u>EXPENDITURES</u>				
Debt Service:				
Principal Retirement	5,258,840	5,258,840	5,258,840	-
Interest and Fiscal Charges	2,555,355	2,555,355	2,555,355	-
Total Expenditures	<u>7,814,195</u>	<u>7,814,195</u>	<u>7,814,195</u>	<u>-</u>
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(204,245)</u>	<u>(204,245)</u>	<u>(215,244)</u>	<u>(10,999)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(150,000)	(150,000)	(150,000)	-
Use of Fund Balance	354,245	354,245	-	(354,245)
Total Other Financing Sources (Uses)	<u>204,245</u>	<u>204,245</u>	<u>(150,000)</u>	<u>(354,245)</u>
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>-</u>	<u>-</u>	<u>(365,244)</u>	<u>(365,244)</u>
<u>FUND BALANCE - JULY 1</u>	<u>2,042,575</u>	<u>2,042,575</u>	<u>2,042,575</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 2,042,575</u>	<u>\$ 2,042,575</u>	<u>\$ 1,677,331</u>	<u>\$ (365,244)</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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Real Estate Property Taxes	\$ 641,547	\$ 626,696	\$ 550,911	\$ (75,785)
Total Revenues	641,547	626,696	550,911	(75,785)
<u>EXPENDITURES</u>				
Area Dredging Projects	27,353	27,353	-	27,353
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	614,194	599,343	550,911	(48,432)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(636,540)	(621,689)	(558,219)	63,470
Use of Fund Balance	22,346	22,346	-	(22,346)
Total Other Financing Sources (Uses)	(614,194)	(599,343)	(558,219)	41,124
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	(7,308)	(7,308)
<u>FUND BALANCE - JULY 1</u>	12,299	12,299	12,299	-
<u>FUND BALANCE - JUNE 30</u>	\$ 12,299	\$ 12,299	\$ 4,991	\$ (7,308)

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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
From Federal Government	\$ -	\$ 5,800,000	\$ 2,529,493	\$ (3,270,507)
Total Revenues	-	5,800,000	2,529,493	(3,270,507)
<u>EXPENDITURES</u>				
FEMA Operations	-	5,800,000	2,443,607	3,356,393
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	85,886	85,886
<u>FUND BALANCE - JULY 1</u>	346,498	346,498	346,498	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 346,498</u>	<u>\$ 346,498</u>	<u>\$ 432,384</u>	<u>\$ 85,886</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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
From Use of Money and Property	\$ -	\$ -	\$ 6,898	\$ 6,898
Miscellaneous	2,696,500	2,771,500	3,130,228	358,728
From Federal Government	18,396,900	18,382,219	17,778,853	(603,366)
Total Revenues	21,093,400	21,153,719	20,915,979	(237,740)
<u>EXPENDITURES</u>				
Rental Subsidy Program	21,208,400	21,311,627	21,232,490	79,137
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	(115,000)	(157,908)	(316,511)	(158,603)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	115,000	141,821	141,821	-
Use of Fund Balance	-	16,087	-	(16,087)
Total Other Financing Sources (Uses)	115,000	157,908	141,821	(16,087)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	(174,690)	(174,690)
<u>FUND BALANCE - JULY 1</u>	1,045,794	1,045,794	1,045,794	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 1,045,794</u>	<u>\$ 1,045,794</u>	<u>\$ 871,104</u>	<u>\$ (174,690)</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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
From Use of Money and Property	\$ -	\$ -	\$ 25,195	\$ 25,195
Miscellaneous	-	-	549,636	549,636
From Commonwealth	-	-	233,349	233,349
From Federal Government	-	-	15,341	15,341
Total Revenues	-	-	823,521	823,521
<u>EXPENDITURES</u>				
Commonwealth Attorney	100,000	555,226	48,471	506,755
Police	285,915	948,751	419,714	529,037
Total Expenditures	385,915	1,503,977	468,185	1,035,792
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	(385,915)	(1,503,977)	355,336	1,859,313
<u>OTHER FINANCING SOURCES (USES)</u>				
Use of Fund Balance	385,915	1,503,977	-	(1,503,977)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	355,336	355,336
<u>FUND BALANCE - JULY 1</u>	2,687,116	2,687,116	2,687,116	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 2,687,116</u>	<u>\$ 2,687,116</u>	<u>\$ 3,042,452</u>	<u>\$ 355,336</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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
From Use of Money and Property	\$ -	\$ 10,569	\$ 19,621	\$ 9,052
Miscellaneous	201,000	1,053,196	1,954	(1,051,242)
From Commonwealth	917,176	786,272	782,522	(3,750)
From Federal Government	2,585,499	2,612,890	2,058,095	(554,795)
Total Revenues	3,703,675	4,462,927	2,862,192	(1,600,735)
<u>EXPENDITURES</u>				
Housing and Neighborhood Preservation	3,301,078	4,227,812	2,912,506	1,315,306
State Rental Assistance Program	917,176	782,522	357,785	424,737
Total Expenditures	4,218,254	5,010,334	3,270,291	1,740,043
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	(514,579)	(547,407)	(408,099)	139,308
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	643,437	898,337	898,337	-
Transfers Out	(128,858)	(350,930)	(350,930)	-
Total Other Financing Sources (Uses)	514,579	547,407	547,407	-
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	139,308	139,308
<u>FUND BALANCE - JULY 1</u>	7,352,032	7,352,032	7,352,032	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 7,352,032</u>	<u>\$ 7,352,032</u>	<u>\$ 7,491,340</u>	<u>\$ 139,308</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, 2018**

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
From Use of Money and Property	\$ 1,000	\$ 1,000	\$ 2,644	\$ 1,644
Charges for Services	270,065	270,065	257,997	(12,068)
Total Revenues	271,065	271,065	260,641	(10,424)
<u>EXPENDITURES</u>				
Law Library	310,065	533,645	451,477	82,168
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	(39,000)	(262,580)	(190,836)	71,744
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	-	-	(59,090)	(59,090)
Use of Fund Balance	39,000	262,580	-	(262,580)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	(249,926)	(249,926)
<u>FUND BALANCE - JULY 1</u>	316,901	316,901	316,901	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 316,901</u>	<u>\$ 316,901</u>	<u>\$ 66,975</u>	<u>\$ (249,926)</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, 2018**

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Other Local Taxes	\$ 5,492,612	\$ 5,492,612	\$ 5,291,171	\$ (201,441)
From Use of Money and Property	-	-	589	589
Total Revenues	5,492,612	5,492,612	5,291,760	(200,852)
<u>EXPENDITURES</u>				
Open Space Program	1,935,569	1,940,434	369,614	1,570,820
Debt Service:				
Principal Retirement	1,961,170	1,961,170	1,961,170	-
Interest and Fiscal Charges	595,873	595,873	593,142	2,731
Total Expenditures	4,492,612	4,497,477	2,923,926	1,573,551
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	1,000,000	995,135	2,367,834	1,372,699
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(1,000,000)	(1,000,000)	(1,000,000)	-
Use of Fund Balance	-	4,865	-	(4,865)
Total Other Financing Sources (Uses)	(1,000,000)	(995,135)	(1,000,000)	(4,865)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	1,367,834	1,367,834
<u>FUND BALANCE - JULY 1</u>	317,382	317,382	317,382	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 317,382</u>	<u>\$ 317,382</u>	<u>\$ 1,685,216</u>	<u>\$ 1,367,834</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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Real Estate Property Taxes	\$ 18,841,662	\$ 18,841,662	\$ 18,888,120	\$ 46,458
From Use of Money and Property	1,632,967	1,632,967	1,396,050	(236,917)
Charges for Services	15,097,963	15,097,963	14,012,929	(1,085,034)
Miscellaneous	156,400	156,400	57,935	(98,465)
From Commonwealth	11,000	11,000	10,718	(282)
Total Revenues	35,739,992	35,739,992	34,365,752	(1,374,240)
<u>EXPENDITURES</u>				
Administration, Marketing, and Building Systems	4,540,522	4,722,234	4,634,630	87,604
Programming and Operations	29,377,529	29,638,179	26,187,509	3,450,670
Golf Courses	1,725,755	1,746,636	1,412,590	334,046
Landscape Management	778,275	837,434	748,323	89,111
Debt Service:				
Principal Retirement	2,674,136	2,674,136	2,325,113	349,023
Interest and Fiscal Charges	1,890,566	1,890,566	1,562,043	328,523
Total Expenditures	40,986,783	41,509,185	36,870,208	4,638,977
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	(5,246,791)	(5,769,193)	(2,504,456)	3,264,737
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	5,993,510	6,244,833	6,244,833	-
Transfers Out	(2,472,427)	(2,488,979)	(2,488,979)	-
Use of Fund Balance	1,725,708	2,013,339	-	(2,013,339)
Total Other Financing Sources (Uses)	5,246,791	5,769,193	3,755,854	(2,013,339)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	1,251,398	1,251,398
<u>FUND BALANCE - JULY 1</u>	15,153,522	15,153,522	15,153,522	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 15,153,522</u>	<u>\$ 15,153,522</u>	<u>\$ 16,404,920</u>	<u>\$ 1,251,398</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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Real Estate Property Taxes	\$ 735,744	\$ 735,744	\$ 712,530	\$ (23,214)
Other Local Taxes	3,739,385	3,739,385	3,931,043	191,658
From Use of Money and Property	7,037	7,037	13,953	6,916
Total Revenues	<u>4,482,166</u>	<u>4,482,166</u>	<u>4,657,526</u>	<u>175,360</u>
<u>EXPENDITURES</u>				
Beach Operations	<u>972,695</u>	<u>972,695</u>	<u>504,696</u>	<u>467,999</u>
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>3,509,471</u>	<u>3,509,471</u>	<u>4,152,830</u>	<u>643,359</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	90,000	90,000	90,000	-
Transfers Out	(4,235,380)	(4,235,380)	(4,235,380)	-
Use of Fund Balance	635,909	635,909	-	(635,909)
Total Other Financing Sources (Uses)	<u>(3,509,471)</u>	<u>(3,509,471)</u>	<u>(4,145,380)</u>	<u>(635,909)</u>
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>-</u>	<u>-</u>	<u>7,450</u>	<u>7,450</u>
<u>FUND BALANCE - JULY 1</u>	<u>714,507</u>	<u>714,507</u>	<u>714,507</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 714,507</u>	<u>\$ 714,507</u>	<u>\$ 721,957</u>	<u>\$ 7,450</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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Real Estate Property Taxes	\$ 10,226,817	\$ 10,226,817	\$ 9,845,623	\$ (381,194)
From Use of Money and Property	28,126	28,126	57,050	28,924
Total Revenues	10,254,943	10,254,943	9,902,673	(352,270)
<u>EXPENDITURES</u>				
Sandbridge TIF	8,140,323	140,323	-	140,323
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	2,114,620	10,114,620	9,902,673	(211,947)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(2,114,620)	(10,114,620)	(10,114,620)	-
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	(211,947)	(211,947)
<u>FUND BALANCE - JULY 1</u>	5,298,845	5,298,845	5,298,845	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 5,298,845</u>	<u>\$ 5,298,845</u>	<u>\$ 5,086,898</u>	<u>\$ (211,947)</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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
From Use of Money and Property	\$ 11,000	\$ 11,000	\$ 12,969	\$ 1,969
Charges for Services	4,595,608	4,745,608	4,844,239	98,631
Miscellaneous	2,000	2,000	2,744	744
From Commonwealth	18,450,000	18,450,000	18,464,089	14,089
From Federal Government	140,000	140,000	50,018	(89,982)
Total Revenues	23,198,608	23,348,608	23,374,059	25,451
<u>EXPENDITURES</u>				
Judicial	47,177,315	48,160,578	47,620,285	540,293
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	(23,978,707)	(24,811,970)	(24,246,226)	565,744
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	23,718,707	24,515,857	24,515,857	-
Transfers Out	(500,000)	(500,000)	(500,000)	-
Use of Fund Balance	760,000	796,112	-	(796,112)
Total Other Financing Sources (Uses)	23,978,707	24,811,969	24,015,857	(796,112)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	(1)	(230,369)	(230,368)
<u>FUND BALANCE - JULY 1</u>	1,639,640	1,639,640	1,639,640	-
<u>FUND BALANCE - JUNE 30</u>	\$ 1,639,640	\$ 1,639,639	\$ 1,409,271	\$ (230,368)

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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Other Local Taxes	\$ 12,076,046	\$ 12,076,046	\$ 12,050,396	\$ (25,650)
From Use of Money and Property	146,504	146,504	107,932	(38,572)
Charges for Services	1,600	1,600	1,246	(354)
Miscellaneous	17,000	17,000	9,633	(7,367)
Total Revenues	12,241,150	12,241,150	12,169,207	(71,943)
<u>EXPENDITURES</u>				
Visitor Information Center	779,278	799,770	710,917	88,853
Tourism and Convention Advertising	10,168,401	11,590,787	10,888,286	702,501
Sports Marketing	1,236,633	1,240,287	1,137,764	102,523
Total Expenditures	12,184,312	13,630,844	12,736,967	893,877
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	56,838	(1,389,694)	(567,760)	821,934
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(56,838)	(56,838)	(56,838)	-
Use of Fund Balance	-	1,446,532	-	(1,446,532)
Total Other Financing Sources (Uses)	(56,838)	1,389,694	(56,838)	(1,446,532)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	(624,598)	(624,598)
<u>FUND BALANCE - JULY 1</u>	1,696,532	1,696,532	1,696,532	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 1,696,532</u>	<u>\$ 1,696,532</u>	<u>\$ 1,071,934</u>	<u>\$ (624,598)</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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Other Local Taxes	\$ 37,965,384	\$ 37,965,384	\$ 37,647,878	\$ (317,506)
Fines and Forfeitures	458,900	458,900	520,536	61,636
From Use of Money and Property	438,800	438,800	535,017	96,217
Miscellaneous	642,831	642,831	818,157	175,326
Total Revenues	39,505,915	39,505,915	39,521,588	15,673
<u>EXPENDITURES</u>				
Beach Operations	2,081,167	2,107,668	2,088,375	19,293
Direct Costs	1,200,862	1,203,932	1,203,932	-
Special Events	4,593,595	4,864,121	4,714,690	149,431
Cultural Activities	50,500	50,500	50,500	-
Recycling	52,000	52,000	90,637	(38,637)
Landscaping	633,250	653,094	622,143	30,951
Maintenance	580,378	606,690	467,190	139,500
Debt Service:				
Principal Retirement	16,089,573	16,089,573	16,089,573	-
Interest and Fiscal Charges	7,321,854	7,321,854	6,097,811	1,224,043
Contingencies	6,887,863	6,587,122	-	6,587,122
Total Expenditures	39,491,042	39,536,554	31,424,851	8,111,703
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	14,873	(30,639)	8,096,737	8,127,376
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(14,873)	(1,274,571)	(1,274,571)	-
Use of Fund Balance	-	1,305,210	-	(1,305,210)
Total Other Financing Sources (Uses)	(14,873)	30,639	(1,274,571)	(1,305,210)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	6,822,166	6,822,166
<u>FUND BALANCE - JULY 1</u>	13,540,191	13,540,191	13,540,191	-
<u>FUND BALANCE - JUNE 30</u>	\$ 13,540,191	\$ 13,540,191	\$ 20,362,357	\$ 6,822,166

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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Real Estate Property Taxes	\$ 2,007,681	\$ 2,007,681	\$ 1,988,450	\$ (19,231)
Fines and Forfeitures	50,000	50,000	172,003	122,003
From Use of Money and Property	259,500	259,500	311,395	51,895
Charges for Services	24,300	24,300	24,300	-
Miscellaneous	-	-	7,395	7,395
Total Revenues	2,341,481	2,341,481	2,503,543	162,062
<u>EXPENDITURES</u>				
Town Center Parking Operations	1,951,144	2,146,144	2,142,066	4,078
Town Center Operations	60,338	99,854	99,855	(1)
Total Expenditures	2,011,482	2,245,998	2,241,921	4,077
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	329,999	95,483	261,622	166,139
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	150,000	150,000	150,000	-
Transfers Out	(479,999)	(479,999)	(479,999)	-
Use of Fund Balance	-	234,516	-	(234,516)
Total Other Financing Sources (Uses)	(329,999)	(95,483)	(329,999)	(234,516)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	(68,377)	(68,377)
<u>FUND BALANCE - JULY 1</u>	1,966,097	1,966,097	1,966,097	-
<u>FUND BALANCE - JUNE 30</u>	\$ 1,966,097	\$ 1,966,097	\$ 1,897,720	\$ (68,377)

CITY OF VIRGINIA BEACH, VIRGINIA
WETLANDS BOARD MITIGATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Final Budget Positive (Negative)
<u>REVENUES</u>				
Fines and Forfeitures	\$ -	\$ -	\$ 31,050	\$ 31,050
From Use of Money and Property	-	-	2,790	2,790
Total Revenues	-	-	33,840	33,840
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	33,840	33,840
<u>FUND BALANCE - JULY 1</u>	307,535	307,535	307,535	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 307,535</u>	<u>\$ 307,535</u>	<u>\$ 341,375</u>	<u>\$ 33,840</u>

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, 2018

	Budget Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
From Use of Money and Property	\$ -	\$ -	\$ (479,866)	\$ (479,866)
Federal Reimbursement of Interest	-	-	470,706	470,706
Total Revenues	-	-	(9,160)	(9,160)
<u>EXPENDITURES</u>				
Principal	30,938,731	30,938,731	29,609,312	1,329,419
Interest	14,008,949	14,008,949	13,023,625	985,324
Total Expenditures	44,947,680	44,947,680	42,632,937	2,314,743
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	(44,947,680)	(44,947,680)	(42,642,097)	2,305,583
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	44,947,680	44,947,680	41,935,194	(3,012,486)
Proceeds of Refunding Bonds	-	-	71,530,000	71,530,000
Premium on Bonds Sold	-	-	13,597,692	13,597,692
Payment to Refunding Bonds Escrow Agent	-	-	(84,900,655)	(84,900,655)
Total Other Financing Sources (Uses)	44,947,680	44,947,680	42,162,231	(2,785,449)
<u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	-	-	(479,866)	(479,866)
<u>FUND BALANCE - JULY 1</u>	33,802,079	33,802,079	33,802,079	-
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 33,802,079</u>	<u>\$ 33,802,079</u>	<u>\$ 33,322,213</u>	<u>\$ (479,866)</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, 2018**

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	\$ 65,882	\$ 6,743,556	\$ -	\$ 165,050	\$ 1,495,310
2022000	MAJOR BRIDGE REHAB II	7,192,111	183,428	2,476,031	2,476,028	684,877	4,031,203
2024000	RURAL ROAD IMPROVEMENTS II	1,000,000	-	17	17	-	999,983
2025000	WITCHDUCK ROAD - PHASE II	57,040,848	7,513,021	35,727,734	35,727,734	16,832,406	4,480,708
2026000	STREET RECONSTRUCTION II	8,750,000	251,874	5,949,962	-	1,429,045	1,370,993
2027000	VARIOUS COST PARTICIPATION PROJECTS II	200,000	-	-	-	-	200,000
2028000	WETLANDS MITIGATION BANKING II	500,000	-	-	-	-	500,000
2033000	PRINCESS ANNE ROAD PHASE VII-A	350,000	147,949	218,082	218,082	27,869	104,049
2038000	ROSEMONT ROAD PHASE V	16,638,215	52,522	806,267	806,267	154,750	15,677,198
2040000	LASKIN ROAD PHASE I	8,480,000	-	-	-	-	8,480,000
2042000	INDIAN RIVER/PROVIDENCE INTER IMPROVE	2,052,200	90,029	446,443	446,443	29,765	1,575,992
2045000	PACIFIC AVENUE IMPROVEMENTS	17,330,000	313,886	14,372,118	-	2,350,460	607,422
2046000	CAVALIER DRIVE IMPROVEMENTS	2,449,040	-	2,059,972	2,059,972	-	389,068
2047000	UPTON DR EXT/DAM NECK IMPROVEMENTS	1,300,000	11,364	13,219	13,219	646	1,286,135
2048000	PRINCESS ANNE RD/KEMPSVILLE RD INTERSECTION IMPR	88,171,045	177,742	85,732,121	-	280,255	2,158,669
2050000	LANDSTOWN RD IMPROVEMENTS	7,403,431	80,512	621,156	621,156	475,578	6,306,697
2054000	FERRELL PARKWAY	780,000	-	-	-	-	780,000
2072000	FIRST COLONIAL RD/VB BLVD INTERSECTION IMPROVEMENT	27,096,938	1,845,303	11,654,918	4,420,302	1,527,830	13,914,190
2078000	SANDBRIDGE ROAD-NIMMO VVI-A	6,878,020	301,549	852,587	852,587	777,530	5,247,903
2088000	WEST NECK ROAD PHASE IV	4,961,000	421,773	1,081,306	1,081,306	1,227,048	2,652,646
2089000	SOUTHEASTERN PARKWAY AND GREENBELT (PARTIAL)	23,549,335	6	23,202,006	4,533	-	347,329
2094000	BUS STOP INFRASTRUCTURE/ACCESSIBILITY IM	868,157	196,982	263,503	263,503	15,082	589,572
2107000	SEABOARD ROAD	7,288,267	175,482	6,412,358	434,979	16,829	859,080
2110000	NIMMO PARKWAY VII-B	1,010,380	372,796	373,607	373,607	636,558	215
2111000	TRAFFIC SAFETY IMPROVEMENTS IV	6,582,857	631,434	769,512	769,512	301,160	5,512,185
2112000	INDEPENDENCE BLVD/BAXTER RD SIDEWALK	1,151,416	57,179	57,179	57,179	100,832	993,405
2117000	SHORE DRIVE CORRIDOR IMPRV-PHASE III	19,951,437	487,931	1,607,214	1,607,214	386,671	17,957,552
2118000	SHORE DRIVE CORRIDOR IMPRV-PHASE IV	750,076	-	398,437	398,437	351,639	-
2119000	PROVIDENCE RD SIDEWALK	955,450	57,154	57,154	57,154	66,043	832,253
2120000	WEST GREAT NECK RD SIDEWALK	924,000	71,273	71,273	71,273	73,040	779,687
2124000	ELBOW RD EXTENDED PHASE II-C	500,000	-	-	-	-	500,000
2126000	LASKIN ROAD PHASE I-A (VDOT)	5,000,000	-	-	-	-	5,000,000
2127000	I-264/INDEPENDENCE INTERCHANGE IMPRV	250,000	-	-	-	-	250,000
2130000	BUCCANEER RD BULKHEAD REPLACEMENT	4,500,000	263	263	263	-	4,499,737
2138000	ATLANTIC AVE RECONFIGURATION	245,000	216,926	216,926	216,926	28,074	-
2149000	BIRDNECK ROAD - PHASE II	8,736,710	399	8,069,612	126,465	344,363	322,735
2152000	ELBOW ROAD EXTENDED - PHASE II	25,641,334	964,589	6,167,582	6,167,582	540,066	18,833,774
2156000	LASKIN ROAD - PHASE I (VDOT)	5,041,664	12,165	2,266,061	2,266,061	-	2,775,603
2158000	HOLLAND ROAD - PHASE VI (PARTIAL)	8,656,255	875,394	4,720,417	4,720,417	-	4,035,750
2160000	CITY WIDE STREET LGHTG IMPRVMNTS-PHASE II	600,000	63,278	556,249	263,036	596	43,155
2161000	TRAFFIC SIGNAL RETIMING	4,010,936	472,877	3,862,145	472,877	137,538	11,253
2165000	LASKIN ROAD - PHASE II	1,417,017	300	625,448	625,448	-	791,569
2167000	LYNNHAVEN PARKWAY - PHASE XI	6,769,125	479,924	1,392,919	-	15,379	5,360,827
2168000	LESNER BRIDGE REPLACEMENT	115,755,184	18,684,302	101,010,601	-	9,286,029	5,458,554
2176000	TRANSPORTATION NETWORK ANALYSIS	3,260,774	94,152	2,371,552	1,127,085	10,698	878,524
2195000	PRINCESS ANNE RD-INTERSECTION IMPRVMNTS	35,325,750	296,894	7,479,498	3,459,342	5,845,306	22,000,946
2256000	INDIAN RIVER ROAD - PHASE VII	30,643,075	1,407,029	6,598,717	6,598,717	1,338,267	22,706,091
2300000	TRAFFIC SAFETY IMPROVEMENTS - PHASE III	17,154,246	1,890,594	13,722,246	-	1,537,215	1,894,785
2401000	GREENWICH RD/CLEVELAND ST CROSSOVER	16,760,000	1,631,384	5,011,611	5,011,611	1,487,201	10,261,188
2409000	CENTERVILLE TURNPIKE INTERIM IMPROVEMNTS	26,739,180	449,120	3,224,596	3,224,596	511,622	23,002,962
2410000	TRAFFIC SIGNAL REHAB-PHASE II	1,700,000	131,255	605,644	605,644	238,809	855,547
2414000	SHIPPS CORNER ROAD IMPROVEMENTS	2,474,692	45,764	351,384	351,384	303,545	1,819,763
2416000	SANDBRIDGE ROAD BRIDGE REPLACEMENT	4,189,789	21,404	648,310	648,310	861,998	2,679,481
2418000	INDIAN RD/KEMPSVILLE RD IMPROVMENT	22,105,155	1,109,625	7,195,505	7,195,505	12,813,686	2,095,964
2419000	CENTERVILLE TURNPIKE PHASE III	2,991,000	686,627	687,214	687,214	1,221,317	1,082,469
2422000	PUNGO TURN LANE	250,000	206,925	207,516	207,516	26,412	16,072
2501000	NIMMO PARKWAY PHASE II	1,869,317	164,593	252,991	252,991	161,084	1,455,242
TOTAL ENGINEERING & HIGHWAYS CAPITAL PROJECTS		\$ 682,594,342	\$ 43,412,854	\$ 379,212,739	\$ 96,989,495	\$ 64,620,168	\$ 238,761,435

**CITY OF VIRGINIA BEACH, VIRGINIA
BUILDINGS CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 607,736	\$ 4,634	\$ 456,809	\$ 456,809	\$ 13,119	\$ 137,808
3019000	ADAM THOROUGHGOOD HOUSE VISITOR CENTER	2,244,826	153,091	2,006,493	-	189,067	49,266
3025000	BLDG 2 ELECTRICAL UPGRADE	2,138,400	36,383	36,383	-	37,332	2,064,685
3028000	AQUARIUM MARSH PAVILION ENHANCEMENTS	12,257,253	254,147	1,081,919	1,081,919	581,886	10,593,448
3047000	LANDFILL #2 PHASE 1 CAPPING	15,435,000	1,726,448	7,626,343	7,626,343	85,960	7,722,697
3056000	PUBLIC SAFETY EQUIPMENT REPLACEMENT	3,322,385	1,184,453	1,483,173	1,483,173	132,475	1,706,737
3065000	CENTRAL PARK GENERATOR	5,305,585	14,441	14,441	14,441	26,819	5,264,325
3068000	CIT-IT NETWORK INFRSTR REPLCMNT-PH II	11,379,738	2,197,082	8,786,419	-	60,286	2,533,033
3071000	LIBRARY ENHANCEMENTS	3,820,501	108,231	108,231	-	95,497	3,616,773
3072000	CITY HALL PLANNING & CONCEPT DEVELOPEMENT	2,750,000	736,517	1,025,201	736,517	1,332,606	392,193
3074000	AQUARIUM MARSH PAVILION PH II	1,100,000	655,833	931,390	931,390	168,610	-
3075999	FIRE/EMS STATION BURTON STATION	7,045,307	189,463	296,908	296,908	661,942	6,086,457
3080000	COMMONWEALTH ATTORNEY BLDG RENO	1,500,000	607,205	726,049	-	408,852	365,099
3095000	CIT-POLICE-INTGRTD PUB SFTY RCRD MGT SYS	17,630,162	1,374,190	6,837,893	-	5,502,254	5,290,015
3103000	HERITAGE BUILDING - MAINTENANCE PROGRAM	3,700,261	189,407	1,368,671	-	385,086	1,946,504
3115000	JUDICIAL CNTR MAINTENANCE	509,356	197,032	229,409	-	44,708	235,239
3119000	CIT-CABLE ACCESS INFRASTRUCTURE REPLACE	3,797,261	187,542	1,474,617	516,667	37,373	2,285,271
3120000	CORRECTIONAL CENTER GENERATOR	531,359	322,813	371,609	371,609	9,298	150,452
3121000	EOC SPACE REVISION, TECH & SECURITY UPGRADE	545,000	451,632	451,632	-	74,227	19,141
3122000	POLICE DEPT HELICOPTER	4,500,000	2,172,322	2,172,322	2,172,322	2,161,767	165,911
3133000	FIRE TRAINING CTR IMPROVE-PHASE III	5,152,170	273,811	468,856	468,856	242,681	4,440,633
3136000	VAR BLDGS HVAC REHAB & RENEWAL PH III	11,259,331	2,934,471	9,403,908	-	940,310	915,113
3137000	VARIOUS BLDGS REHAB & RENEWAL PH III	14,330,399	4,089,723	12,372,836	-	1,236,661	720,902
3139000	VARIOUS SITE ACQUISITIONS PHASE II	9,737,716	6,250	8,748,525	-	85,250	903,941
3140000	ENERGY PERFORMANCE CONTRACTS (CITY)	4,933,915	190,576	4,498,053	-	23,645	412,217
3142000	CIT-COMMUNICATIONS INFRA REPLACE-PHII	32,106,051	2,588,224	24,175,421	-	844,715	7,085,915
3146000	VA AQUARIUM BLDG SYS REHAB & RENEW-PH I	13,725,263	1,336,162	8,922,526	-	707,568	4,095,169
3278000	VA AQUARIUM RENEWAL & REPLACEMENT-PH II	3,445,000	191,450	1,913,027	-	317,093	1,214,880
3292000	VA AQUARIUM ANIMAL CARE ANNEX	18,074,338	74,765	2,555,600	2,555,600	352,234	15,166,504
3344000	POLICE FOURTH PRECINCT-REPLACEMENT	8,932,206	592,274	1,099,181	1,099,181	6,282,349	1,550,676
3503000	HOUSING RESOURCE CENTER	24,857,454	9,618,587	21,530,323	21,530,323	1,118,893	2,208,238
3506000	FIRE FACILITY REHAB & RENEWAL PH III	3,799,641	587,923	3,654,425	-	126,234	18,982
3508000	ARC FLASH MITIGATION	2,680,000	666,255	1,849,312	-	73,275	757,413
3510000	INTRMEDIATE CARE FACILITIES REN/REP PH I	1,429,149	57,126	156,454	-	9,822	1,262,873
3518000	CONVENTION CTR CAPITAL MAINTENANCE	2,974,249	1,742,318	2,157,137	-	395,745	421,367
3523000	CORRECTION CTR MASTER CONTROL UPGRADE	5,000,000	140,740	629,157	629,157	294,965	4,075,878
3610000	CIT-OCEANFRONT CAMERAS	3,465,400	1,264,327	2,745,959	-	351,246	368,195
3615000	CIT-BUS REV/PERS PROP RACS IMPLEMENTATION	4,202,000	-	1,707,244	-	1,311,753	1,183,003
3619000	CIT-ALI DATABASE MGMT/SELECTIVE ROUTING	2,007,876	-	119,130	119,130	-	1,888,746
3637000	CIT-DISASTER RECOVERY CRITICAL SVC ANAL III	436,150	-	435,348	-	-	802
3652000	CIT-TELECOMMUNICATIONS REPLACEMENT PH II	2,504,494	198,701	1,059,883	1,059,883	29,565	1,415,046
3657000	DISASTER RECOV IV-ELECT BACKUP/BLDG ACCESS	810,000	331,809	490,406	490,406	271,859	47,735
3663000	CIT-ENTERPRISE SCHEDULING/TIMEKEEPING SY	1,869,070	185,259	185,259	185,259	2,760	1,681,051
3664000	CIT-METROPOLITAN AREA NETWORK	6,134,989	998,124	4,499,583	-	178,035	1,457,371
3677000	CIT-STORM SURGE AND SUSTAIN MODELING	306,658	21,400	102,764	102,764	48,977	154,917
3678000	CIT-FIRE MOBILE RADIO REPEATERS	494,000	-	-	-	-	494,000
3681000	CIT-ELECTRONIC PROCUREMENT SYSTEM	1,742,547	-	-	-	1,742,547	-
3683000	CIT-MAINTAIN & SECURE CORPORATE DATA	230,000	-	-	-	-	230,000
3693000	CIT-IT SERVICE CONTINUITY II	2,123,000	1,003,134	1,003,134	-	505,949	613,917
3695000	CIT-21ST CENTURY ENTERPRISE RESOURCE PLANNING SYST	1,000,000	384,393	384,393	384,393	489,992	125,615
3697000	CIT-CITY SOFTWARE UPGRADE/REPLACEMENT	1,514,900	801,472	801,472	801,472	361,219	352,209
3705000	CIT-HUMAN SERVICES CLIENT INFORM II	974,168	-	4,570	-	-	969,598
3706000	CIT-SHERIFF INMATE TRACKING & STATUS MONITOR	1,036,930	-	-	-	-	1,036,930
3707000	CIT-SHERIFF INMATE VIDEO VISITATION SYSTEM	500,000	-	-	-	-	500,000
TOTAL BUILDINGS CAPITAL PROJECTS		<u>\$ 293,909,194</u>	<u>\$ 43,042,140</u>	<u>\$ 155,159,798</u>	<u>\$ 45,114,521</u>	<u>\$ 30,354,506</u>	<u>\$ 108,394,890</u>

**CITY OF VIRGINIA BEACH, VIRGINIA
PARKS AND RECREATION CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 14,300	\$ 712,067	\$ 712,068	\$ -	\$ 30,556
4039000	PAAC MULTI-PURPOSE ATHLETIC FIELD RENOV	5,250,000	5,990	4,331,901	-	27,452	890,647
4044000	LYNNHAVEN MARINA BULKHEAD REPL/FAC RENO	1,300,000	-	-	-	-	1,300,000
4045000	FOXFIRE TRAIL PEDESTRIAN BRIDGE	1,123,530	-	-	-	-	1,123,530
4064000	CITY BIKEWAYS & TRAILS PLAN IMPLEM PH II	2,723,851	134,871	1,263,989	1,263,989	464,539	995,323
4079000	THALIA CREEK GREENWAY I	2,750,000	288,819	410,671	410,671	64,397	2,274,932
4080000	SPORTSPLEX/NATL TRNG CTR REN & REPLACE	3,779,228	390,591	3,053,495	1,656,610	2,481	723,252
4300000	COM REC CTRS REPAIRS & RENOV-PHIII	14,087,768	1,629,958	5,833,567	-	764,004	7,490,197
4301000	PRKS/SPEC USE FACILIT DEV/RENOV-PHIII	8,710,755	677,385	5,404,133	-	228,104	3,078,518
4302000	GOLF COURSES CONTTUAL OBLIGATIONS-MAINT	840,000	161,866	294,293	-	16,175	529,532
4303000	GREENWAY SCENIC WATER & NAT AREA PH III	1,045,000	102,617	395,768	395,768	51,834	597,398
4305000	TENNIS COURT RENOVATIONS - PHASE III	1,575,000	273,809	1,364,156	-	-	210,844
4306000	OPEN SPACE PARK DEVELOPMENT/MAINT-PHII	11,389,297	1,055,354	6,314,840	1,055,354	281,345	4,793,112
4307000	ATHLETIC FIELDS LIGHTING/RENOV-PH III	1,777,277	147,687	994,791	994,791	13,634	768,852
4500000	PARK PLAYGROUND RENOVATIONS-PHASE III	2,842,527	435,497	2,346,317	-	163,351	332,859
4502000	LYNNHAVEN BOAT RAMP/BEACH FAC REP/RENOV	473,378	-	74,985	-	-	398,393
4503000	P&R ADMINISTRATION OFFICES RELOCATION	11,733,874	3,844,468	11,383,359	-	275,536	74,979
4506000	PARKS INFRASTRUCTURE RENEWAL/REPLACEMENT	3,676,724	42,536	3,534,818	42,536	46,338	95,568
4509000	KEMPSVILLE RECREATION CENTER	31,223,483	791,915	29,137,910	791,915	20,244	2,065,329
4517000	STUMPY LAKE GOLF COURSE LEASE OBLIGATIONS PHI	231,265	-	15,414	-	-	215,851
4519000	BIKEWAYS/TRAILS REPAIRS/RENOVATIONS I	1,120,000	81,774	264,199	-	-	855,801
4520000	GROMMET ISLAND PARK REPAIRS & RENOV-PHI	144,000	-	21,829	-	11,509	110,662
4522000	THALIA CREEK GREENWAY TRAIL	800,000	58,122	223,141	223,141	576,859	-
TOTAL PARKS & RECREATION CAPITAL PROJECTS		\$ 109,339,580	\$ 10,137,559	\$ 77,375,643	\$ 7,546,843	\$ 3,007,802	\$ 28,956,135

**CITY OF VIRGINIA BEACH, VIRGINIA
COASTAL CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ -	\$ 6,101,147	\$ -	\$ -	\$ 64,935
8010000	SANDBRIDGE BEACH RESTORATION II	22,550,000	114,543	117,766	-	39,200	22,393,034
8011000	VARIOUS MINOR DREDGING II	1,500,000	275,845	1,390,160	-	24,689	85,151
8013000	LYNNHAVEN MAINTENANCE DREDGING II	1,242,450	17,500	32,538	-	21,236	1,188,676
8015000	BEACH PROFILE MONITORING II	160,000	124,231	146,531	124,230	9,625	3,844
8016000	GILLS COVE NEIGHBORHOOD DREDGING	781,786	47,376	118,288	-	82,995	580,503
8020000	BAY BEACHES RESILIENCY STUDY/RESTORATION	125,000	97,093	97,093	97,093	22,694	5,213
8021000	CROATAN BEACH RESTORATION	1,760,000	148,507	148,507	148,507	51,668	1,559,825
8025000	BEACH REPLENISHMENT II	1,591,921	90,045	90,045	90,045	15,712	1,486,164
8000000	SANDBRIDGE BEACH RESTORATION III	6,050,000	-	-	-	-	6,050,000
8110000	EASTERN BRANCH LYNNHAVEN RIVER DREDGING	5,150,000	118,090	360,918	-	108,449	4,680,633
8282000	SANDBRIDGE EMERGENCY BEACH RESTORATION	53,983,152	168,754	38,963,529	-	1,246	15,018,377
8405000	SANDBRIDGE BEACH ACCESS IMPROV PH II	1,775,000	358,432	1,624,570	-	79,012	71,418
8406000	RUDEE INLET FEDERAL DREDGING PH II	2,435,000	539,799	1,823,709	-	3,366	607,925
8407000	RUDEE INLET OUTER CHAN MAINT DREDG PH II	3,575,000	-	969,222	-	-	2,605,778
8408000	PLEASURE HOUSE POINT MITIGATION	3,020,000	170,911	357,717	-	38,429	2,623,854
8409000	CHESAPEAKE BAY BEACHES	5,878,079	4,559,475	4,971,149	-	418,549	488,381
8500000	OLD DONATION CREEK AREA DREDGING	1,015,000	15,250	712,748	-	103,232	199,020
8501000	BAYVILLE CREEK NEIGHBORHOOD DREDGING	1,043,300	-	995,048	-	-	48,252
8502000	SHADOWLAWN AREA DREDGING	437,503	-	309,933	-	-	127,570
8503000	CHESOPEAN COLONY NEIGHBORHOOD DREDGING	2,677,034	141,146	374,096	-	2,292,074	10,864
8504000	HARBOUR POINT NEIGHBORHOOD DREDGING	312,810	-	257,099	-	-	55,711
8505000	HURDS COVE NEIGHBORHOOD DREDGING	3,462,000	34,916	207,154	-	1,385	3,253,461
8933000	LANDFILL #2 - EXPANSION	23,548,931	-	23,402,163	-	-	146,768
TOTAL COASTAL CAPITAL PROJECTS		\$ 150,240,048	\$ 7,021,913	\$ 83,571,130	\$ 459,875	\$ 3,313,561	\$ 63,355,357

**CITY OF VIRGINIA BEACH, VIRGINIA
ECONOMIC AND TOURISM CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 23,766	\$ 450,762	\$ 450,762	\$ 298,147	\$ 2,855,607
9008000	HISTORIC KEMPSVILLE	2,500,000	57,729	394,573	-	2,092,783	12,644
9011000	RAIL-TO-TRAIL SHARED USE PATH DEVELOPMENT	1,000,000	137,589	402,982	-	360,973	236,045
9020000	VIBE DISTRICT STREET INFRASTRUCTURE I	4,051,608	424,598	860,147	860,147	1,783,951	1,407,510
9021000	LONDON BRIDGE COMMERCE CTR INFRA I	2,095,100	19,367	34,822	34,822	-	2,060,278
9022000	BURTON STATION ROADWAY IMPROV I	12,989,931	692,889	1,248,553	1,248,553	7,850,326	3,891,052
9028000	LYNNHAVEN PARKWAY CORRIDOR IMPROVEMENTS	2,000,000	231,778	231,778	231,778	249,363	1,518,859
9030000	VA BEACH BIO INFRASTRUCTURE PHASE	642,548	218,930	218,930	218,930	-	423,618
9037000	APZ-1 ECONOMIC INCENTIVES	1,857,692	215,695	364,586	-	-	1,493,106
9041000	VIRGINIA BEACH SPORTS CENTER	4,000,000	2,495,903	2,495,903	2,495,903	60,000	1,444,097
9059000	OCEANA & ITA CONFORMITY & ACQUISITION II	4,498,919	1,167,360	3,025,114	3,025,114	878,830	594,975
9076000	ECONOMIC DEVELOPMENT INITIATIVES	100,000	-	53,800	-	-	46,200
9081000	STRATEGIC GROWTH AREA PROGRAM	10,054,687	175,869	9,118,263	1,465,587	763,398	173,026
9082000	OCEANFRONT GARAGES CAPITAL MAINTENANCE	6,337,991	283,377	4,220,200	-	872,254	1,245,537
9083000	TOWN CENTER GARAGE & PLAZA CAPITAL MAINT	3,368,179	513,572	1,414,201	-	279,370	1,674,608
9091000	SGA-BURTON STATION RD IMPROVEMENTS-PH III	10,041,465	38,700	2,418,304	2,418,304	2,088,482	5,534,679
9096000	OCEANFRONT CAPITAL PROJECTS REINVEST	3,555,877	959,397	3,414,839	3,414,839	136,672	4,366
9100000	19TH STREET INFRASTRUCTURE IMPROVEMENTS	14,926,700	448,495	882,220	882,220	10,531,070	3,513,410
9108000	29TH STREET IMPROVEMENTS	2,504,771	1,311,314	1,655,282	1,655,282	160,434	689,055
9141000	ECONOMIC DEVELOPMENT INVESTMENT PROGRAM	55,415,256	3,040,140	48,859,384	-	1,443,044	5,112,828
9276000	CAPE HENRY LIGHTHOUSE RESTORATION-PHII	1,154,976	15,240	163,124	-	828,926	162,926
9500000	VB AMPHITHEATER CAPITAL MAINTENANCE	1,500,000	253,683	1,341,974	-	-	158,026
	TOTAL ECONOMIC & TOURISM CAPITAL PROJECTS	<u>\$ 148,200,216</u>	<u>\$ 12,725,391</u>	<u>\$ 83,269,741</u>	<u>\$ 18,402,241</u>	<u>\$ 30,678,023</u>	<u>\$ 34,252,452</u>

CITY OF VIRGINIA BEACH, VIRGINIA
SUMMARY OF GENERAL GOVERNMENT CAPITAL PROJECTS REVENUES
FOR THE YEAR ENDED JUNE 30, 2018

	Budget Revenues	Actual Revenues		
		Prior Years	Current Year	Total
FEDERAL FUNDING	\$ 96,345,220	\$ 56,611,732	\$ 22,928,590	\$ 79,540,322
STATE FUNDING	239,536,260	125,737,490	6,226,255	131,963,745
LOCAL FUNDING	1,048,401,900	704,545,360	187,574,154	892,119,154
TOTAL GENERAL GOVERNMENT CAPITAL PROJECTS REVENUES	<u>\$ 1,384,283,380</u>	<u>\$ 886,894,582</u>	<u>\$ 216,728,999</u>	<u>\$ 1,103,623,581</u>

CITY OF VIRGINIA BEACH, VIRGINIA
SUMMARY OF GENERAL GOVERNMENT CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018

Project Name	Budget to Date	Current Year Expenditures	Total Expenditures	Construction In Progress	Outstanding Encumbrances	Available Balance
ENGINEERING AND HIGHWAYS	\$ 682,594,342	\$ 43,412,854	\$ 379,212,739	\$ 96,989,495	\$ 64,620,168	\$ 238,761,435
BUILDINGS	293,909,194	43,042,140	155,159,798	45,114,521	30,354,506	108,394,890
PARKS AND RECREATION	109,339,580	10,137,559	77,375,643	7,546,840	3,007,802	28,956,135
COASTAL	150,240,048	7,021,913	83,571,130	459,875	3,313,561	63,355,357
ECONOMIC AND TOURISM	148,200,216	12,725,391	83,269,741	18,402,241	30,678,023	34,252,452
GENERAL GOVERNMENT EXPENDITURES	<u>\$ 1,384,283,380</u>	116,339,857	<u>\$ 778,589,051</u>	<u>\$ 168,512,972</u>	<u>\$ 131,974,060</u>	<u>\$ 473,720,269</u>
CLOSED CAPITAL PROJECTS EXPENDITURES		<u>10,714,258</u>				
TOTAL GENERAL GOVERNMENT EXPENDITURES		127,054,115				
TRANSFER TO SCHOOL BOARD		<u>49,759,899</u>				
 TOTAL CURRENT YEAR CAPITAL PROJECTS EXPENDITURES AND OTHER FINANCING USES		 <u>\$ 176,814,014</u>				
 TOTAL GENERAL GOVERNMENT CAPITAL PROJECTS REVENUES			\$ 1,103,623,581			
TOTAL GENERAL GOVERNMENT CAPITAL PROJECTS EXPENDITURES			<u>(778,589,051)</u>			
GENERAL GOVERNMENT CAPITAL PROJECT FUND BALANCE			<u>\$ 325,034,530</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, 2018

ASSETS

Current Assets:	
Cash and Investments	\$ 120,905,063
Accounts Receivable - Net of Estimated Uncollectibles	15,824,570
Intergovernmental Receivables	1,485,713
Inventory	2,820,605
Total Current Assets	<u>141,035,951</u>
Noncurrent Assets:	
Cash and Investments - Restricted	77,017,850
Capital Assets:	
Land	13,802,936
Buildings	18,940,552
Utility System	1,150,756,326
Machinery and Equipment	31,226,052
Construction in Progress	14,873,604
Less: Accumulated Depreciation	(517,204,945)
Total Capital Assets	<u>712,394,525</u>
Total Noncurrent Assets	<u>789,412,375</u>
Total Assets	<u>930,448,326</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows for Pensions	2,747,213
Deferred Outflows for OPEB	860,491
Total Deferred Outflow of Resources	<u>3,607,704</u>

LIABILITIES

Current Liabilities:	
Vouchers and Accounts Payable	3,980,225
Deposits Payable	153,507
Accrued Interest Payable	2,217,113
Construction Contracts Payable	4,367,780
Unearned Revenue	693,704
Total Current Liabilities	<u>11,412,329</u>
Long-Term Liabilities:	
Current Portion of Long-term Liabilities	12,109,272
Compensated Absences	962,775
Bonds and Notes Payable	207,823,551
Net Pension Liability	18,002,217
Net OPEB Liability	3,476,789
Total Long-Term Liabilities	<u>242,374,604</u>
Total Liabilities	<u>253,786,933</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows for Pensions	1,602,693
Deferred Inflows for OPEB	255,167
Total Deferred Inflow of Resources	<u>1,857,860</u>

NET POSITION

Net Investment in Capital Assets	494,198,086
Restricted for Debt Service	17,979,295
Unrestricted	<u>166,233,856</u>
Total Net Position	<u>\$ 678,411,237</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, 2018**

<u>OPERATING REVENUES</u>	
Service Charges	\$ 77,126,138
Sale of Water	45,485,170
Tap Fees	752,962
Fire Hydrant Rental	6,200
Navy Wheelage Charges	133,103
Interfund Services Provided	1,421,214
Miscellaneous	404,312
Total Operating Revenues	<u>125,329,099</u>
<u>OPERATING EXPENSES</u>	
Cost of Goods Sold - Water Purchases	24,811,117
Personal Services	28,862,054
Contractual Services	7,750,405
Internal Services	2,985,274
Other Charges	17,105,139
CIP Annual Expenditures	2,000,721
Depreciation	29,253,509
Total Operating Expenses	<u>112,768,219</u>
<u>OPERATING INCOME (LOSS)</u>	<u>12,560,880</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	2,640,214
Gain From Sale of Assets	106,993
Interest and Fiscal Charges	(2,822,403)
Total Non Operating Expenses, net	<u>(75,196)</u>
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS</u>	<u>12,485,684</u>
Transfer Out	(99,000)
Capital Contributions	4,233,832
Total Transfers and Contributions	<u>4,134,832</u>
<u>CHANGE IN NET POSITION</u>	<u>16,620,516</u>
<u>TOTAL NET POSITION - BEGINNING - RESTATED</u>	<u>661,790,721</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 678,411,237</u>

**CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers and Users	\$ 129,602,597
Receipts from Interfund Services Provided	249,797
Other Operating Cash Receipts	15,399
Cash Payments To Suppliers of Goods and Services	(54,710,384)
Cash Payments To Employees for Services	(29,655,781)
Net Cash Provided (Used) By Operating Activities	<u>45,501,628</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Payments to Other Funds	(99,000)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(99,000)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Net Interest on Long-term Debt	(9,097,149)
Acquisition and Construction of Capital Assets	(40,644,968)
Proceeds from Sale of Salvage	106,993
Receipts of Capital Contributions	3,872,824
Principal Paid on Long-term Debt	(8,820,728)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(54,583,028)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and Dividends Received	<u>2,640,214</u>
Net Increase (Decrease) in Cash and Investments	(6,540,186)
Cash and Investments, July 1	<u>204,463,099</u>
Cash and Investments, June 30	<u><u>197,922,913</u></u>

RECONCILIATION OF OPERATING INCOME**TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	12,560,880
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	29,253,509
Net changes in assets and liabilities:	
Accounts Receivable	5,936,809
Intergovernmental Receivables	(1,398,115)
Inventory	(298,077)
Deferred Outflows	748,832
Vouchers and Accounts Payable	196,999
Deposits Payable	5,950
Unearned Revenue	37,400
Accrued Compensated Leave	(55,557)
Net Pension Liability	(2,117,803)
Deferred Inflows	1,136,011
Net OPEB Liability	(505,210)
Net Cash Provided (Used) By Operating Activities	<u><u>45,501,628</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Capital Contributions of Fixed Assets	<u><u>\$ 361,008</u></u>
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**CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget	Actual	Variance Positive (Negative)
<u>Director of Public Utilities</u>			
Personal Services	\$ 289,139	\$ 339,468	\$ (50,329)
Fringe Benefits	90,433	92,148	(1,715)
Contractual Services	7,850	2,989	4,861
Internal Services	17,762	17,269	493
Other Charges	44,285	42,905	1,380
Total Director of Public Utilities	449,469	494,779	(45,310)
<u>Engineering Staff</u>			
Personal Services	6,450,596	5,878,531	572,065
Fringe Benefits	1,901,431	1,852,970	48,461
Contractual Services	1,772,371	1,073,097	699,274
Internal Services	285,496	223,582	61,914
Other Charges	316,187	267,060	49,127
Total Engineering Staff	10,726,081	9,295,240	1,430,841
<u>Operations and Maintenance Administration</u>			
Personal Services	2,289,120	2,175,186	113,934
Fringe Benefits	728,580	687,318	41,262
Contractual Services	2,487,981	1,833,971	654,010
Internal Services	143,946	139,153	4,793
Other Charges	573,169	534,420	38,749
Total Operations and Maintenance Administration	6,222,796	5,370,048	852,748
<u>Water Distribution</u>			
Personal Services	2,645,743	2,488,713	157,030
Fringe Benefits	846,319	843,946	2,373
Contractual Services	273,762	248,869	24,893
Internal Services	486,684	521,247	(34,563)
Other Charges	995,335	995,473	(138)
Total Water Distribution	5,247,843	5,098,248	149,595
<u>Lake Gaston Facilities</u>			
Contractual Services	1,943,489	1,221,789	721,700
Internal Services	69,093	19,327	49,766
Other Charges	1,363,600	847,974	515,626
Total Lake Gaston Facilities	3,376,182	2,089,090	1,287,092
<u>Sewer Collection Systems</u>			
Personal Services	3,397,324	3,391,260	6,064
Fringe Benefits	1,044,777	1,006,778	37,999
Contractual Services	131,132	45,486	85,646
Internal Services	1,040,775	1,074,322	(33,547)
Other Charges	696,515	683,753	12,762
Total Sewer Collection Systems	6,310,523	6,201,599	108,924
<u>Sewer Pump Stations</u>			
Personal Services	2,591,053	2,549,377	41,676
Fringe Benefits	887,368	889,669	(2,301)
Contractual Services	378,711	342,472	36,239
Internal Services	430,463	449,201	(18,738)
Other Charges	3,049,363	2,282,387	766,976
Total Sewer Pump Stations	7,336,958	6,513,106	823,852

(continued)

**CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget	Actual	Variance Positive (Negative)
<u>Customer Services</u>			
Personal Services	3,415,354	2,704,905	710,449
Fringe Benefits	1,167,047	972,101	194,946
Contractual Services	3,237,617	1,946,630	1,290,987
Internal Services	252,517	201,607	50,910
Other Charges	1,428,845	965,474	463,371
Total Customer Services	9,501,380	6,790,717	2,710,663
<u>Water Purchases</u>	25,789,880	24,811,117	978,763
<u>Meter Operations</u>			
Personal Services	1,812,629	1,427,237	385,392
Fringe Benefits	604,229	535,783	68,446
Contractual Services	845,013	977,724	(132,711)
Internal Services	247,167	257,902	(10,735)
Other Charges	1,052,000	849,398	202,602
Total Meter Operations	4,561,038	4,048,044	512,994
<u>Electrical Support</u>			
Personal Services	1,064,871	1,062,574	2,297
Fringe Benefits	349,573	337,581	11,992
Contractual Services	101,500	57,379	44,121
Internal Services	73,977	81,664	(7,687)
Other Charges	44,000	74,909	(30,909)
Total Meter Operations	1,633,921	1,614,107	19,814
<u>General Fund Charges</u>			
Office Rental	396,678	396,678	-
Landscape Services	509,135	471,684	37,451
Support Personnel	623,973	615,217	8,756
Building Maintenance	172,383	113,767	58,616
Communication Technology Charges	1,932,701	1,932,701	-
Indirect Cost Allocation	2,491,396	1,852,252	639,144
Right of Way Utility	4,000,000	4,000,000	-
Water Assistance	350,000	179,086	170,914
Total General Fund Charges	10,476,266	9,561,385	914,881
<u>Other Charges</u>			
Retiree Health Insurance	550,500	364,674	185,826
CIP Annual Expenditures	-	2,000,721	(2,000,721)
Net Deferred OPEB Contributions	-	(100,109)	100,109
Net Deferred Pension Contributions	-	(638,056)	638,056
Reserves	951,083	-	951,083
Total Other Charges	1,501,583	1,627,230	(1,076,730)
Total Budgeted Operating Expenses	\$ 93,133,918	\$ 83,514,710	\$ 9,619,208

Note: 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, 2018**

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	\$ 5,220,000	\$ 1,517,088	\$ 1,954,910	\$ -	\$ 599,420	\$ 2,665,670
5019000	ADVANCE WATER METERING	300,000	-	-	-	-	300,000
5020000	CLEVELAND ST WATER IMPROVEMENTS	200,000	-	-	-	200,000	-
5024000	HOLLAND ROAD - PHASE VI	2,100,000	105	1,493,679	-	-	606,321
5027000	LESNER BRIDGE WATER LINE REPLACEMENT	250,000	-	100,546	100,546	21,168	128,286
5028000	WITCHDUCK RD - PHASE II WATER IMPROVEMENT	1,787,000	1,086,732	1,700,071	1,700,071	9,345	77,584
5030000	SHORE DRIVE WATER LINE IMPROVEMENTS PH III	385,000	24,106	67,703	67,703	75,157	242,140
5031000	SYSTEM EXP COST PARTICIPATION AGREE PH II	280,000	-	100,000	100,000	30,000	150,000
5043000	LANDSTOWN ROAD WATER IMPROVEMENTS	720,000	500	13,500	13,500	4,500	702,000
5046000	UTILITIES EMERG RESPONSE PRG-PHASE II	900,000	-	652,145	-	-	247,855
5090000	LYNNHAVEN PARKWAY - PHASE XI	635,198	-	323,873	323,873	-	311,325
5121000	CAMP PENDLETON WATER IMPROVEMENTS	600,000	452,621	452,621	452,621	90,720	56,659
5122000	SERVICE ORDER AUTOMATION SOLUTION PHA II	300,000	9,600	9,600	-	-	290,400
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	4,571,000	211,573	2,091,129	-	228,246	2,251,625
5203000	LOTUS GARDEN WATER IMPROVEMENTS-51% PRG	2,020,000	-	2,020,000	-	-	-
5207000	LASKIN ROAD - PHASE I	930,606	1,411	364,409	208,804	1,411	564,786
5251000	VARIOUS RDWY STORM WATER COOR VI	1,450,000	357,369	887,801	887,801	562,052	147
5254000	WATER REQUESTS & AGREEMENT (51% PRG) VI	200,000	-	100,000	-	-	100,000
5260000	UTILITY CROSSINGS CONDITION ASSESS PH II	1,196,018	359,332	992,683	-	51,050	152,285
5403000	SERVICE ORDER AUTOMATION SOLUTION DESIGN	197,500	-	84,405	-	-	113,095
5405000	CUSTOMER INFO SYSTEM VERSION MIGRATION	1,700,000	30,359	240,054	240,054	82,838	1,377,108
5407000	COMPUTERIZED MAP/INFRASTRUCTURE MGMT III	111,175	-	10,755	-	-	100,420
5452000	COMPREHENSIVE WATER MASTER PLANNING VI	1,300,000	41,779	378,896	-	56,252	864,852
5501000	WTR PUMP STATION/TANK UPGRADE PRG - PH I	18,699,996	310,863	14,165,607	-	958,119	3,576,270
5601000	FIRST COLONIAL/VB BLVD INTERSECTION IMPROV	145,000	35,801	35,801	35,801	7,518	101,681
5604000	PA ROAD WATER IMPROVEMENTS - PHASE VII	1,130,000	-	9,061	9,061	-	1,120,939
5708000	RESORT AREA NEIGHBORHOOD REVITALIZATION	6,446,636	300,536	4,309,013	958,121	438,488	1,699,135
5804000	WATER LINE EXT REPLACE REHAB PROGRAM	8,035,000	718,626	4,687,034	718,626	594,782	2,753,184
5805000	WTR SYS AGING INFRASTRUCTURE PRG - PH I	6,150,000	108,804	4,930,168	844,174	119,841	1,099,991
5952000	WTR PUMP STA FLOW MONITOR/DATA STORAGE	1,469,176	401,304	1,194,406	-	22,987	251,783
5953000	WATER TAP INSTALLATION PROGRAM PH II	1,384,754	284,854	1,216,405	991,472	152,447	15,902
5967000	WTR RESOURCES INVESTIGATION/PLANNING - PH I	800,000	31,306	292,633	-	32,979	474,388
TOTAL WATER CAPITAL PROJECT EXPENDITURES		<u>\$ 72,112,270</u>	<u>\$ 6,284,669</u>	<u>\$ 45,316,794</u>	<u>\$ 7,652,228</u>	<u>\$ 4,349,644</u>	<u>\$ 22,445,832</u>
CLOSED WATER CAPITAL PROJECTS EXPENDITURES			<u>63,361</u>				
TOTAL CURRENT YEAR WATER CAPITAL PROJECTS EXPENDITURES			<u>\$ 6,348,030</u>				

**CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER FUND CAPITAL PROJECTS
SEWER CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018**

Project Number	Project Name	Budget to Date	Current Year Expenditures	Total Expenditures	Construction In Progress	Outstanding Encumbrances	Available Balance
6019000	RESORT AREA NEIGHBORHOOD REVITALIZATION	\$ 15,820,000	\$ 1,820,931	\$ 12,862,309	\$ -	\$ 944,546	\$ 2,013,145
6041000	PUMP STATION MODIFICATIONS-PHASE V	66,595,907	11,048,721	52,873,993	-	10,674,778	3,047,136
6043000	LANDSTOWN ROAD SEWER IMPROVEMENTS	370,000	750	17,740	17,740	6,260	346,000
6051000	INDIAN RIVER ROAD - PHASE VII	14,717	-	9,473	9,473	-	5,244
6057000	HOLLAND ROAD - PHASE VI	1,650,000	420	1,188,475	-	-	461,525
6061000	EMERG RESPONSE PRG-PHASE II	900,000	-	527,094	-	-	372,906
6070000	INFILTRATION & REHAB PH V	27,155,000	2,158,154	22,557,103	-	1,335,959	3,261,938
6075000	LASKIN ROAD - PHASE I	510,030	5,692	85,609	85,580	5,692	418,729
6087000	SAN SEWER PS GENERATOR RPLC	100,000	1,253	12,530	-	-	87,470
6088000	CLEVELAND ST SEWER IMPROV	200,000	-	-	-	198,185	1,815
6091000	SEWER REQUESTS & AGREEMENTS PH VI (51%)	200,000	-	100,000	-	-	100,000
6092000	VACUUM VALVE MONITORING SYSTEM	1,845,000	314,610	440,533	440,533	33,122	1,371,345
6093000	CONSENT ORDER REHAB PLAN IMPLEMENTATION - PH I	8,575,000	1,854,159	6,288,206	-	479,257	1,807,537
6098000	PRICE ST APTS SANITARY SEWER PUMP STATION	1,780,000	66,331	66,331	66,331	1,713,669	-
6101000	VIBE DISTRICT SEWER IMPROVEMENTS	1,000,000	-	-	-	690,039	309,961
6116000	PROSPERITY ROAD SEWER IMPROVE 51% PROGR	1,169,057	43,463	850,838	850,838	-	318,219
6121000	CAMP PENDLETON SEWER IMPROVEMENTS	700,000	671,374	671,374	671,374	13,360	15,266
6122000	SERVICE ORDER AUTOMATION SOLUTION PHA II	300,000	9,600	9,600	-	-	290,400
6151000	LANDSTOWN YARD IMPROVEMENTS - PHASE IV	3,740,000	202,913	1,607,967	-	224,451	1,907,582
6203000	LOTUS GARDEN SEWER IMPROVEMENTS-51% PRG	1,650,000	-	1,650,000	-	-	-
6403000	SERVICE ORDER AUTOMATION SOLUTION DESIGN	197,500	-	84,605	-	-	112,895
6405000	CUSTOMER INFO SYSTEM VERSION MIGRATION	1,700,000	30,359	221,911	221,911	82,839	1,395,250
6501000	AUX POWER PRG-SEWER PMP STATIONS-PH III	12,806,816	1,097,798	9,060,091	-	994,627	2,752,098
6550000	COMPREHENSIVE SEWER MASTER PLANNING V	1,350,000	24,950	604,301	-	86,417	659,282
6551000	SYSTEM EXP COST PARTICIPATION AGREE III	3,030,000	57,001	586,163	586,163	1,482,353	961,484
6552000	SANITARY SEWER SYS REVITAL'N PRG-PH II	27,165,736	3,355,296	22,411,583	-	1,538,898	3,215,255
6555000	UTILITY CROSSINGS CONDITION ASSESS PH II	1,236,711	23,304	290,350	23,304	7,888	938,473
6556000	VARIOUS ROADWAY/STORM WATER COORD VI	3,000,000	240,626	1,125,196	-	113,919	1,760,885
6557000	SGA SANITARY SEWER SYSTEM IMPROVEMENTS	1,950,000	-	-	-	-	1,950,000
6559000	SANITARY SEWER ASSET MGMT PROGRAM III	1,100,000	107,576	291,999	291,996	70,214	737,787
6564000	RELOCATION SEWER CLEAN OUTS N LANDING	325,000	-	66,015	-	-	258,985
6565000	COMPUTERIZED MAPPING & INFRASTRUCTURE	111,175	-	10,755	-	-	100,420
6601000	FIRST COLONIAL/VB BLVD INTERSECTION IMPROV	260,000	35,801	35,801	35,801	7,518	216,681
6604000	WITCHDUCK ROAD-PHASE II SEWER IMPROVEMENTS	1,706,499	1,102,288	1,286,795	1,286,795	5,952	413,752
6804000	SANIT SWR REGULATORY COMPLIANCE PRG - PH I	27,988,476	1,608,267	25,757,937	1,608,267	1,091,386	1,139,153
6952000	SWR PUMP STA FLOW MONITOR/DATA STORAGE	26,674,828	6,219,702	21,301,835	-	4,982,609	390,384
6953000	SEWER TAP INSTALLATION PROGRAM PH II	2,171,811	336,933	1,771,176	-	223,035	177,600
TOTAL SEWER CAPITAL PROJECT EXPENDITURES		\$ 247,049,263	\$ 32,438,272	\$ 186,725,688	\$ 6,196,106	\$ 27,006,973	\$ 33,316,602
CLOSED CAPITAL PROJECTS EXPENDITURES			570,543				
TOTAL CURRENT YEAR SEWER CAPITAL PROJECTS EXPENDITURES			33,008,815				
WATER AND SEWER CAPITAL PROJECTS		<u>\$ 319,161,533</u>	<u>\$ 39,356,845</u>	<u>\$ 232,042,482</u>	<u>\$ 13,848,334</u>	<u>\$ 31,356,617</u>	<u>\$ 55,762,434</u>
CAPITALIZED INTEREST REMAINING IN CONSTRUCTION IN PROGRESS					1,025,270		
WATER AND SEWER FUND CONSTRUCTION IN PROGRESS					<u>\$ 14,873,604</u>		
TOTAL WATER AND SEWER CAPITAL PROJECTS REVENUES				\$ 277,506,758			
TOTAL WATER AND SEWER CAPITAL PROJECTS EXPENDITURES				(232,042,482)			
WATER AND SEWER NET POSITION FOR CAPITAL PROJECTS				<u>\$ 45,464,276</u>			

**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	318,598,427	241,074,392	35,970,000	277,044,392
TOTAL GENERAL GOVERNMENT CAPITAL PROJECTS REVENUES	<u>\$ 319,161,533</u>	<u>\$ 241,536,758</u>	<u>\$ 35,970,000</u>	<u>\$ 277,506,758</u>

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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, 2018

ASSETS

Current Assets:

Cash and Investments	\$ 38,321,901
Accounts Receivable - Net of Estimated Uncollectibles	5,307,460
Total Current Assets	<u>43,629,361</u>

Non-current Assets:

Cash and Investments - Restricted	5,957,820
Capital Assets:	
Land	133,186,347
Building	664,899
Utility System	275,772,905
Machinery and Equipment	15,680,543
Construction in Progress	24,929,894
Less: Accumulated Depreciation	(73,321,067)
Total Capital Assets	<u>376,913,521</u>
Total Non-current Assets	<u>382,871,341</u>
Total Assets	<u>426,500,702</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows for Pensions	1,218,607
Deferred Outflows for OPEB	418,897
Total Deferred Outflow of Resources	<u>1,637,504</u>

LIABILITIES

Current Liabilities:

Vouchers and Accounts Payable	1,416,311
Accrued Interest Payable	203,038
Construction Contracts Payable	5,217,388
Total Current Liabilities	<u>6,836,737</u>

Current Portion of Long-term Liabilities

Compensated Absences	2,620,701
Bond and Notes Payable	551,382
Net OPEB Liability	40,797,490
Net Pension Liability	1,692,538
Total Liabilities	<u>7,985,419</u>
	<u>60,484,267</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows for Pensions	710,922
Deferred Inflows for OPEB	124,218
Total Deferred Inflows of Resources	<u>835,140</u>

NET POSITION

Net Investment in Capital Assets	334,195,066
Restricted for Future Debt Services	3,388,443
Unrestricted	<u>29,235,290</u>
Total Net Position	<u>\$ 366,818,799</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, 2018**

<u>OPERATING REVENUES</u>	
Service Charges	\$ 41,708,144
Miscellaneous	9,399
Total Operating Revenues	<u>41,717,543</u>
<u>OPERATING EXPENSES</u>	
Personal Services	13,923,187
Contractual Services	6,128,903
Internal Services	1,573,937
Other Charges	5,556,048
Leases and Rentals	730
Depreciation	5,670,476
Total Operating Expenses	<u>32,853,281</u>
<u>OPERATING INCOME (LOSS)</u>	<u>8,864,262</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	440,839
Gain (Loss) From Sale of Assets	37,237
Interest and Fiscal Charges	(802,826)
Total Nonoperating Revenues (Expenses)	<u>(324,750)</u>
<u>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</u>	<u>8,539,512</u>
Capital Contributions	399,021
Capital Contributions - Federal Government	5,313,421
Transfers In	5,450,374
Total Transfers and Contributions	<u>11,162,816</u>
<u>CHANGE IN NET POSITION</u>	<u>19,702,328</u>
TOTAL NET POSITION - BEGINNING- RESTATED	<u>347,116,471</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 366,818,799</u>

**CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers and Users	\$ 43,788,656
Other Operating Cash Receipts	9,399
Cash Payments To Suppliers of Goods and Services	(12,931,134)
Cash Payments To Employees for Services	(14,246,072)
Net Cash Provided (Used) By Operating Activities	<u>16,620,849</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Receipts from Other Funds	29,873
Net Cash Provided (Used) By Noncapital Financing Activities	<u>29,873</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Net Interest on Long-term Debt	(1,653,916)
Acquisition and Construction of Capital Assets	(31,986,448)
Proceeds from Sale of Salvage	37,237
Receipts of Capital Contributions	11,132,943
Principal Paid on Long-term Debt	(1,740,000)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(24,210,184)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and Dividends Received	440,839
Net Cash Provided By Investing Activities	<u>440,839</u>
Net Increase (Decrease) in Cash and Investments	(7,118,623)
Cash and Investments, July 1	<u>51,398,344</u>
Cash and Investments, June 30	<u><u>44,279,721</u></u>

RECONCILIATION OF OPERATING INCOME**TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	8,864,262
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	5,670,476
Net Changes in assets and liabilities:	
Accounts Receivable	2,080,512
Deferred Outflows	294,968
Vouchers and Accounts Payable	328,484
Accrued Compensated Leave	8,878
Net Pension Liability	(1,141,674)
Deferred Inflows	514,943
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 16,620,849</u></u>

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
<u>Project Management</u>			
Personal Services	\$ 1,927,525	\$ 1,897,999	\$ 29,526
Fringe Benefits	591,600	540,296	51,304
Contractual Services	169,939	15,541	154,398
Internal Services	45,280	35,620	9,660
Other Charges	287,141	110,167	176,974
Total Project Management	3,021,485	2,599,623	421,862
<u>Operations and Maintenance</u>			
Personal Services	8,532,611	8,074,335	458,276
Fringe Benefits	2,782,753	2,645,238	137,515
Contractual Services	5,529,698	4,191,178	1,338,520
Internal Services	1,424,551	1,360,266	64,285
Other Charges	437,309	767,317	(330,008)
Land Structures and Improvements	449,220	-	449,220
Total Operations and Maintenance	19,156,142	17,038,334	2,117,808
<u>Inspections and Environmental Spill Response</u>			
Personal Services	758,709	485,291	273,418
Fringe Benefits	232,737	180,203	52,534
Contractual Services	50,638	21,406	29,232
Internal Services	34,293	29,305	4,988
Other Charges	40,900	21,585	19,315
Total Inspections and Environmental Spill Response	1,117,277	737,790	379,487
<u>Residential Street Sweeping</u>			
Personal Services	183,440	179,832	3,608
Fringe Benefits	54,414	74,238	(19,824)
Contractual Services	3,567,972	1,900,779	1,667,193
Internal Services	260,956	148,744	112,212
Other Charges	24,730	295	24,435
Total Residential Street Sweeping	4,091,512	2,303,888	1,787,624
<u>General Fund Charges</u>			
Direct Cost Allocations	51,582	289,289	(237,707)
Indirect Cost Allocations	1,836,000	2,093,596	(257,596)
Landscape Services	63,158	63,158	-
IT Core Services	51,755	51,755	-
Stormwater Regulations	142,324	142,324	-
Total General Fund Charges	2,144,819	2,640,122	(495,303)

(continued)

CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
<u>Other Charges</u>			
Retiree Health Insurance	177,092	177,527	(435)
CIP Annual Expenditures	-	1,131,483	(1,131,483)
Water and Sewer Billing System Charges	885,802	885,802	-
Net Deferred OPEB Contributions	-	(48,737)	48,737
Net Deferred Pension Contributions	-	(283,027)	283,027
Reserves	629,582	-	629,582
Total Other Charges	<u>1,692,476</u>	<u>1,863,048</u>	<u>(170,572)</u>
Total Budgeted Operating Expenses	<u>\$ 30,594,129</u>	<u>\$ 27,182,805</u>	<u>\$ 3,411,324</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 EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018**

Project Number	Project Name	Budget to Date	Current Year Expenditures	Total Expenditures	Construction In Progress	Outstanding Encumbrances	Available Balance
7005000	NORTH LAKE HOLLY WATERSHED	\$ 18,671,135	\$ 1,050,766	\$ 11,985,572	\$ -	\$ 4,846,031	\$ 1,495,541
7016000	SOUTH LAKE HOLLY WATERSHED (PARTIAL)	16,609,587	1,723,406	9,253,535	-	-	7,700,043
7023000	PRIMARY SYSTEM INFRASTRUCTURE IMPROVE II	8,350,000	3,082,156	6,914,429	-	963,211	472,360
7024000	SOUTHERN CANAL/LEAD DITCH & CULVERT IMPRV	2,350,000	111,090	1,576,439	994,668	87,917	685,644
7026000	RESIDENTIAL DRAINAGE COST PART PRGM II	250,000	67,364	215,941	-	11,198	22,861
7027000	SWM MSTR PLANNING, ANALYSIS, & INVENTORY	8,070,906	764,391	3,849,721	2,561,126	1,179,416	3,041,769
7028000	WINDSOR WOODS DRAINAGE	11,177,237	2,121,575	2,743,551	2,743,551	2,734,646	5,699,039
7030000	SEA LEVEL RISE/RECURRENT FLOODING ANALYSIS	3,844,447	807,852	1,449,046	-	912,699	1,482,702
7032000	FLOOD MITIGATION ASSISTANCE GRANT PROGRAM	1,227,144	6,266	219,196	219,196	-	1,007,948
7036000	BAKER ROAD CULVERT & DITCH IMPROVEMENTS	450,000	52,269	202,955	202,955	247,038	6
7037000	BELLAMY MANOR OUTFALL DITCH	750,000	709,381	730,813	730,813	-	19,187
7041000	CENTRAL RESORT DIST DRAINAGE IMPROV	300,000	13,598	13,598	-	-	286,402
7042000	SURFACE WATER REG COMPLIANCE PROG	5,031,942	1,500,791	2,178,609	2,178,609	1,366,257	1,487,076
7043000	WATER QUALITY & RESTORE PART II	1,516,773	-	-	-	-	1,516,773
7044000	FLOOD MITIGATION GRANT PROGRAM II	874,061	-	65,185	-	-	808,876
7047000	ASHVILLE PARK DRAINANGE IMPROVEMENTS	2,000,000	659,125	659,125	659,125	98,686	1,242,190
7048000	SHERWOOD LAKES DRAINANGE IMPROVEMENTS	1,000,000	353,925	353,925	353,925	107,957	538,118
7050000	PRINCESS ANNE PLAZA DRAINAGE AREA	2,000,000	569,101	569,101	569,101	863,303	567,596
7051000	THE LAKES DRAINAGE IMPROVEMENTS	2,000,000	308,931	308,931	308,931	652,382	1,038,687
7053000	LAKE CHUBB/BRADFORD LAKE	1,084,100	-	-	-	184,816	899,284
7151000	EASTERN SHORE DRIVE DRAINAGE	14,139,357	640,939	3,993,646	3,993,646	377,217	9,768,494
7152000	DAM & SPILLWAY STRUCTURAL IMPROVEMENTS	6,953,735	49,221	6,794,803	49,221	59,555	99,378
7200000	SEVERE REPETITIVE LOSS GRANT PROGRAM	1,847,009	1,566	1,641,869	-	5,934	199,205
7400000	ARAGONA DRAINAGE IMPROVEMENTS	3,760,000	-	175,346	175,346	365,752	3,218,902
7402000	COLLEGE PARK/LEVEL GREEN DRAINAGE IMPROV	498,687	180,499	243,084	243,084	116,674	138,929
7406000	ELIZABETH RIVER TMDL IMPLEMENTATION PLAN	7,500,000	541,690	3,266,457	3,266,457	1,534,050	2,699,493
7410000	SOUTHERN RIVER TMDL IMPLEMENTATION PLAN	900,000	226,233	363,106	363,106	85,724	451,171
7411000	OCEANFRONT STORM WATER FACILITIES MAINT	3,858,000	1,592,557	2,643,359	-	1,075,063	139,578
7412000	STORM WATER PUMP STATION MODIFICATIONS	5,025,229	1,533,185	4,175,367	584,614	148,836	701,026
7413000	NEIGHBORHD SW INFRASTRUCTURE IMPROV PH II	4,049,995	655,202	2,952,120	-	710,834	387,041
7414000	STORM WATER QUALITY ENHANCEMENTS PH II	9,365,254	1,138,996	5,426,506	1,940,194	801,933	3,136,815
7415000	LAKE MANAGEMENT PH II	27,260,128	5,117,400	18,774,706	149,481	5,760,999	2,724,423
7416000	SW INFRASTRUCTURE REHAB & INPROV PH II	33,106,982	7,585,579	28,541,454	675,299	3,911,148	654,381
TOTAL STORM WATER EXPENDITURES		\$ 205,821,708	\$ 33,165,054	\$ 122,281,495	22,962,448	\$ 29,209,276	\$ 54,330,938
CLOSED CAPITAL PROJECTS EXPENDITURES			472,947				
TOTAL CURRENT YEAR STORM WATER CAPITAL PROJECTS EXPENDITURES			33,638,001				
STORM WATER CAPITAL PROJECTS		\$ 205,821,708	\$ 33,638,001	\$ 122,281,495	22,962,448	\$ 29,209,276	\$ 54,330,938
CAPITALIZED INTEREST					1,967,446		
STORM WATER FUND CONSTRUCTION IN PROGRESS					\$ 24,929,894		
TOTAL STORM WATER CAPITAL PROJECTS REVENUES				\$ 124,852,408			
TOTAL STORM WATER CAPITAL PROJECTS EXPENDITURES				(122,281,495)			
STORM WATER NET POSITION RESTRICTED FOR CAPITAL PROJECTS				\$ 2,570,913			

**CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER CAPITAL PROJECTS BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2018**

Funding Sources	Budget Revenues	Actual Revenues		
		Prior Years	Current Year	Total
FEDERAL FUNDING	\$ 9,769,966	\$ 1,640,855	\$ 5,313,421	\$ 6,954,276
STATE FUNDING	358,976	299,644	112,177	411,821
LOCAL FUNDING	195,692,766	104,540,396	12,945,915	117,486,311
TOTAL STORM WATER UTILITY CAPITAL PROJECTS	<u>\$ 205,821,708</u>	<u>\$ 106,480,895</u>	<u>\$ 18,371,513</u>	<u>\$ 124,852,408</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, 2018

ASSETS

Current Assets:

Cash and Investments	\$ 7,097,808
Accounts Receivable - Net of Estimated Uncollectibles	5,340,510
Total Current Assets	<u>12,438,318</u>

Non-current Assets:

Capital Assets:

Machinery and Equipment	12,487,400
General Site Improvements Other Than Buildings	366,891
Less: Accumulated Depreciation	<u>(5,940,206)</u>
Total Capital Assets	<u>6,914,085</u>
Total Non-current Assets	<u>6,914,085</u>
Total Assets	<u>19,352,403</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows for Pensions	705,509
Deferred Outflows for OPEB	<u>323,974</u>
Total Deferred Outflow of Resources	<u>1,029,483</u>

LIABILITIES

Current Liabilities:

Vouchers and Accounts Payable	1,696,180
Current Portion of Long-term Liabilities	<u>548,600</u>
Total Current Liabilities	<u>2,244,780</u>

Long-Term Liabilities (less current portion):

Net OPEB Liability	1,309,007
Net Pension Liability	4,623,138
Accrued Compensated Leave	444,352
Total Long-Term Liabilities (less current portion)	<u>6,376,497</u>
Total Liabilities	<u>8,621,277</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows for Pensions	411,587
Deferred Inflows for OPEB	<u>96,070</u>
Net Difference between Expected and Actual Experience	<u>507,657</u>

NET POSITION

Net Investment in Capital Assets	6,914,085
Unrestricted (deficit)	<u>4,338,867</u>
Total Net Position	<u>\$ 11,252,952</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, 2018**

<u>OPERATING REVENUES</u>	
Service Charges	\$ 34,049,022
Miscellaneous	1,042,231
Total Operating Revenues	<u>35,091,253</u>
<u>OPERATING EXPENSES</u>	
Personal Services	9,077,934
Contractual Services	18,871,125
Internal Services	4,815,686
Other Charges	3,194,132
Depreciation	1,546,389
Total Operating Expenses	<u>37,505,266</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(2,414,013)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	29,598
Gain (Loss) From Sale of Assets	118,412
From Commonwealth	42,871
Total Nonoperating Revenues (Expenses)	<u>190,881</u>
<u>INCOME (LOSS) BEFORE TRANSFERS</u>	<u>(2,223,132)</u>
Transfers In	<u>5,712,041</u>
<u>CHANGE IN NET POSITION</u>	<u>3,488,909</u>
<u>TOTAL NET POSITION - BEGINNING - RESTATED</u>	<u>7,764,043</u>
<u>TOTAL NET POSITION - ENDING</u>	<u><u>\$ 11,252,952</u></u>

**CITY OF VIRGINIA BEACH, VIRGINIA
WASTE MANAGEMENT ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers and Users	\$ 35,796,934
Other Operating Cash Receipts	839,819
Cash Payments To Suppliers of Goods and Services	(27,136,837)
Cash Payments To Employees for Services	(9,260,016)
Net Cash Provided (Used) By Operating Activities	<u>239,900</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Intergovernmental Receipts	42,871
Receipts from Other Funds	5,712,041
Net Cash Provided (Used) By Noncapital Financing Activities	<u>5,754,912</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and Construction of Capital Assets	(2,118,251)
Proceeds from Sale of Salvage	118,412
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(1,999,839)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and Dividends Received	<u>29,598</u>
Net Increase (Decrease) in Cash and Temporary Investments	4,024,571
Cash and Temporary Investments, July 1	<u>3,073,237</u>
Cash and Temporary Investments, June 30	<u>7,097,808</u>

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income (Loss)	(2,414,013)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	1,546,389
Net changes in assets and liabilities:	
Accounts Receivable	1,545,500
Deferred Outflows	89,317
Vouchers and Accounts Payable	(255,894)
Deferred Inflows	322,280
Accrued Compensated Leave	19,466
Net Pension Liability	(803,356)
Net OPEB Liability	190,211
Net Cash Provided (Used) By Operating Activities	<u>\$ 239,900</u>

CITY OF VIRGINIA BEACH, VIRGINIA
WASTE MANAGEMENT ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
<u>Program Support</u>			
Personal Services	\$ 662,167	\$ 628,790	\$ 33,377
Fringe Benefits	246,859	237,259	9,600
Contractual Services	305,138	19,022	286,116
Internal Services	80,791	77,875	2,916
Other Charges	35,733	34,767	966
Total Program Support	<u>1,330,688</u>	<u>997,713</u>	<u>332,975</u>
<u>Bureau of Waste Disposal</u>			
Personal Services	700,695	643,326	57,369
Fringe Benefits	190,172	189,659	513
Contractual Services	14,219,052	13,325,962	893,090
Internal Services	317,226	326,753	(9,527)
Other Charges	200,267	265,732	(65,465)
Total Bureau of Waste Disposal	<u>15,627,412</u>	<u>14,751,432</u>	<u>875,980</u>
<u>Bureau of Waste Collections</u>			
Personal Services	5,299,783	5,096,524	203,259
Fringe Benefits	1,948,895	1,843,251	105,644
Contractual Services	317,548	110,675	206,873
Internal Services	4,269,152	4,285,965	(16,813)
Other Charges	120,558	236,852	(116,294)
Total Bureau of Waste Collections	<u>11,955,936</u>	<u>11,573,267</u>	<u>382,669</u>
<u>Yard Debris & Hazardous Household Waste</u>			
Personal Services	239,587	236,226	3,361
Fringe Benefits	73,548	78,208	(4,660)
Contractual Services	1,230,900	1,077,167	153,733
Internal Services	134,415	124,443	9,972
Other Charges	32,700	18,457	14,243
Total Yard Debris & Hazardous Household Waste	<u>1,711,150</u>	<u>1,534,501</u>	<u>176,649</u>
<u>Recycling</u>			
Personal Services	134,866	140,599	(5,733)
Fringe Benefits	50,092	48,341	1,751
Contractual Services	4,633,154	4,338,299	294,855
Internal Services	900	650	250
Other Charges	91,723	56,414	35,309
Total Recycling	<u>4,910,735</u>	<u>4,584,303</u>	<u>326,432</u>
<u>General Fund Charges</u>			
Direct Costs Allocation	1,973,833	1,567,314	406,519
Landfill	252,486	252,486	-
Total General Fund Charges	<u>2,226,319</u>	<u>1,819,800</u>	<u>406,519</u>
<u>Other Charges</u>			
Retiree Health Insurance	173,929	137,299	36,630
Water and Sewer Billing System Charges	762,110	762,110	-
Net Deferred Retirement Contributions	-	(163,855)	163,855
Net Deferred OPEB Contributions	-	(37,693)	37,693
Total Other Charges	<u>936,039</u>	<u>697,861</u>	<u>238,178</u>
Total Budgeted Operating Expenses	<u>\$ 38,698,279</u>	<u>\$ 35,958,877</u>	<u>\$ 2,739,402</u>

Note: Total General Fund Charges reclassified as Other Charges.

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, 2018**

ASSETS

Current Assets:	
Cash and Investments	\$ 8,900,690
Accounts Receivable - Net	6,113,398
Total Current Assets	<u>15,014,088</u>
Non-current Assets:	
Cash and Investments - Restricted	2,579,182
Due From Other Funds	7,055,872
Land Held for Resale	44,078,965
Capital Assets:	
Land	20,457,260
Buildings	119,368,147
Construction in Progress	1,223,812
Machinery and Equipment	565,065
Less: Accumulated Depreciation	<u>(36,763,096)</u>
Total Capital Assets	<u>104,851,188</u>
Total Non-current Assets	<u>158,565,207</u>
Total Assets	<u>173,579,295</u>

DEFERRED OUTFLOWS OF RESOURCES

Debt Refundings Resulting in Loss Transactions	<u>728,068</u>
--	----------------

LIABILITIES

Current Liabilities:	
Vouchers and Accounts Payable	10,866,375
Accrued Interest Payable	935,335
Total Current Liabilities	<u>11,801,710</u>
Long-Term Liabilities:	
Current Portion of Long-term Liabilities	7,288,840
Public Facility Revenue Bonds	58,312,109
Premium on Revenue Bonds	1,861,654
Total Long-Term Liabilities	<u>67,462,603</u>
Total Liabilities	<u>79,264,313</u>

DEFERRED INFLOWS OF RESOURCES

Debt Refundings Resulting in Gain Transactions	<u>1,050,356</u>
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NET POSITION

Net Investment in Capital Assets	37,066,298
Restricted for Debt Service	6,354,357
Unrestricted	50,572,039
Total Net Position	<u>\$ 93,992,694</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, 2018**

OPERATING REVENUES

Charges for Services	\$ 4,028,914
Miscellaneous	141,606
Total Operating Revenues	<u>4,170,520</u>

OPERATING EXPENSES

Contractual Services	8,311,082
Other Charges	3,463,211
Depreciation	3,129,219
Total Operating Expenses	<u>14,903,512</u>

OPERATING INCOME (LOSS)(10,732,992)**NONOPERATING REVENUES (EXPENSES)**

Interest Income	34,233
Payment Under Support Agreement	17,000,371
Interest and Fiscal Charges	(2,642,031)
Total Nonoperating Revenues	<u>14,392,573</u>

INCOME (LOSS) BEFORE CONTRIBUTIONS

3,659,581

Capital Contributions

22,446,884**CHANGE IN NET POSITION**

26,106,465

TOTAL NET POSITION - BEGINNING67,886,229**TOTAL NET POSITION - ENDING**\$ 93,992,694

**CITY OF VIRGINIA BEACH, VIRGINIA
DEVELOPMENT AUTHORITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers and Users	\$ 4,111,331
Receipts from Interfund Services Provided	(431,582)
Other Operating Cash Receipts	13,453
Cash Payments To Suppliers of Goods and Services	(10,746,907)
Net Cash Provided (Used) By Operating Activities	<u>(7,053,705)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Receipts from Other Funds	<u>1,120,862</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital Contributions	16,468,397
Interest Paid on Long-term Debt	(3,007,282)
Principal Paid on Capital Debt	(7,413,840)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>6,047,275</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and Dividends Received	<u>34,233</u>
Net Increase (Decrease) in Cash and Temporary Investments	148,665
Cash and Temporary Investments, July 1	<u>11,331,207</u>
Cash and Temporary Investments, June 30	<u>\$ 11,479,872</u>

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income (Loss)	\$ (10,732,992)
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	2,970,811
Land Inventory	21,716,534
Vouchers and Accounts Payable	(24,233,129)
Net Cash Provided (Used) By Operating Activities	<u>\$ (7,053,705)</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, 2018**

	<u>City Garage</u>	<u>Risk Management</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Investments	\$ 4,425,216	\$ 23,143,944
Accounts Receivable	15	-
Intergovernmental Receivables	-	-
Inventory	1,485,415	-
Total Current Assets	<u>5,910,646</u>	<u>23,143,944</u>
Noncurrent Assets:		
Capital Assets:		
Site Improvements	265,782	-
Machinery and Equipment	2,818,282	-
Less: Accumulated Depreciation	<u>(2,433,204)</u>	<u>-</u>
Net Property, Plant and Equipment	<u>650,860</u>	<u>-</u>
Total Assets	<u>6,561,506</u>	<u>23,143,944</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows for Pensions	582,579	53,449
Deferred Outflows for OPEB	163,019	14,445
Total Deferred Outflows of Resources	<u>745,598</u>	<u>67,894</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Vouchers and Accounts Payable	944,716	467,752
Total Current Liabilities	<u>944,716</u>	<u>467,752</u>
Noncurrent Liabilities:		
Current Portion of Long-term Liabilities	346,649	8,202,807
Compensated Absences	184,898	-
Claims and Contingencies	-	32,721,624
Net Pension Liability	3,817,591	350,238
Net OPEB Liability	658,672	58,364
Total Noncurrent Liabilities	<u>5,007,810</u>	<u>41,333,033</u>
Total Liabilities	<u>5,952,526</u>	<u>41,800,785</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows for Pensions	339,871	31,181
Deferred Inflows for OPEB	48,341	4,284
Total Deferred Inflows of Resources	<u>388,212</u>	<u>35,465</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	650,860	-
Unrestricted (deficit)	315,506	(18,624,412)
Total Net Position	<u>\$ 966,366</u>	<u>\$ (18,624,412)</u>

CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

School Site Landscaping	Telecommunications	Subscriptions	Totals
\$ 1,896,204	\$ 4,046,833	\$ 5,208,965	\$ 38,721,162
-	-	-	15
-	105	-	105
-	-	-	1,485,415
<u>1,896,204</u>	<u>4,046,938</u>	<u>5,208,965</u>	<u>40,206,697</u>
-	-	-	265,782
2,675,244	-	706,856	6,200,382
(2,502,890)	-	(570,943)	(5,507,037)
<u>172,354</u>	<u>-</u>	<u>135,913</u>	<u>959,127</u>
<u>2,068,558</u>	<u>4,046,938</u>	<u>5,344,878</u>	<u>41,165,824</u>
261,893	101,551	-	999,472
125,875	20,635	-	323,974
<u>387,768</u>	<u>122,186</u>	<u>-</u>	<u>1,323,446</u>
71,116	54,363	724,142	2,262,089
<u>71,116</u>	<u>54,363</u>	<u>724,142</u>	<u>2,262,089</u>
77,034	44,896	-	8,671,386
3,572	55,397	-	243,867
-	-	-	32,721,624
1,716,165	665,452	-	6,549,446
508,595	83,376	-	1,309,007
<u>2,305,366</u>	<u>849,121</u>	<u>-</u>	<u>49,495,330</u>
<u>2,376,482</u>	<u>903,484</u>	<u>724,142</u>	<u>51,757,419</u>
152,786	59,243	-	583,081
37,327	6,120	-	96,072
<u>190,113</u>	<u>65,363</u>	<u>-</u>	<u>679,153</u>
172,354	-	135,913	959,127
(282,623)	3,200,277	4,484,823	(10,906,429)
<u>\$ (110,269)</u>	<u>\$ 3,200,277</u>	<u>\$ 4,620,736</u>	<u>\$ (9,947,302)</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, 2018

	<u>City Garage</u>	<u>Risk Management</u>
<u>OPERATING REVENUES</u>		
Billings to Departments	\$ 18,462,419	\$ 18,207,223
Insurance Recovery	119,565	151,783
Miscellaneous	-	790
Total Operating Revenues	<u>18,581,984</u>	<u>18,359,796</u>
<u>OPERATING EXPENSES</u>		
Cost of Goods Sold	9,790,702	-
Personal Services	5,795,733	483,160
Contractual Services	395,866	643,246
Internal Services	352,531	10,829
Other Charges	531,326	14,812,735
Depreciation	209,814	-
Total Operating Expenses	<u>17,075,972</u>	<u>15,949,970</u>
<u>OPERATING INCOME (LOSS)</u>	<u>1,506,012</u>	<u>2,409,826</u>
<u>NONOPERATING REVENUES (EXPENSES) AND TRANSFERS</u>		
Interest Income	85,798	248,259
Gain (Loss) on Disposition of Assets	(9,835)	-
Transfers In	-	1,000,000
Transfers Out	-	-
Total Nonoperating Revenues (Expenses)	<u>75,963</u>	<u>1,248,259</u>
<u>CHANGE IN NET POSITION</u>	<u>1,581,975</u>	<u>3,658,085</u>
<u>TOTAL NET POSITION - BEGINNING - RESTATED</u>	<u>(615,609)</u>	<u>(22,282,497)</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 966,366</u>	<u>\$ (18,624,412)</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, 2018

School Site Landscaping	Telecommunications	Subscriptions	Totals
\$ 4,731,908	\$ 3,136,791	\$ 2,527,446	\$ 47,065,787
-	-	-	271,348
-	-	-	790
4,731,908	3,136,791	2,527,446	47,337,925
-	-	-	9,790,702
2,571,406	980,585	13,000	9,843,884
320,145	539,084	1,603,293	3,501,634
515,572	46,567	-	925,499
319,864	771,865	1,308,106	17,743,896
79,513	-	75,156	364,483
3,806,500	2,338,101	2,999,555	42,170,098
925,408	798,690	(472,109)	5,167,827
12,022	32,500	48,988	427,567
-	-	-	(9,835)
-	-	-	1,000,000
-	(550,000)	-	(550,000)
12,022	(517,500)	48,988	867,732
937,430	281,190	(423,121)	6,035,559
(1,047,699)	2,919,087	5,043,857	(15,982,861)
\$ (110,269)	\$ 3,200,277	\$ 4,620,736	\$ (9,947,302)

CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	City Garage	Risk Management
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Customers and Users	\$ 18,581,969	\$ 18,359,006
Other Operating Cash Receipts	-	790
Cash Payments to Suppliers of Goods and Services	(11,707,987)	(11,932,637)
Cash Payments to Employees for Services	(5,982,840)	(527,708)
Net Cash Provided (Used) By Operating Activities	<u>891,142</u>	<u>5,899,451</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Receipts from Other Funds	<u>-</u>	<u>1,000,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and Construction of Capital Assets	(205,368)	-
Proceeds from Sale of Salvage	(9,835)	-
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(215,203)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and Dividends Received	<u>85,798</u>	<u>248,259</u>
Net Increase (Decrease) in Cash and Temporary Investments	761,737	7,147,710
Cash and Temporary Investments, July 1	<u>3,663,478</u>	<u>15,996,234</u>
Cash and Temporary Investments, June 30	<u><u>4,425,215</u></u>	<u><u>23,143,944</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Operating Income	1,506,012	2,409,826
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation Expense	209,814	-
Net Changes in assets and liabilities:		
Accounts Receivable	(16)	-
Inventory	(709,273)	-
Deferred Outflow of Resources	178,259	16,863
Vouchers and Accounts Payable	71,712	364,760
Net Pension Liability	(567,667)	(52,380)
Deferred Inflow of Resources	235,135	21,421
Estimated Claims and Judgments	-	3,169,530
Accrued Compensated Leave	(32,834)	(30,569)
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 891,142</u></u>	<u><u>\$ 5,899,451</u></u>

CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

School Site Landscaping	Telecommunications	Subscriptions	Totals
\$ 4,731,908	\$ 3,136,791	\$ 2,527,446	\$ 47,337,120
-	-	-	790
(1,164,882)	(1,341,524)	(2,311,863)	(28,458,893)
(2,634,970)	(992,704)	(13,000)	(10,151,222)
932,056	802,563	202,583	8,727,795
-	(550,000)	-	450,000
(65,128)	-	30	(270,466)
-	-	-	(9,835)
(65,128)	-	30	(280,301)
12,022	32,500	48,988	427,567
878,950	285,063	251,601	9,325,061
1,017,254	3,761,770	4,957,364	29,396,100
1,896,204	4,046,833	5,208,965	38,721,161
925,408	798,690	(472,109)	5,167,827
79,513	-	75,156	364,483
-	-	-	(16)
-	-	-	(709,273)
27,544	38,853	-	261,519
(9,301)	15,992	599,536	1,042,699
(224,311)	(103,519)	-	(947,877)
121,299	38,680	-	416,535
-	-	-	3,169,530
11,904	13,867	-	(37,632)
\$ 932,056	\$ 802,563	\$ 202,583	\$ 8,727,795

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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, 2018

	<u>Escheat Property</u>	<u>Special Welfare</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Investments	\$ 297,785	\$ 169,288	\$ 467,073
<u>LIABILITIES</u>			
Vouchers and Accounts Payable	297,785	-	297,785
<u>FUND BALANCE</u>			
Restricted	\$ -	\$ 169,288	\$ 169,288

CITY OF VIRGINIA BEACH, VIRGINIA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1,2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,2018</u>
<u>SPECIAL WELFARE</u>				
<u>ASSETS</u>				
Cash and Investments	\$ 127,582	\$ 434,311	\$ 392,605	\$ 169,288
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	127,582	434,311	392,605	169,288
<u>ESCHEAT PROPERTY</u>				
<u>ASSETS</u>				
Cash and Investments	232,194	297,469	231,878	297,785
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	232,194	463,231	397,640	297,785
<u>TOTALS-ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and Investments	359,776	731,780	624,483	467,073
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	\$ 359,776	\$ 897,541	\$ 790,245	\$ 467,073

**CITY OF VIRGINIA BEACH, VIRGINIA
TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Other Postemployment Benefits	Sheriff's Office Pension Trust Fund	Total
<u>ASSETS</u>			
General Account	\$ -	\$ 4,981	\$ 4,981
Investments, at Fair Value:			
Fixed Income	8,870,853	-	8,870,853
Stocks	22,810,764	-	22,810,764
Real Estate	2,956,951	-	2,956,951
Alternative Investments	7,603,589	-	7,603,589
Mutual Funds	-	2,289,058	2,289,058
Stable Value Funds	-	1,259,278	1,259,278
Total Assets	<u>42,242,157</u>	<u>3,553,317</u>	<u>45,795,474</u>
<u>NET POSITION</u>			
Restricted	<u>\$ 42,242,157</u>	<u>\$ 3,553,317</u>	<u>\$ 45,795,474</u>

CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
RETIREMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Other Postemployment Benefits	Sheriffs Office	Total
Additions			
Contributions From Primary Government	\$ 7,387,237	\$ 177	\$ 7,387,414
Increase (Decrease) in Fair Value	3,693,879	215,486	3,909,365
Interest and Dividends	-	112,940	112,940
Total Additions	<u>11,081,116</u>	<u>328,603</u>	<u>11,409,719</u>
Deductions			
Benefits	7,387,237	174,599	7,561,836
Administrative Expenses	35,921	2,503	38,424
Total Deductions	<u>7,423,158</u>	<u>177,102</u>	<u>7,600,260</u>
Net Increase in Net Position	3,657,958	151,501	3,809,459
Total Net Position - beginning	<u>38,584,199</u>	<u>3,401,816</u>	<u>41,986,015</u>
Total Net Position - ending	<u><u>\$ 42,242,157</u></u>	<u><u>\$ 3,553,317</u></u>	<u><u>\$ 45,795,474</u></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 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.

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
<u>ASSETS</u>	
Current Assets:	
Cash and Temporary Investments	\$ 174,501,200
Accounts Receivable	2,950,531
Due from Commonwealth	14,224,249
Due from Federal Government	6,005,385
Inventories	625,054
Prepaid Items	770,812
Total Current Assets	<u>199,077,231</u>
Noncurrent Assets:	
Capital Assets:	
Land	39,048,224
Buildings, Improvements, Equipment and Vehicles (net of accumulated depreciation)	474,157,391
Construction in Progress	22,123,760
Total Noncurrent Assets	<u>535,329,375</u>
Total Assets	<u>734,406,606</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows from Pensions	88,179,000
Deferred Outflows from OPEB	27,188,000
Total Deferred Outflows of Resources	<u>115,367,000</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Salaries Payable	60,347,759
Vouchers and Accounts Payable	20,612,271
Deposits Payable	75,000
Due to Commonwealth	21,066
Due to Federal Government	87,914
Unearned Revenue	10,021,890
Long-term Liabilities (due within one year)	25,429,545
Total Current Liabilities	<u>116,595,445</u>
Noncurrent Liabilities:	
Net Pension Liability	639,194,000
Net OPEB Liability	164,150,000
Long-term Liabilities (due in more than one year)	25,788,695
Total Liabilities	<u>945,728,140</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows from Pensions	93,226,000
Deferred Inflows from OPEB	6,174,000
Total Deferred Inflows of Resources	<u>99,400,000</u>
<u>NET POSITION</u>	
Investment in Capital Assets	535,329,375
Restricted for:	
Capital Projects	6,661,276
Grants	1,431,040
Cafeterias	11,657,774
Textbooks	8,013,741
Unrestricted	(758,447,740)
Total Net Position	<u>\$ (195,354,534)</u>

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Change In Net Position
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 606,761,992	\$ 2,062,220	\$ 133,026,401	\$ -	\$ (471,673,371)
Admin, Attendance, & Health	22,901,450	-	4,513	-	(22,896,937)
Pupil Transportation	35,690,694	-	160,000	-	(35,530,694)
Operations and Maintenance	91,293,238	499,341	4,166	-	(90,789,731)
Cafeterias	27,773,627	10,620,849	20,248,563	-	3,095,785
Technology	45,753,930	1,142,166	10,690,745	-	(33,921,019)
Total Governmental Activities	<u>\$ 830,174,931</u>	<u>\$ 14,324,576</u>	<u>\$ 164,134,388</u>	<u>\$ -</u>	<u>\$ (651,715,967)</u>
<u>General Revenues:</u>					
Local Sources:					
					\$ 437,309,444
					649,331
Federal and State Aid not Restricted to Specific Purposes:					
					178,412,666
					74,264,875
					9,452,678
					414,180
					<u>700,503,174</u>
					48,787,207
					<u>(244,141,741)</u>
					<u>\$ (195,354,534)</u>

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	School Operating	School Grants	School Cafeterias	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and Investments	\$ 58,662,992	\$ -	\$ 12,408,346	\$ 18,000,620	\$ 12,042,640	\$ 101,114,598
Accounts Receivable	568,669	117,705	28,043	-	34,498	748,915
Due from Other Funds	1,864,145	-	-	-	-	1,864,145
Due from Commonwealth	10,713,400	3,510,849	-	-	-	14,224,249
Due from Federal Government	-	5,033,566	971,819	-	-	6,005,385
Inventories	-	-	625,054	-	-	625,054
Prepaid Items	645,312	-	8,044	-	-	653,356
Total Assets	<u>72,454,518</u>	<u>8,662,120</u>	<u>14,041,306</u>	<u>18,000,620</u>	<u>12,077,138</u>	<u>125,235,702</u>
<u>LIABILITIES</u>						
Salaries Payable	56,040,766	3,322,809	947,534	25,652	-	60,336,761
Vouchers and Accounts Payable	7,338,265	853,045	371,636	6,021,618	196,591	14,781,155
Deposits Payable	-	-	-	-	75,000	75,000
Due to Other Funds	-	1,864,145	-	-	-	1,864,145
Due to Commonwealth	-	21,066	-	-	-	21,066
Due to Federal Government	-	-	-	87,914	-	87,914
Unearned Revenue	557,116	1,170,015	431,264	-	-	2,158,395
Total Liabilities	<u>63,936,147</u>	<u>7,231,080</u>	<u>1,750,434</u>	<u>6,135,184</u>	<u>271,591</u>	<u>79,324,436</u>
<u>FUND BALANCES</u>						
Nonspendable	645,312	-	633,098	-	-	1,278,410
Restricted	-	1,431,040	11,657,774	6,661,276	8,013,741	27,763,831
Committed	-	-	-	5,204,160	3,791,806	8,995,966
Assigned	<u>7,873,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,873,059</u>
Total Fund Balances	<u>8,518,371</u>	<u>1,431,040</u>	<u>12,290,872</u>	<u>11,865,436</u>	<u>11,805,547</u>	<u>45,911,266</u>
Total Liabilities and Fund Balances	<u>\$ 72,454,518</u>	<u>\$ 8,662,120</u>	<u>\$ 14,041,306</u>	<u>\$ 18,000,620</u>	<u>\$ 12,077,138</u>	<u>\$ 125,235,702</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, 2018**

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)	\$	45,911,266
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Cost of Capital Assets	978,422,473	
Less: Accumulated Depreciation	(443,093,098)	535,329,375

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:

Compensated Absences	(33,919,240)
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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.

Total Assets	75,705,674	
Less: Total Liabilities	(31,004,609)	44,701,065
Total Net Position		

Governmental Accounting Standards Board Statement Number 68 on Accounting and Financial Reporting for Pensions was implemented in Fiscal Year 2015. Pensions are not reported in the governmental funds.

Net Pension Liability	(639,194,000)	
Deferred Outflows of Resources	88,179,000	
Deferred Inflows of Resources	(93,226,000)	(644,241,000)

Governmental Accounting Standards Board Statement Number 75 on Accounting and Financial Reporting for OPEB was implemented in Fiscal Year 2018. OPEB is not reported in the governmental funds.

Net OPEB Liability	(164,150,000)	
Deferred Outflows of Resources	27,188,000	
Deferred Inflows of Resources	(6,174,000)	(143,136,000)

Total Net Position - Governmental Activities (Exhibit 44)	\$	(195,354,534)
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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, 2018

	School Operating	School Grants	School Cafeterias	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>						
From Use of Money and Property	\$ 499,341	\$ -	\$ 89,560	\$ 86,074	\$ 563,895	\$ 1,238,870
Charges for Services	1,329,238	-	9,978,067	-	154,922	11,462,227
Miscellaneous	1,801,865	394,638	648,382	-	18,355	2,863,240
From Local Government	383,296,606	-	-	54,012,838	-	437,309,444
From Commonwealth	347,475,410	10,000,695	658,930	-	4,474,385	362,609,420
From Federal Government	12,614,392	31,056,523	19,589,633	-	-	63,260,548
Total Revenues	<u>747,016,852</u>	<u>41,451,856</u>	<u>30,964,572</u>	<u>54,098,912</u>	<u>5,211,557</u>	<u>878,743,749</u>
<u>EXPENDITURES</u>						
Current:						
Instruction	551,099,344	39,590,338	-	25,753	1,439,671	592,155,106
Admin, Attendance, & Health	23,789,953	-	-	-	-	23,789,953
Pupil Transportation	46,032,851	-	-	-	-	46,032,851
Operations and Maintenance	86,706,179	-	-	7,577,701	-	94,283,880
Cafeterias	-	-	28,378,336	-	-	28,378,336
Technology	37,248,989	5,037,618	108,447	327,273	3,231,847	45,954,174
Capital Outlay	-	-	-	31,833,597	-	31,833,597
Total Expenditures	<u>744,877,316</u>	<u>44,627,956</u>	<u>28,486,783</u>	<u>39,764,324</u>	<u>4,671,518</u>	<u>862,427,897</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>2,139,536</u>	<u>(3,176,100)</u>	<u>2,477,789</u>	<u>14,334,588</u>	<u>540,039</u>	<u>16,315,852</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	-	3,653,090	-	-	-	3,653,090
Transfers Out	(3,653,090)	-	-	-	-	(3,653,090)
Sale of Capital Assets	218,389	-	-	-	-	218,389
Total Other Financing Sources (Uses)	<u>(3,434,701)</u>	<u>3,653,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,389</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(1,295,165)</u>	<u>476,990</u>	<u>2,477,789</u>	<u>14,334,588</u>	<u>540,039</u>	<u>16,534,241</u>
<u>FUND BALANCES - JULY 1</u>	<u>9,813,536</u>	<u>954,050</u>	<u>9,813,083</u>	<u>(2,469,152)</u>	<u>11,265,508</u>	<u>29,377,025</u>
<u>FUND BALANCES - JUNE 30</u>	<u>\$ 8,518,371</u>	<u>\$ 1,431,040</u>	<u>\$ 12,290,872</u>	<u>\$ 11,865,436</u>	<u>\$ 11,805,547</u>	<u>\$ 45,911,266</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, 2018**

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)		\$ 16,534,241
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.		23,542,210
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	12,211,075	
Leave Earned	<u>(25,478,353)</u>	(13,267,278)
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	762,005	
Health Insurance	<u>13,068,333</u>	13,830,338
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.		(20,650,303)
Governmental Accounting Standards Board Statement Number 68 on Accounting and Financial Reporting for Pensions was implemented in Fiscal Year 2015. This amount is the Pension Expense and Deferred Outflow (pension contributions paid) for the fiscal year.		
Pension Expense	101,585,000	
Deferred Inflow	(57,150,000)	
Deferred Outflow	<u>(18,499,000)</u>	25,936,000
Governmental Accounting Standards Board Statement Number 75 on Accounting and Financial Reporting for OPEB was implemented in Fiscal Year 2018. This amount is the OPEB Expense and Deferred Outflow (OPEB contributions paid) for the fiscal year.		
OPEB Expense	(18,152,000)	
Deferred Inflow	(6,174,000)	
Deferred Outflow	<u>27,188,000</u>	2,862,000
Change in Net Position of governmental activities in the Statement of Activities (Exhibit 45)		<u>\$ 48,787,208</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, 2018

	School Textbooks	School Communication Towers/ Technology	School Vending Operations	School Equipment Replacement	Totals
<u>ASSETS</u>					
Cash and Investments	\$ 8,016,219	\$ 2,877,654	\$ 32,467	\$ 1,116,300	\$ 12,042,640
Accounts Receivable	746	1,233	32,519	-	34,498
Total Assets	<u>8,016,965</u>	<u>2,878,887</u>	<u>64,986</u>	<u>1,116,300</u>	<u>12,077,138</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Vouchers and Accounts Payable	3,224	176,803	-	16,564	196,591
Deposits Payable	-	75,000	-	-	75,000
Total Liabilities	<u>3,224</u>	<u>251,803</u>	<u>-</u>	<u>16,564</u>	<u>271,591</u>
Fund Balances:					
Restricted	8,013,741	-	-	-	8,013,741
Committed	-	2,627,084	64,986	1,099,736	3,791,806
Total Fund Balances	<u>8,013,741</u>	<u>2,627,084</u>	<u>64,986</u>	<u>1,099,736</u>	<u>11,805,547</u>
Total Liabilities and Fund Balances	<u>\$ 8,016,965</u>	<u>\$ 2,878,887</u>	<u>\$ 64,986</u>	<u>\$ 1,116,300</u>	<u>\$ 12,077,138</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, 2018

	School Textbooks	School Communication Towers/ Technology	School Vending Operations	School Equipment Replacement	Totals
<u>REVENUES</u>					
From Use of Money and Property	\$ 54,408	\$ 498,350	\$ 135	\$ 11,002	\$ 563,895
Charges for Services	-	-	154,922	-	154,922
Miscellaneous	18,355	-	-	-	18,355
From Commonwealth	4,474,385	-	-	-	4,474,385
Total Revenues	<u>4,547,148</u>	<u>498,350</u>	<u>155,057</u>	<u>11,002</u>	<u>5,211,557</u>
<u>EXPENDITURES</u>					
Instruction	1,134,699	-	135,477	169,495	1,439,671
Technology	2,634,933	596,914	-	-	3,231,847
Total Expenditures	<u>3,769,632</u>	<u>596,914</u>	<u>135,477</u>	<u>169,495</u>	<u>4,671,518</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>					
	<u>777,516</u>	<u>(98,564)</u>	<u>19,580</u>	<u>(158,493)</u>	<u>540,039</u>
<u>NET CHANGE IN FUND BALANCES</u>					
	<u>777,516</u>	<u>(98,564)</u>	<u>19,580</u>	<u>(158,493)</u>	<u>540,039</u>
<u>FUND BALANCES - JULY 1</u>					
	<u>7,236,225</u>	<u>2,725,648</u>	<u>45,406</u>	<u>1,258,229</u>	<u>11,265,508</u>
<u>FUND BALANCES - JUNE 30</u>					
	<u>\$ 8,013,741</u>	<u>\$ 2,627,084</u>	<u>\$ 64,986</u>	<u>\$ 1,099,736</u>	<u>\$ 11,805,547</u>

CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018

	School Risk Management	School Health Insurance	Totals
<u>ASSETS</u>			
Cash and Investments	\$ 13,442,873	\$ 59,943,729	\$ 73,386,602
Accounts Receivable	62	2,201,554	2,201,616
Prepaid Items	117,456	-	117,456
Total Assets	<u>13,560,391</u>	<u>62,145,283</u>	<u>75,705,674</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Salaries Payable	10,928	70	10,998
Vouchers and Accounts Payable	175,880	5,655,236	5,831,116
Unearned Revenue	-	7,863,495	7,863,495
Estimated Claims and Judgments (due within one year)	5,978,250	6,996,000	12,974,250
Total Current Liabilities	<u>6,165,058</u>	<u>20,514,801</u>	<u>26,679,859</u>
Noncurrent Liabilities:			
Estimated Claims and Judgments (due in more than one year)	1,992,750	2,332,000	4,324,750
Total Liabilities	<u>8,157,808</u>	<u>22,846,801</u>	<u>31,004,609</u>
<u>NET POSITION</u>			
Unrestricted	<u>\$ 5,402,583</u>	<u>\$ 39,298,482</u>	<u>\$ 44,701,065</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, 2018

	School Risk Management	School Health Insurance	Totals
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 6,805,724	\$ 149,055,932	\$ 155,861,656
Miscellaneous Revenue	167,452	-	167,452
Total Operating Revenues	<u>6,973,176</u>	<u>149,055,932</u>	<u>156,029,108</u>
<u>OPERATING EXPENSES</u>			
Personnel Services	284,668	352,049	636,717
Fringe Benefits	105,547	140,656	246,203
Purchased Services	347,398	1,418,965	1,766,363
Other Charges	5,828,193	134,455,694	140,283,887
Total Operating Expenses	<u>6,565,806</u>	<u>136,367,364</u>	<u>142,933,170</u>
<u>OPERATING INCOME (LOSS)</u>	<u>407,370</u>	<u>12,688,568</u>	<u>13,095,938</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
From Federal Government	224,839	-	224,839
Interest Income	129,796	379,765	509,561
Total Nonoperating Revenues (Expenses)	<u>354,635</u>	<u>379,765</u>	<u>734,400</u>
<u>CHANGE IN NET POSITION</u>	762,005	13,068,333	13,830,338
<u>TOTAL NET POSITION - JULY 1</u>	<u>4,640,578</u>	<u>26,230,149</u>	<u>30,870,727</u>
<u>TOTAL NET POSITION - JUNE 30</u>	<u>\$ 5,402,583</u>	<u>\$ 39,298,482</u>	<u>\$ 44,701,065</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, 2018**

	School Risk Management	School Health Insurance	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from Customers and Users	\$ 6,973,114	\$ 147,770,245	\$ 154,743,359
Payments to Vendors for Goods and Services	(5,967,214)	(131,359,617)	(137,326,831)
Payments to Employees for Services	(381,239)	(492,682)	(873,921)
Net Cash Provided By Operating Activities	<u>624,661</u>	<u>15,917,946</u>	<u>16,542,607</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Intergovernmental Receipts	224,839	-	224,839
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest Received on Investments	<u>129,796</u>	<u>379,765</u>	<u>509,561</u>
Net Increase (Decrease) in Cash and Investments	979,296	16,297,711	17,277,007
Cash and Temporary Investments, July 1	<u>12,463,577</u>	<u>43,646,018</u>	<u>56,109,595</u>
Cash and Temporary Investments, June 30	<u><u>13,442,873</u></u>	<u><u>59,943,729</u></u>	<u><u>73,386,602</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>			
Operating Income (Loss)	407,370	12,688,568	13,095,938
Adjustments to Reconcile Operating Income (Loss) to Net Changes in Assets and Liabilities:			
Accounts Receivable	(62)	(1,296,828)	(1,296,890)
Prepaid Items	(101,385)	-	(101,385)
Salaries Payable	8,976	23	8,999
Vouchers and Accounts Payable	(294,238)	2,511,042	2,216,804
Unearned Revenue	-	11,141	11,141
Estimated Claims and Judgments	<u>604,000</u>	<u>2,004,000</u>	<u>2,608,000</u>
Total Adjustments	<u>217,291</u>	<u>3,229,378</u>	<u>3,446,669</u>
Net Cash Provided By Operating Activities	<u><u>\$ 624,661</u></u>	<u><u>\$ 15,917,946</u></u>	<u><u>\$ 16,542,607</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, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>PAYROLL DEDUCTIONS</u>				
<u>ASSETS</u>				
Cash and Investments	\$ 5,324,166	\$ 143,269,274	\$ 144,652,933	\$ 3,940,507
Accounts Receivable	72,030	75,238	72,030	75,238
Total Assets	<u>5,396,196</u>	<u>143,344,512</u>	<u>144,724,963</u>	<u>4,015,745</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	<u>5,396,196</u>	<u>143,344,512</u>	<u>144,724,963</u>	<u>4,015,745</u>
<u>FRINGE BENEFITS</u>				
<u>ASSETS</u>				
Cash and Investments	9,279,882	116,856,344	114,738,124	11,398,102
Total Assets	<u>9,279,882</u>	<u>116,856,344</u>	<u>114,738,124</u>	<u>11,398,102</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	<u>9,279,882</u>	<u>116,856,344</u>	<u>114,738,124</u>	<u>11,398,102</u>
<u>SCHOOL ACTIVITY ACCOUNTS</u>				
<u>ASSETS</u>				
Cash and Investments	<u>3,553,389</u>	<u>10,667,485</u>	<u>10,227,888</u>	<u>3,992,986</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	<u>3,553,389</u>	<u>10,667,485</u>	<u>10,227,888</u>	<u>3,992,986</u>
<u>TOTAL - AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and Investments	18,157,437	270,793,103	269,618,945	19,331,595
Accounts Receivable	72,030	75,238	72,030	75,238
Total Assets	<u>18,229,467</u>	<u>270,868,341</u>	<u>269,690,975</u>	<u>19,406,833</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	<u>18,229,467</u>	<u>270,868,341</u>	<u>269,690,975</u>	<u>19,406,833</u>
<u>TOTAL - AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and Investments	18,157,437	270,793,103	269,618,945	19,331,595
Accounts Receivable	72,030	75,238	72,030	75,238
Total Assets	<u>18,229,467</u>	<u>270,868,341</u>	<u>269,690,975</u>	<u>19,406,833</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	<u>\$ 18,229,467</u>	<u>\$ 270,868,341</u>	<u>\$ 269,690,975</u>	<u>\$ 19,406,833</u>

**CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Other Postemployment Benefits Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and Investments	\$ 30,396,819	\$ 19,331,595
Accounts Receivable	-	75,238
Total Assets	<u>30,396,819</u>	<u>19,406,833</u>
<u>LIABILITIES</u>		
Vouchers and Accounts Payable	<u>-</u>	<u>19,406,833</u>
<u>NET POSITION</u>		
Restricted for Postemployment Benefits Other than Pensions	<u><u>\$ 30,396,819</u></u>	<u><u>\$ -</u></u>

**CITY OF VIRGINIA BEACH, VIRGINIA
DISCRETELY PRESENTED SCHOOL BOARD COMPONENT UNIT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Other Postemployment Benefits Trust Fund
<hr/>	
<u>ADDITIONS</u>	
Contributions:	
Employer	\$ 7,369,401
Investment Earnings:	
Increase (Decrease) in Fair Value of Investments	2,597,704
Total Additions	9,967,105
<u>DEDUCTIONS</u>	
Benefits	6,679,101
Administrative Expenses	25,409
Total Deductions	6,704,510
Change in Net Position	3,262,595
Net Position at Beginning of Year	27,134,224
Net Position at End of Year	\$ 30,396,819

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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	261
These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.	
Revenue Capacity	268
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	273
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	278
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	281
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	283
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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Table 1

CITY OF VIRGINIA BEACH, VIRGINIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 2,303,812,475
Restricted	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	68,245,075
Unrestricted	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)	185,939,879
Total Governmental Activities Net Position	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	2,557,997,429
Business-type Activities										
Net Investment in Capital Assets	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	872,858,539
Restricted	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	27,722,095
Unrestricted	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	254,663,062
Total Business-type Activities Net Position	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	1,155,243,696
Primary Government										
Net Investment in Capital Assets	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	3,176,671,014
Restricted	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	95,967,170
Unrestricted	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)	440,602,941
Total Primary Government Net Position	\$ 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	\$ 3,713,241,125

Source: City Department of Finance

Table 2

CITY OF VIRGINIA BEACH, VIRGINIA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
Legislative	\$ 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	\$ 1,197,802
Executive	3,453,309	2,960,506	2,513,730	2,780,170	2,596,006	2,498,694	2,621,111	3,788,704	4,185,699	4,291,911
Law	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	4,407,207
Finance	16,701,143	16,925,748	16,912,340	17,775,748	18,015,281	18,521,840	17,241,258	17,077,306	18,382,696	18,914,577
Human Resources	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	11,839,137
Judicial	51,554,786	48,468,317	49,738,210	51,871,482	53,427,866	56,389,216	54,160,608	56,308,364	61,622,028	61,571,616
Health	3,074,767	2,987,001	2,939,495	2,931,361	2,871,475	3,126,176	3,215,269	3,179,240	3,391,817	3,438,182
Police	89,576,973	86,602,182	87,550,834	89,806,841	94,306,684	98,883,662	96,431,059	93,988,335	101,644,605	99,016,027
Human Services	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	114,896,878
Public Works	135,253,381	156,433,035	144,084,373	195,557,135	197,205,942	201,565,478	151,146,960	175,477,790	173,634,278	182,099,702
Parks and Recreation	44,262,172	45,258,239	42,919,471	42,619,362	44,461,864	46,944,369	46,372,607	45,082,490	47,512,722	52,804,501
Library	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	17,605,034
Planning	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	19,392,297
Agriculture	1,049,910	911,927	2,844,410	811,303	882,778	889,198	1,249,439	1,427,900	4,605,108	3,327,833
Economic Development	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	4,463,692
Convention and Visitor Development	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	29,398,089
Information Technology	31,951,307	23,892,765	24,975,516	27,113,853	28,524,903	35,271,946	33,630,014	33,641,832	38,964,868	43,482,116
Emergency Communications and Citizen Services	-	8,286,906	8,233,437	8,644,135	8,585,726	8,948,709	8,750,026	8,140,536	8,970,142	9,050,582
Boards and Commissions	28,300,724	28,838,862	29,809,481	30,813,011	28,150,540	28,705,251	29,450,284	30,230,164	34,738,707	26,461,340
Fire	44,862,957	46,923,435	46,496,015	48,604,326	49,299,627	52,577,157	49,680,380	50,306,088	57,104,376	58,983,144
Budget and Management Services	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	1,341,640
Education	370,277,459	358,870,557	362,627,543	346,344,221	371,831,366	376,409,572	390,015,055	398,127,741	396,304,003	423,487,979
Housing and Neighborhood Preservation	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	28,485,380
Museums	8,158,217	8,491,250	10,314,689	9,524,054	9,557,237	10,314,480	10,704,799	10,841,342	11,113,741	10,775,551
Emergency Medical Services	7,346,945	7,595,142	7,693,052	8,667,955	8,911,501	10,052,359	10,028,682	10,201,025	12,532,240	12,591,888
Strategic Growth Area	-	-	-	1,011,323	940,819	1,254,362	1,102,864	638,519	-	-
General Government	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	3,705,291
Interest on Long-term Debt	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	24,905,558
Total Governmental Activities Expenses	\$ 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	\$ 1,271,935,584
Business-Type Activities:										
Water and Sewer	\$ 95,332,140	\$ 96,891,679	\$ 104,625,349	\$ 102,310,240	\$ 103,110,267	\$ 107,549,122	\$ 110,779,437	\$ 109,232,931	\$ 107,922,521	\$ 115,336,137
Storm Water	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	33,518,183
Development Authority	-	-	-	-	11,210,520	10,154,302	11,025,011	9,920,441	39,724,605	17,545,543
Waste Management	-	-	-	-	-	-	41,907,754	39,965,302	12,582,903	37,051,532
Parking	1,430,534	1,357,625	1,603,150	1,972,867	1,668,933	1,902,855	4,419,983	3,770,402	3,383,691	3,984,236
Total Business-Type Activities Expenses	\$ 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	\$ 207,435,631
Total Primary Government Expenses	\$ 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	\$ 1,479,371,215
Program Revenues										
Governmental Activities:										
Charges for Services:										
Judicial	\$ 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	\$ 5,409,133
Police	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	2,967,178
Human Services	4,723,828	23,797,305	23,797,305	24,332,382	23,782,371	25,031,069	25,615,214	24,956,662	25,167,062	25,755,690
Public Works	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	2,193,888
Parks and Recreation	14,620,812	14,660,279	14,405,985	13,876,204	14,891,219	15,114,163	14,974,524	15,569,444	15,021,272	16,988,062
Library	679,091	617,088	760,480	706,607	728,317	760,734	789,508	726,001	695,152	671,348
Planning	4,026,124	4,077,448	4,265,630	4,097,287	4,432,448	4,496,079	5,226,904	5,020,717	5,097,944	5,431,804
Agriculture	145,454	164,684	127,156	170,091	52,893	55,585	72,725	86,449	115,176	-
Economic Development	-	-	-	-	-	-	-	367,208	-	-
Convention and Visitor Development	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	5,174,206
Fire	354,061	406,679	409,613	346,680	414,091	141,747	404,789	413,115	665,923	717,111
Housing and Neighborhood Preservation	174,560	312,489	215,523	1,170,964	1,831,674	2,033,427	2,300,624	2,841,867	182,387	-

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues (continued)										
Governmental Activities: (continued)										
Charges for services: (continued)										
Museums	\$ 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	\$ 9,856,700
General Government	9,756,013	8,777,127	8,096,615	7,595,885	7,535,955	7,532,896	7,480,645	6,690,903	6,795,827	11,561,559
Other Activities	524,362	508,565	545,787	497,376	551,983	3,590,913	4,088,006	3,867,123	3,726,144	3,644,173
Operating grants and contributions	202,479,091	214,751,488	195,543,654	169,430,851	166,149,172	163,734,763	167,099,983	176,534,087	180,792,670	182,245,742
Capital grants and contributions	88,794,495	30,731,118	32,767,792	41,572,819	37,502,486	69,771,674	49,910,249	49,358,726	30,380,171	32,129,238
Total Governmental Activities Program Revenues	\$ 344,261,154	\$ 310,003,814	\$ 308,215,729	\$ 299,130,492	\$ 309,663,696	\$ 356,403,735	\$ 301,934,121	\$ 312,166,548	\$ 299,790,140	\$ 305,043,395
Business-type Activities:										
Charges for services:										
Water and Sewer	\$ 95,308,313	\$ 98,568,890	\$ 102,398,524	\$ 109,200,204	\$ 115,160,670	\$ 122,079,274	\$ 122,609,520	\$ 124,303,922	\$ 125,124,505	\$ 127,939,734
Storm Water	17,559,488	19,285,386	21,321,426	27,841,165	32,721,540	37,087,519	39,048,824	39,522,703	40,164,454	41,715,744
Development Authority	-	-	-	-	2,630,055	189,011	4,665,161	4,999,007	35,390,065	7,721,739
Waste Management	-	-	-	-	-	-	43,457,679	37,766,169	2,859,707	34,225,087
Parking	2,390,391	2,420,174	3,213,279	2,879,725	3,134,711	2,879,228	4,535,524	3,824,504	5,235,807	6,014,164
Operating grants and contributions	5,216,559	5,222,410	3,569,248	1,306,092	-	-	90,237	72,740	319,888	42,871
Capital grants and contributions	2,442,568	628,640	1,877,989	974,355	1,945,692	7,507,130	7,413,070	8,175,896	6,611,382	28,258,904
Total Business-type Activities Program Revenues	\$ 122,917,319	\$ 126,125,500	\$ 132,380,466	\$ 142,201,541	\$ 155,592,668	\$ 169,742,162	\$ 221,820,015	\$ 218,664,941	\$ 215,705,808	\$ 245,918,243
Total Primary Government Program Revenues	\$ 467,178,473	\$ 436,129,314	\$ 440,596,195	\$ 441,332,033	\$ 465,256,364	\$ 526,145,897	\$ 523,754,136	\$ 530,833,489	\$ 515,495,948	\$ 550,961,638
Net (Expenses) Revenues										
Governmental Activities	\$ (774,163,881)	\$ (857,159,538)	\$ (799,244,135)	\$ (846,153,196)	\$ (851,380,319)	\$ (834,024,960)	\$ (851,583,949)	\$ (869,862,786)	\$ (947,835,777)	\$ (966,892,189)
Business-type Activities	13,127,291	14,759,433	11,973,499	22,266,789	23,010,788	30,574,660	30,779,027	32,486,921	17,425,543	38,482,612
Total Primary Government Net Expenses	\$ (761,036,590)	\$ (842,400,105)	\$ (787,270,636)	\$ (823,886,407)	\$ (828,369,531)	\$ (803,450,300)	\$ (820,804,922)	\$ (837,375,865)	\$ (930,410,234)	\$ (928,409,577)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
General Property Taxes -	\$ 589,973,045	\$ 558,423,911	\$ 537,521,503	\$ 537,843,813	\$ 551,950,361	\$ 543,960,594	\$ 574,064,411	\$ 622,389,162	\$ 645,972,461	\$ 673,006,832
Real Estate & Personal Property	51,007,274	50,331,672	51,945,150	53,038,789	55,995,114	55,990,140	58,521,297	61,409,466	66,262,790	63,647,610
Sales	47,340,874	46,023,992	47,159,975	43,074,104	46,635,170	42,665,494	44,724,955	40,961,377	48,275,048	48,908,305
Utility	40,919,033	38,204,143	41,183,389	41,205,981	44,671,818	43,657,877	47,143,398	44,956,510	47,777,766	48,777,766
Business Licenses	48,138,128	48,566,456	50,870,246	53,540,559	55,296,252	57,041,072	59,693,981	63,558,427	68,900,065	66,608,924
Meal	22,734,965	22,919,279	24,401,106	25,624,528	26,265,622	26,252,617	28,216,513	29,999,408	32,385,074	36,467,582
Lodging	5,427,458	5,141,354	5,312,439	5,617,464	5,365,290	6,247,637	6,001,024	6,953,928	7,032,632	6,485,731
Amusement	6,569,411	6,283,840	5,864,224	6,284,635	7,530,469	6,377,834	7,044,958	7,299,045	7,858,406	7,565,471
City Tax on Deeds and Wills	13,062,433	11,949,379	12,270,185	12,213,135	11,748,003	12,073,540	12,983,847	10,950,799	12,060,433	11,447,553
Cigarette	8,985,629	8,654,496	9,018,255	8,947,535	10,278,790	9,421,028	9,048,539	10,867,860	11,762,967	11,147,509
Automobile Licenses	5,970	-	-	-	-	-	-	-	-	-
Emergency 911 Telephone	8,875,610	9,871,136	10,981,669	10,770,992	11,049,732	10,231,840	11,460,710	13,480,842	10,937,880	5,783,324
Other Taxes	53,413,096	53,413,134	67,913,073	53,414,000	53,412,868	53,412,868	53,412,868	53,412,868	53,412,868	53,412,868
Grants and contributions not restricted	7,727,438	4,067,799	1,755,326	9,351,455	199,920	3,557,973	3,956,635	7,172,459	2,255,088	6,488,405
Investment Earnings	11,263,325	10,077,276	10,584,154	11,093,317	20,533,875	22,454,268	14,876,713	17,446,147	16,752,791	16,752,791
Miscellaneous	1,915,092	4,450,848	716,322	(1,303,678)	(15,258,704)	(17,580,646)	(15,898,873)	(15,898,147)	(22,611,189)	(23,409,462)
Transfers	917,358,781	878,378,715	877,497,016	870,716,629	885,674,580	875,764,136	913,311,276	971,883,410	1,009,094,068	1,033,091,216
Total Governmental Activities	\$ 2,820,444	\$ 943,565	\$ 761,924	\$ 264,732	\$ 586,174	\$ 522,661	\$ 660,764	\$ 814,880	\$ 2,573,657	\$ 4,196,130
Business-type Activities:										
Investment Earnings	23	-	-	-	-	21	(478,876)	-	-	1,115,089
Miscellaneous	(1,915,092)	(4,450,848)	(716,322)	1,303,678	15,258,704	17,580,646	15,850,873	15,898,147	22,611,189	23,409,462
Transfers	905,375	(3,507,283)	45,602	1,568,410	15,844,878	18,103,328	16,032,761	16,713,027	25,184,846	28,720,681
Total Business-type Activities	\$ 918,264,156	\$ 874,871,432	\$ 877,542,618	\$ 872,285,039	\$ 901,519,458	\$ 893,867,464	\$ 929,344,037	\$ 988,596,437	\$ 1,034,278,914	\$ 1,061,811,897
Total Primary Government	\$ 143,194,900	\$ 21,219,177	\$ 78,252,881	\$ 24,563,433	\$ 34,294,261	\$ 41,739,176	\$ 61,727,327	\$ 102,020,624	\$ 61,258,291	\$ 66,199,027
Change in Net Position										
Governmental Activities	\$ 143,194,900	\$ 21,219,177	\$ 78,252,881	\$ 24,563,433	\$ 34,294,261	\$ 41,739,176	\$ 61,727,327	\$ 102,020,624	\$ 61,258,291	\$ 66,199,027
Business-type Activities	14,032,666	11,252,150	12,019,101	23,835,199	38,855,666	48,677,988	46,811,788	49,199,948	42,610,389	67,203,293
Total Primary Government	\$ 157,227,566	\$ 32,471,327	\$ 90,271,982	\$ 48,398,632	\$ 73,149,927	\$ 90,417,164	\$ 108,539,115	\$ 151,220,572	\$ 103,868,680	\$ 133,402,320

Source: City Department of Finance
Note: Strategic Growth Area merged with Planning in 2018

Table 3

CITY OF VIRGINIA BEACH, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)

General Fund	2009	2010	2011*	2012	2013	2014	2015	2016	2017	2018
Nonspendable	\$ -	\$ -	\$ 453,056	\$ 506,339	\$ 581,099	\$ 7,482,460	\$ 7,093,861	\$ 10,937,946	\$ 10,647,511	\$ 11,088,350
Restricted	-	-	987,701	721,002	892,701	892,701	1,080,998	675,616	2,047,751	2,201,965
Committed	-	-	33,756,567	16,397,989	19,310,560	16,616,865	12,299,308	12,299,308	17,299,308	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	85,216,602
Unassigned	-	-	113,003,754	103,961,151	102,363,793	96,084,791	97,004,933	107,119,381	118,396,300	114,298,452
Reserved	11,202,854	9,763,249	-	-	-	-	-	-	-	-
Unreserved	152,478,269	169,216,410	-	-	-	-	-	-	-	-
Total General Fund	\$ 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	\$ 230,104,677
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,453,867	\$ 6,488,666	\$ -	\$ -
Restricted	-	-	36,583,676	42,910,053	40,032,555	41,303,255	36,878,328	43,568,700	49,567,841	49,242,719
Committed	-	-	205,254,077	337,853,345	302,868,839	321,477,382	337,402,946	357,531,393	336,873,103	387,589,280
Assigned	-	-	133,709,715	6,583,170	3,841,898	8,601,614	9,047,083	6,154,607	2,273,180	1,052,730
Unassigned	-	-	-	-	-	(554,019)	(391,769)	-	-	-
Reserved, Reported In:										
All Other Government Funds	96,319,671	102,057,848	-	-	-	-	-	-	-	-
Debt Service Funds	21,216,930	17,251,355	-	-	-	-	-	-	-	-
Unreserved, Reported In:										
Special Revenue Funds	93,673,677	80,861,278	-	-	-	-	-	-	-	-
Capital Projects Funds	126,587,633	156,110,046	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 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	\$ 437,884,729

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Real Estate Taxes	\$ 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	\$ 567,573,017
Personal Property Taxes	123,593,895	113,226,394	119,356,403	73,703,379	74,723,035	78,678,322	90,898,635	95,930,682	100,075,205	108,123,397
Total General Property Taxes	639,362,775	617,561,355	593,831,051	535,183,712	550,940,155	543,117,989	572,672,827	622,382,591	644,377,665	675,696,414
Other Local Taxes:										
General Sales	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	63,511,403
Utility	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	47,518,887
Business Licenses	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	48,676,655
Franchise Taxes-Cox Communications	5,891,384	-	-	6,962,320	7,192,940	7,531,593	7,939,584	8,115,171	5,163,159	2,313,521
Automobile Licenses	8,962,613	8,654,625	9,018,142	-	-	-	-	10,862,073	11,189,995	10,961,726
Bank Stock	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	3,469,803
City Tax on Deeds	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	7,475,502
City Tax on Wills	77,086	65,742	67,623	80,884	71,622	79,882	74,659	76,288	102,618	89,969
Cigarette	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	11,406,153
Amusement	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	6,349,234
Hotel Taxes	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	34,361,860
Restaurant Meals	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	66,264,685
Transient Occupancy Taxes	920,264	934,382	1,122,301	1,106,769	1,178,742	761,557	771,695	815,025	3,609,510	1,131,936
Total Other Local Taxes	251,136,617	242,497,840	249,331,568	252,641,506	260,690,437	262,555,748	272,047,598	289,591,516	298,498,333	303,531,334
Fines and Forfeitures	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	5,749,252
Permits, Privilege Fees, and Regulatory Licenses	4,158,778	4,222,376	3,824,168	4,239,786	4,222,312	6,312,079	5,138,080	4,922,398	5,250,146	5,260,171
From Use of Money and Property	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	15,589,069
Charges for Services	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	72,356,349
Miscellaneous	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	12,917,055
Sale of Property	-	10,000	15,000	-	-	-	-	-	-	-
From Other Local Governments	440,526	447,717	14,921,907	247,709	2,595,294	98,153	49,077	-	-	-
From Commonwealth	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	187,643,619
From Federal Government	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	77,856,895
Total Revenues	\$ 1,174,824,563	\$ 1,191,733,843	\$ 1,172,345,234	\$ 1,155,523,289	\$ 1,186,057,643	\$ 1,192,535,878	\$ 1,215,911,626	\$ 1,295,081,075	\$ 1,308,689,384	\$ 1,356,600,158
EXPENDITURES										
Legislative	\$ 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	\$ 1,248,240
Executive	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	4,488,041
Law	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	4,477,543
Finance	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	19,293,822
Human Resources	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	11,912,017
Judicial	50,038,319	48,360,575	49,040,448	51,006,575	53,276,187	55,458,238	55,398,991	58,516,561	61,187,703	63,333,087
Health	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	3,442,478

EXPENDITURES (continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police	\$ 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	\$ 99,210,134
Human Services	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	117,245,898
Public Works	90,598,946	88,729,538	90,570,064	99,611,309	103,023,351	104,583,810	63,701,224	66,744,291	73,368,698	71,637,743
Parks and Recreation	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	48,547,482
Library	15,652,089	15,995,471	15,442,912	15,475,052	16,033,907	17,381,850	17,618,171	17,368,746	17,615,908	18,018,356
Planning	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	19,193,976
Agriculture	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	969,705
Economic Development	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	4,242,488
Convention and Visitor Development	25,300,454	26,187,264	23,994,441	50,515,866	51,583,205	52,048,685	50,793,408	27,056,456	27,058,391	27,058,450
Information Technology	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	24,774,178
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	9,122,044
Boards and Commissions	30,920,448	30,304,486	34,454,560	34,730,107	33,495,194	34,742,684	35,603,080	60,714,680	33,601,257	60,714,680
Fire	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	58,151,454
Budget and Management Services	3,579,581	3,854,542	1,484,095	1,471,547	1,595,914	1,481,262	1,526,664	1,483,496	1,409,775	1,409,775
Development Authority	-	-	-	-	55,539	736,650	400,429	-	55,008	-
Education	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	436,811,968
Housing and Neighborhood Preservation	23,025,859	23,244,412	25,578,349	25,057,346	27,088,836	26,138,828	26,490,648	26,550,331	28,246,526	28,499,449
Museums	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	10,880,638
General Government	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	4,685,528
Emergency Medical Service	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	12,213,689
Strategic Growth Area	-	-	-	1,011,323	940,819	1,223,232	1,136,261	746,889	-	-
Capital Outlay	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	127,054,115
Debt Service:										
Principal Retirement	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	87,908,194
Interest and Fiscal Charges	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	42,872,488
Total Expenditures	\$ 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	\$ 1,392,259,645
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (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)	\$ (35,659,487)

OTHER FINANCING SOURCES (USES)

Transfers In	\$ 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	\$ 160,358,211
Transfers Out	(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)	(170,748,899)
Agriculture Reserve Agreement	-	-	-	-	-	270,504	344,842	565,264	3,728,464	-
Issuance of Debt	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	98,035,000
Premium on Bonds Sold	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	22,476,887
Proceeds of Refunding Bonds	-	-	-	-	-	20,320,000	91,415,000	-	-	71,530,000
Increase (Decrease) in Treasury Strips	-	-	(49,823)	23,194,107	(2,225,854)	-	-	-	-	-
Payment to Refunding Bonds Escrow Agent	-	(267,419,933)	-	(55,071,638)	(37,929,148)	(22,353,602)	(109,664,176)	(55,585,547)	-	(84,900,655)
Total Other Financing Sources (Uses)	\$ 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	\$ 96,750,544
Net Change in Fund Balance	\$ 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	\$ 61,091,057

Debt Service as a Percentage of Noncapital Expenditures

10.6%

4.1%

7.9%

7.4%

8.2%

11.3%

10.9%

10.3%

Source: City Department of Finance

Table 5

CITY OF VIRGINIA BEACH, VIRGINIA
GOVERNMENTAL FUNDS TAX REVENUE BY SOURCE
 Last Ten Fiscal Years
 (Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Taxes										
Real Estate	\$ 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	\$ 567,573,017
Personal Property	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	108,123,397
General Sales	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	63,511,403
Utility	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	47,518,887
Business Licenses	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	48,676,655
Franchise Taxes	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	2,313,521
Automobile Licenses	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	10,961,726
Bank Stock	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	3,469,803
City Tax on Deeds	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	7,475,502
City Tax on Wills	77,086	65,742	67,623	80,884	71,622	79,882	74,659	76,288	102,618	89,969
Cigarette	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	11,406,153
Amusement	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	6,349,234
Hotel Taxes	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	35,493,796
Restaurant Meals	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	66,264,685
Total	\$ 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	\$ 979,227,748

Source: City Department of Finance

Note: Franchise Taxes are represented by Cox Communications
 Hotel Taxes include Transient Occupancy Taxes

Table 6

CITY OF VIRGINIA BEACH, VIRGINIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Real Property			Total Taxable		Personal Property			Total Taxable Personal Property		Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Public Service*	Real Property Assessed Value	Direct Tax Rate	Residential	Commercial	Public Service	Assessed Value			
2009	\$ 48,889,366,712	\$ 7,877,386,575	\$ 806,244,930	\$ 57,572,998,217	\$ 0.8900	\$ 2,807,028,410	\$ 905,268,622	\$ 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	751,063,121	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	972,520,233	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	1,079,909,616	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	942,744,260	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	971,033,585	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	1,122,915,183	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	1,029,515,444	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	1,079,435,074	2,030,566	4,694,413,922	4,0000	59,478,023,773	100.0%
2018	46,426,321,920	9,094,379,313	981,368,382	56,502,069,615	1.0025	3,662,270,283	1,124,495,564	2,239,486	4,789,005,335	4,0000	61,291,074,950	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	Additional		Additional		Additional		Additional		Additional		Additional		Additional		Personal Property Tax Rate
		Real Property Tax Rate	Sandbridge SSD	Town Center SSD	Old Donation SSD	Real Property Tax Rate	Bayville Creek SSD	Shadowlawn SSD	Chesopian SSD	Real Property Tax Rate	Harbor Point SSD	Real Property Tax Rate	Gills Cove SSD	Additional Real Property Tax Rate	Hurds Cove SSD	
2009	\$ 0.8900	\$ 0.0600	\$ 0.4500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,700
2010	0.8900	0.0600	0.4500	-	-	-	-	-	-	-	-	-	-	-	-	3,700
2011	0.8900	0.0600	0.4500	-	-	-	-	-	-	-	-	-	-	-	-	3,700
2012	0.8900	0.0600	0.4500	0.1840	-	-	-	-	-	-	-	-	-	-	-	3,700
2013	0.9500	0.0600	0.4500	0.1840	0.3630	0.3630	-	-	-	-	-	-	-	-	-	3,700
2014	0.9300	0.0600	0.4500	0.1840	0.3630	0.3630	0.1594	-	-	-	-	-	-	-	-	3,700
2015	0.9300	0.0600	0.4500	0.1840	0.3630	0.3630	0.1594	0.0790	0.2913	0.0790	0.0790	0.0630	-	-	-	4,000
2016	0.9900	0.0600	0.4500	0.1840	0.3630	0.3630	0.1594	0.0790	0.2913	0.0790	0.0790	0.0630	0.4380	0.4380	0.4380	4,000
2017	0.9900	0.0600	0.4500	0.1840	0.3630	0.3630	0.1594	0.0790	0.2913	0.0790	0.0790	0.0630	0.4380	0.4380	0.4380	4,000
2018	1.0025	0.0600	0.4500	0.1840	0.3630	0.3630	0.1594	0.0790	0.2913	0.0790	0.0790	0.0630	0.4380	0.4380	0.4380	4,000

Fiscal Year	Regular	Sandbridge SSD		Town Center SSD		Old Donation SSD		Bayville Creek SSD		Shadowlawn SSD		Chesopian SSD		Harbor Point SSD		Gills Cove SSD		Hurds 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
2009	\$ 0.8900	\$ 0.9500	\$ 1.3400	\$ 0.8900	\$ 0.8900	\$ 0.8900	\$ 0.8900	\$ 0.8900	\$ 0.8900	\$ 0.8900	\$ 0.8900	\$ 0.8900	\$ 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	0.8900	0.8900	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	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900
2012	0.8900	0.9500	1.3400	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900	0.8900
2013	0.9500	1.0100	1.4000	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500	0.9500
2014	0.9300	0.9900	1.3800	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300
2015	0.9300	0.9900	1.3800	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300	0.9300
2016	0.9900	1.0500	1.4400	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900
2017	0.9900	1.0500	1.4400	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900	0.9900
2018	1.0025	1.0625	1.4525	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025

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
	2018				2009		
Armada Hoffer	\$ 415,886,600	0.62	1	\$	342,153,200	0.60	2
Virginia Electric & Power Company	396,271,648	0.59	2		403,879,706	0.71	1
Ramon W. Breeden, Jr.	373,354,000	0.56	3		244,311,638	0.43	4
A.D. & L.E. Fleder & J.M. & R.J. Caplan	317,794,800	0.47	4		-	-	-
Lynnhaven Mall LLC	294,300,100	0.44	5		307,053,500	0.54	3
E. C. & A. F. Ruffin & B. L. Thompson	269,551,500	0.40	6		232,574,200	0.41	5
Pembroke Square Associates LLC	204,821,600	0.31	7		216,725,700	0.38	6
Cheryl P. McLeskey	149,775,600	0.22	8		-	-	-
Verizon Virginia, Inc.	141,423,283	0.21	9		197,735,879	0.35	7
Thomas J. Lyons, Jr. & Joan N.	139,331,600	0.21	10		-	-	-
Sandler at Ashville Park LLC	-	-	-		177,826,960	0.31	8
Christian Broadcasting Associates/Net, Inc.	-	-	-		149,112,600	0.31	9
Atlantic Shores Cooperative Association, Inc.	-	-	-		177,139,140	0.26	10
Totals	<u>\$ 2,702,510,731</u>	<u>4.03</u>			<u>\$ 2,448,512,523</u>	<u>4.30</u>	

Sources: Office of Real Estate Assessor
Commissioner of the Revenue

Table 9

**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 Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
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	15,242,756	624,328,662	98.3
2018	551,883,966	110,388,668	636,789,707	96.2	-	636,789,707	96.2

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 Public Service.

Table 10

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)	
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	4.9%
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	4.9%
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	4.7%
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	4.4%
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	4.3%
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	4.4%
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	4.4%
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	4.2%
2017	(4) 655,854,925	1,875,000	288,582,663	-	-	-	46,102,662	71,945,485	-	272,759,201	1,337,119,936	2,040	3.8%
2018	(4) 664,558,868	1,500,000	292,789,906	-	-	-	46,102,662	67,524,535	-	260,914,896	1,333,390,867	2,042	3.7%

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 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 through FY 2016 is per Table 15. Projections used for FY 2017 and FY 2018, since data from the Bureau of Economic Analysis was unavailable.

(4) Fiscal Years 2012-2018 have been adjusted to reflect the related unamortized premium. Detailed premium information 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 FY 2015.

FY 2018 Premium detail and reconciliation to Note 6A1 & 6A2:

Governmental Activities							
	General Obligation Bonds	State Literary Fund Loans	Public Facility Revenue Bonds	Agriculture Reserve Program	Total Governmental Activity	Total Business Activity	Total Primary Government (1)
Principal	598,458,470	1,500,000	266,549,052	46,102,662	912,610,184	309,616,225	1,222,226,409
Premium	66,100,398	-	26,240,854	-	92,341,252	18,823,206	111,164,458
Total	\$ 664,558,868	\$ 1,500,000	\$ 292,789,906	\$ 46,102,662	\$ 1,004,951,436	\$ 328,439,431	\$ 1,333,390,867
Tax Supported Debt subtotal per 6A1							\$ 912,610,184
Premiums per 6A1							92,341,252
Self/Tax Supported Debt subtotal per 6A2							309,616,225
Premiums per 6A2							18,823,206
Total per note 6A1 & 6A2							\$ 1,333,390,867

Table 11

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
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	362,131,112	1,053,022,474	1.9	2,162
2014 ⁵	720,118,515	3,500,000	383,138,178	1,106,756,693	2.0	2,256
2015 ⁵	716,612,342	2,875,000	405,353,486	1,124,840,828	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	2,040
2018 ⁵	664,558,868	1,500,000	360,314,441	1,026,373,309	1.7	2,042

¹ Per Table 10.

Includes all Governmental Public Facility Revenue Bonds, Capital Leases, COP's, Williams Farm, and Business

² 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 Years 2012-2018 have been adjusted to reflect the related unamortized premium. Detailed premium information for prior years was unavailable and therefore not adjusted.

Table 12

CITY OF VIRGINIA BEACH, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 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	\$ 5,650,206,962
Total Net Debt applicable to limit ¹	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	646,061,132
Legal Debt Margin	\$ 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	\$ 5,004,145,830
Total Net Debt applicable to the limit as a percentage of debt limit	11.50%	11.91%	13.48%	13.92%	13.78%	14.35%	13.55%	13.18%	11.71%	11.43%
Legal Debt Margin Calculation For Fiscal Year 2018										
Assessed Value of Real Property (Taxable) ² :										
Regular	\$ 55,520,701,233									
Public Service (excluding vehicle assessments)	981,368,382									
Total Assessed Value of Real Property	56,502,069,615									
Debt limit (10% of Total Assessed Value)	5,650,206,962									
Total Net Debt applicable to limit	646,061,132									
Legal Debt Margin	\$ 5,004,145,830									

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

Notes:

- ¹ Total net debt applicable to the limit is tax-supported debt, which includes General Obligation Bonds, State Literary Fund debt for Public Schools, and Agricultural Reserve Program installment purchase agreements. Under State law, the City's outstanding general obligation debt should not exceed 10% of total assessed property value. In addition, the City has established financial affordability indicators to restrict debt 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.

- ² 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 Revenue Bonds													
Fiscal Year	Water and Sewer Charges and Other		Less: Operating Expenses		Net Available Revenue		Debt Service		Coverage				
					Principal	Interest ¹	Total						
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
2018		130,905,466		79,514,710		51,390,756		8,820,728		8,160,477		16,981,205	3.03

¹ Includes Bank Charges. Amounts shown for 2011-2018 are net of federal subsidy. As such, the coverage ratios shown on this table may be different from the amounts shown on Continuing Disclosure Schedule 2-4 that are calculated based on gross debt service.

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, dated February 11, 1992, as amended and supplemented, 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 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.

Table 14

CITY OF VIRGINIA BEACH, VIRGINIA
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)

Storm Water Utility Revenue Bonds													
Fiscal Year	Storm Water Charges and Other		Less: Operating Expenses		Net Available Revenue		Debt Service		Coverage ²				
					Principal	Interest ¹	Total						
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
2018		42,158,382		26,051,322		16,107,060		1,740,000		1,647,563		3,387,563	4.75

¹ Amounts shown for 2011-2018 are at gross.

² Revenue coverage ratios for debt service shown on this table may differ from amounts shown on the Continuing Disclosure Schedule 3-4 due to differences in the basis for the calculations. The calculation shown in this table reflects annual gross debt service, whereas the calculation in Schedule 3-4 reflects maximum annual debt service per bond issue.

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.

Table 15

**CITY OF VIRGINIA BEACH, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Population*	Personal Income**†	Per Capita Personal Income**	Median Age	Number of City Employees	Education Level In Years of Formal Schooling	School Enrollment	Unemployment Rate
2009	437,275	\$ 19,092,978	\$ 43,891	36.6	7,700	14.0	69,335	6.4%
2010	438,207	19,674,154	44,817	36.7	7,713	13.9	69,225	6.5%
2011	441,246	20,679,741	46,693	34.9	7,481	14.0	69,219	6.0%
2012	447,489	21,715,151	48,745	34.7	7,477	13.8	68,977	5.5%
2013	449,628	21,609,059	48,170	35.0	7,477	13.9	68,614	5.6%
2014	451,672	22,641,950	50,302	35.7	7,669	13.9	68,569	5.5%
2015	453,500	23,826,769	52,731	35.9	7,560	14.0	68,351	4.4%
2016	453,628	24,183,231	53,432	35.9	7,370	13.9	67,890	3.8%
2017	454,448	***	***	36.4	7,087	13.9	67,152	3.8%
2018	456,538	***	***	36.4	7,255	13.9	67,091	2.8%

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 2018 which is a projection.
** Bureau of Economic Analysis
*** Information Unavailable
† In thousands of dollars

Table 16

**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
	2018			2009		
City of Virginia Beach / Schools	17,463	7.42	1	18,455	8.51	1
* Naval Air Station Oceana-Dam Neck	5,850	2.49	2	-	-	-
* Sentara Healthcare	5,200	2.21	3	-	-	-
* Joint Expeditionary Base Little Creek/ Ft. Story	3,600	1.53	4	-	-	-
GEICO General Insurance Company	2,700	1.15	5	2,000	0.92	4
Lynnhaven Mall	2,600	1.11	6	2,600	1.20	2
* Gold Key/PHR Hotels and Resorts	2,365	1.01	7	-	-	-
STIHL Inc	2,113	0.90	8	2,016	0.93	3
Amerigroup (Anthem)	1,850	0.79	9	1,400	0.65	8
Navy Exchange Service Command	1,550	0.66	10	2,000	0.92	5
Michael Baker Jr., Inc.	-	-	-	1,700	0.78	6
VT Milcom	-	-	-	1,653	0.76	7
Hall Auto Group	-	-	-	1,300	0.60	9
Cox Communications	-	-	-	1,200	0.55	10
Totals	45,291	19.27		34,324	15.82	

Sources: City Department of Economic Development
City Department of Finance
City Department of Budget and Management Services

* Information not available for 2009.

Table 17

CITY OF VIRGINIA BEACH, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Department	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture	14.0	13.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.5
Budget and Management Services	21.0	20.0	15.0	15.0	15.0	14.0	15.0	15.0	14.0	14.0
City Attorney	43.0	43.0	40.4	39.0	39.6	39.6	39.6	39.6	40.6	42.6
City Auditor	6.0	6.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0
City Manager's Office	29.7	26.2	23.0	21.0	19.5	19.5	20.5	34.0	33.0	16.5
City Real Estate Assessor	38.4	38.4	34.3	34.0	34.3	34.3	34.3	34.3	34.0	34.0
City Treasurer	75.7	76.7	72.2	72.0	71.8	75.8	76.8	74.6	74.6	74.6
Commissioner of the Revenue	63.6	64.1	57.9	60.9	62.9	63.9	64.9	64.9	64.9	65.5
Commonwealth's Attorney	91.4	91.4	87.4	84.0	85.3	86.3	86.7	87.4	94.9	94.8
Communications Office ¹	-	-	-	-	-	-	-	-	-	18.5
Convention and Visitor Bureau	135.7	130.9	113.5	113.5	113.5	110.5	106.7	106.3	120.3	120.3
Courts and Courts' Support	76.0	76.0	76.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Cultural Affairs	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Department of Aquarium and Museums	151.4	151.4	151.5	153.0	155.5	155.9	161.0	164.5	156.8	153.6
Economic Development	17.0	16.0	15.0	16.0	18.0	18.0	18.0	18.0	18.0	19.0
Emergency Communications & Citizen Services	132.0	127.0	122.0	123.5	122.8	127.8	131.8	131.8	130.8	137.8
Emergency Medical Services	56.5	56.5	62.6	65.3	65.3	69.3	73.3	75.1	80.1	87.6
Finance	57.0	58.0	55.0	55.0	56.0	57.0	57.0	57.0	57.0	59.0
Fire	469.8	467.8	466.7	466.0	479.7	479.7	485.7	485.7	501.7	521.7
Voter Registration & Elections	12.0	12.0	12.0	12.0	12.0	12.0	11.9	11.9	12.0	12.0
Health	11.1	11.1	10.8	10.8	9.1	9.1	9.1	9.1	9.1	9.0
Housing and Neighborhood Preservation	69.0	68.0	69.0	66.0	64.0	63.0	62.0	61.0	64.0	79.0
Human Resources	54.1	53.1	47.0	47.0	47.0	47.0	47.0	47.0	47.0	49.0
Human Services	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	1,148.7
Information Technology	181.8	187.8	179.8	183.0	178.5	180.5	183.5	168.0	175.0	184.0
Legislative ²	18.0	18.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Library	262.9	260.9	227.5	227.5	265.5	260.0	255.0	253.5	251.5	251.5
Office of Emergency Management	-	-	-	-	-	-	-	-	4.0	5.0
Parks and Recreation	877.3	872.2	855.4	843.4	846.9	843.9	838.1	830.1	882.3	886.2
Planning	125.0	123.0	113.0	110.0	108.0	109.0	116.0	115.5	133.0	134.0
Police	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	1,040.8
Public Utilities	401.5	404.5	404.5	412.0	411.0	412.0	415.0	418.0	414.0	417.0
Public Works	877.4	871.4	866.4	882.0	890.4	890.4	893.9	902.9	902.9	925.9
Sheriff's Office	524.4	524.4	524.4	519.6	524.4	525.4	525.4	514.4	526.4	532.8
Strategic Growth Areas ³	-	2.0	15.0	15.0	17.0	17.0	18.0	20.0	-	-
Strategy, Transparency, Innovation & Resiliency Office	-	-	-	-	-	-	-	-	4.0	6.0
Voter Registration & Elections	12.0	12.0	12.0	12.0	12.0	12.0	11.9	11.9	12.0	12.0
Total City Positions	6,980.7	6,953.6	6,793.7	6,833.3	6,902.8	6,924.7	6,990.2	6,964.3	7,087.7	7,254.9
Total School Positions	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	10,207.8
TOTAL POSITIONS	17,500.2	17,345.5	17,270.0	17,220.6	17,229.3	17,115.6	17,210.2	16,998.6	17,242.5	17,462.7

Source: City of Virginia Beach Resource Management Plans

¹ Communications Office was previously reported as part of the City Manager's Office.

² City Clerk and Council are reported in Legislative.

³ Strategic Growth Area was consolidated with Planning in 2017.

Table 18

**CITY OF VIRGINIA BEACH, VIRGINIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

FUNCTION	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Number of physical adult arrests	26,632	23,951	23,923	23,705	23,633	22,224	21,698	19,042	17,933	18,307
Number of calls for service	200,360	196,717	196,626	195,156	187,884	179,974	176,474	173,451	178,929	173,602
Number of traffic accidents	9,021	8,759	8,391	8,102	8,169	8,138	7,913	8,368	8,813	8,290
Fire										
Number of structure fire incidents	467	413	453	474	430	410	396	463	398	398
Number of non-structure fire incidents	699	673	799	714	535	614	546	543	542	543
Number of medical assisted incidents	17,162	18,114	17,930	20,727	25,656	26,099	26,952	27,786	27,854	27,257
Number of other incidents	9,631	9,870	11,488	13,166	13,307	13,379	13,679	16,309	17,031	14,597
Public Utilities										
Number of water connections	131,367	131,618	131,897	132,010	132,324	132,615	132,940	133,411	133,777	134,076
Planning and Community Development										
Number of building permits issued	9,889	11,322	7,636	8,003	7,956	7,607	8,192	8,349	8,450	10,461
Waste Management										
Number of homes receiving refuse collection	123,668	123,789	124,179	124,171	124,536	124,634	122,041	122,282	122,369	122,622
Number of tons of garbage collected	189,604	196,145	147,760	137,413	133,958	130,245	208,917	211,004	180,757	171,315
Public Libraries										
Number of items circulated	***	3,522,707	3,636,416	3,614,378	3,573,663	3,269,563	3,076,575	2,777,954	2,557,104	2,478,687
Number of total materials	***	922,313	877,015	910,470	886,255	858,784	757,209	717,734	678,122	683,371
Number of visits to libraries	***	2,536,191	2,536,191	1,741,936	1,624,940	1,784,513	1,808,352	1,916,430	1,672,127	1,431,773
Culture and Recreation										
Number of visits to recreation centers	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	2,598,493
Number of recreation centers	6	6	6	7	7	7	7	7	7	7
Education										
Student membership	69,335	69,225	69,219	68,977	68,614	68,569	68,351	67,890	67,152	67,091
Number of elementary schools	56	56	55	55	55	55	55	55	55	55
Number of secondary schools	24	24	24	24	24	24	24	25	25	25
Number of specialty schools	11	9	7	7	9	8	8	8	7	7

Sources: Various City Departments

*** Information not available.

Table 19

**CITY OF VIRGINIA BEACH, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

FUNCTION	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Patrol Vehicles Units - Marked	256	242	242	269	262	262	246	230	206	227
Helicopter	3	2	2	2	2	2	2	2	2	2
Watercraft:										
Boats	8	8	8	8	8	6	8	9	8	9
Fire										
Stations	19	19	19	19	19	19	19	19	19	20
Fire Trucks	51	50	50	46	45	45	45	47	49	52
Public Works										
Miles of streets:										
Lane miles:										
Arterial	717	735	739	738	744	744	745	750	712	717
Collector/Local	2,662	2,670	2,676	2,676	2,680	2,686	2,714	2,726	2,701	3,421
Center Lane miles:										
Arterial	189	192	192	192	192	192	193	193	173	174
Collector/Local	1,300	1,304	1,307	1,308	1,312	1,312	1,326	1,330	1,322	1,324
Number of Street Lights	45,364	45,509	46,806	48,277	48,418	48,747	48,788	49,118	49,285	49,342
Collection Trucks	103	101	101	109	100	100	100	103	99	84
Public Library										
Number of Branches	10	10	10	10	10	10	10	10	10	10
Culture and Recreation										
Number of Developed District Parks	7	8	8	8	8	8	8	8	8	8
Number of Developed Community Parks	11	13	13	13	11	11	11	13	13	13
Number of Developed Neighborhood Parks	166	181	180	181	182	179	179	169	167	167
Number of Natural Parks	3	3	3	5	5	5	5	5	5	5
Other Park Areas	59	58	45	46	47	48	48	48	48	48
Number of Acres in Developed Parks	1,757	3,158	3,174	3,648	3,648	3,649	3,661	3,664	3,685	3,685
Golf Courses (City Owned)	5	5	5	5	5	5	5	5	5	5
Recreation Centers	6	6	6	7	7	7	7	7	7	7
Water										
Miles of Water Lines	1,482	1,483	1,488	1,490	1,492	1,496	1,499	1,499	1,501	1,503
Water Pumping Stations	8	9	9	9	9	9	10	10	10	10
Sewer										
Miles of Sewer Lines	1,621	1,623	1,630	1,635	1,639	1,646	1,653	1,646	1,646	1,648
Sewer Pumping Stations	405	405	406	405	406	407	408	408	408	410
Storm Water*										
Miles of Pipe Lines	-	-	-	-	-	-	-	-	-	1,109
Miles of Ditches	-	-	-	-	-	-	-	-	-	717

Source: Various City Departments

*Began reporting information in 2018.

Note: Ambulances are not included in the above information as they are privately owned by the Volunteer Rescue Squads.

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF THE TREASURER'S CASH ACCOUNTABILITY
JUNE 30, 2018
(UNAUDITED)

Table 20

Cash in Office		\$ 5,500
Cash With		
Bank of America:		
Regular	84,615,867	
Investments	8,000,000	
Welfare	617,245	
School Board Empl Salary Escrow	196,498	
BB&T:		
Collateralized Deposit Program	10,000,000	
Investments	5,035,294	
School Payroll	13,929,649	
BB&T Capital Markets:		
Investments	159,782,492	
BB&T Scott Stringfellow:		
Investments	76,500,000	
Cantor Fitzgerald:		
Investments	111,485,391	
Raymond James		
Investments	215,446,041	
SunTrust Bank:		
City Payroll	26,766,300	
Towne Bank:		
Investments	55,000,000	
Treasurer of Virginia:		
Investment Pool	112,204,544	
Union Bank:		
Investment	10,000,000	
VML/VACO:		
Virginia Investment Pool	10,251,480	
Virginia Investment Pool - Liquidity Pool	150,699,080	
Total Deposits and Investments		1,050,529,881
Cash with Trust Agents		
Cash With SNAP Program	28,389,438	
Cash With Trustee - Debt Service	8,750,027	
Cash With Trustee - Treasury Strips	33,802,079	
Total Cash with Trust Agents		70,941,544
Total Cash Accountability		1,121,476,925
Add:		
Accrued Interest on Investments	3,344,804	
Commonwealth of Virginia - Deferred Debits	9,288	
Deposits in Transit	3,319,949	
		6,674,041
Deduct:		
Commonwealth of Virginia - Current Credits	5,296	
Treasurer Restitution	35,119	
Treasurer Court Costs & Fines	(1,763)	
John T. Atkinson - Deferred Account	12,593	
Over and Short	11,140	
Outstanding Checks:		
Bank of America	8,693,158	
Bank of America - Welfare	171,529	
BB&T - School Payroll	16,396	
SunTrust - City Payroll	214,697	
		(9,158,165)
Total Cash Accountability		1,118,992,801
Reconciliation of Cash Accountability to the government-wide financial statements at June 30, 2018 as reported in Note 8:		
Balance of City and School funds		1,118,992,801
Funds for which the Treasurer does not act as fiscal agent:		
School Cafeteria Funds		5,000
School Activity Funds		3,992,986
Development Authority		11,479,872
Treasury Strips		(479,866)
Reconciling Adjustment		(745)
Total deposits and investments of the government-wide financial statements		\$ 1,133,990,048

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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, 2018, 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 21, 2018.

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 and the Sheriff's Office Supplemental Retirement Plan which is included in the aggregate remaining fund information. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
November 21, 2018

**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, 2018. 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, 2018. 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 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.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, the City's major federal programs did not comply with requirements regarding CFDA 14.871 – Section 8 Housing Choice Voucher Program (Special Tests - rent reasonableness) as described in 2018-001. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to the programs.

Qualified Opinion on Section 8- Housing Choice Voucher Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 14.871 – Section 8 - Housing Choice Voucher Program for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The City's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 a 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned cost as item 2018-001 that we consider to be a material weakness.

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.

The City's response to the internal control over the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Arlington, Virginia
November 21, 2018

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None Reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

Material weakness (es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None Reported

Type of auditor's report issued on compliance for major programs: Qualified

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)	<u> X </u>	Yes	<u> </u>	No
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Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.551	Supplemental Nutrition Assistance Program (SNAP)
14.871	Section 8- Housing Choice Voucher Program
20.205	Highway Construction and Planning Cluster
97.025	Urban Search and Rescue
97.036	Disaster Grants- Public Assistance

Dollar threshold used to distinguish between type A and type B programs \$3,000,000

Auditee qualified as low-risk auditee?	<u> X </u>	Yes	<u> </u>	No
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CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

2018-001

Prior Year Finding: No
Federal Agency: U.S. Department of Housing and Development
Federal Program: Section 8 Housing Choice Voucher Program
CFDA Number: 14.871

Award Number and Year: Various awards- Consolidated Annual Contributions Contract-PIH Section 8 – Funding Exhibit

Compliance Requirement: Special test- Rent Reasonableness (New Tenants, Non-New Tenants)

Type of Finding: Material Weakness, Material Non Compliance

Criteria or specific requirement:

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: The PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner, and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).

Condition:

New tenants:

The determination for rent reasonableness was completed after the contract effective date. We noted that rent reasonableness was completed between 2 months to 11 months after the effective date for 7 of the 19 tenants selected for testing.

Context:

New tenants:

Rent reasonableness determination was not completed prior to the effective date for 7 out of 19 new tenants in accordance federal requirements.

CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Questioned costs:

Undetermined, due to the lack of information we are unable to determine if the tenant rent was allowable as of the contract effective date.

Cause:

The City identified that the client intake process was not being performed consistently.

Effect:

The City was unable to consistently document compliance with the rent reasonableness requirements.

Recommendation:

We recommend that the City review current procedures for performing and documenting rent reasonableness determinations to ensure that the procedures comply with federal requirements. We recommend that the City consistently maintain documentation in accordance with the City's procedures.

Views of responsible officials:

Agree with finding, a rent reasonableness analysis was not performed prior to the effective contract date for the 7 new tenants identified in the finding. A rent reasonableness analysis was performed subsequent to the contract date and determined that the contracted rent was reasonable.

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CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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							
<u>Direct Payments:</u>							
Child and Adult Care Food Program ¹	10.558		154,465				
<u>Pass Through Payments:</u>							
Virginia Department of Agriculture							
National School Lunch Program (Child Nutrition Cluster) ²	10.555		2,027,329				
Virginia Department of Education							
Child and Adult Care Food Program ¹	10.558		394,036				
National School Lunch Program (Child Nutrition Cluster) ²	10.555		16,997,953				
State Administrative Expenses for Child Nutrition	10.560		700				
Virginia Department of Health							
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559		169,616				
Virginia Department of Social Services							
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		3,955,557				
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596		65,715				
<i>Total for Child Nutrition Cluster (10.555 and 10.558)</i>					19,194,897	548,501	
<i>1 - Total for Child and Adult Care Food Program (10.558)</i>						19,025,282	
<i>2 - Total for National School Lunch Program (10.555)</i>							
DEPARTMENT OF COMMERCE, NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION							
<u>Direct Payments:</u>							
Office for Coastal Management	11.473	NA16NOS4730011	132,814				
Old Dominion University	11.620	100631-010	4,200				
DEPARTMENT OF DEFENSE							
<u>Direct Payments:</u>							
Promoting K-9 Student Achievement at Military Connected Schools	12.556	HE1254-13-1-0041, HE1254-16-1-0026	357,230				
Invitational Grants for Military Connected Schools	12.557	HE1254-12-1-020, HE1254-14-1-0033	357,549				
Department of Defense Impact Aid	12.558		2,068,992				
Junior ROTC Program	12.XXX		358,123				
Military Spouse Career Advancement Account Program	12.XXX		1,132				
<u>Pass Through Payments:</u>							
National Security Agency							
Language Grant Program	12.900	H98230-16-1-0221, H98230-17-1-0221	80,326				
Virginia Department of Education							
National Forest Reserve Receipts	12.XXX		4166				
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
<u>Direct Payments:</u>							
Community Development Block Grants/Entitlement Grants ³	14.218	B-09/10/11/13/14/15/16-MC-51-0021	1,414,126				143,430
Passed through to - JCOC - Winter Shelter ³	14.218	COMP-17-0032					124,194
Passed through to - FORKIDS INC ³	14.218	COMP-16-0049					23,444
Passed through to - Samaritan House - Child Services ³	14.218	COMP-17-0028	3,181,778				
Community Development Block Grants/Entitlement Grants - Loans	14.218			3,166,681			
Loans beginning balance ⁴	14.218			15,097			
New loans ⁴	14.218						

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)							Passed through to Sub-Recipients (\$)
Federal Grantor/Pass-Through Entity/Program Title							
CFDA Number	Grant Agency Number	Federal Expenditures (\$)	Loans (\$)	Cluster Total (\$)	Program Total (\$)		
<u>Direct Payments:</u>							
Emergency Solutions Grant Program ⁴							
Passed through to - Samaritan House ⁴	E-15/16-MC-51-0021	156,566					98,587
Passed through to - JCOC ⁴	COMP-17-0008						33,799
Passed through to - Seton House ⁴	COMP-17-0024						12,607
Home Investment Partnerships Program ⁵							
Passed through to - Virginia Supportive Housing - Church Street ⁵	M-12/13/14/15/16-MC-51-0207	645,374					
Home Investment Partnerships Program - Loans	COMP-17-0007	2,429,943	2,429,943				375,000
Loans beginning balance ⁴							
New loans ⁴							
Housing Opportunities for Persons with AIDS ⁶	VAH14/15/16F002	1,181,132					
Passed through to - Access AIDS Care ⁶	COMP-17-0055						1,090,062
Passed through to - Collaborative Research, LLC ⁶							48,800
Section 8 Moderate Rehab Single Room Occupancy Continuum of Care Program	VA039SR0002, VA039SR0003	132,662					
Section 8 Housing Choice Voucher Supportive Services	VA0151L3F031403, VA0266L3F031500	37,628					
	Section 8 Housing Choice Voucher	17,601,285					
	VA039FSH225A01/VA039FSH647A016	44,906					
3 - Total for Community Development Block Grants/Entitlement Grants (14.218)							4,595,904
4 - Total for Home Investment Partnership Program (14.239)							3,075,317
DEPARTMENT OF JUSTICE							
<u>Direct Payments:</u>							
Edward Byrne Memorial Justice Assistance Grant Program							
Body Work Camera Policy and Implementation	2013-DJ-BX-0972, 2014-DJ-BX-0993,	14,800					
Assistance to Localities for Administration	2015-DJ-BX-0536, 2016-DJ-BX-0166	1,462					
Pass Through Payments:	2017-BC-BX-0020	50,018					
Office of the Attorney General							
Hampton Roads Human Trafficking Task Force	2016-VT-BX-K012	10,063					
Virginia Department of Criminal Justice Services							
Victim Witness Program	2015-VA-GX-0043	541,502					
Equitable Sharing Program		191,508					
DEPARTMENT OF LABOR							
<u>Pass Through Payments:</u>							
Virginia Community College System							
Workforce Investment Act Adult Program	AA-28347-16-55A-51	2,804,436					2,804,436
Passed through to - Opportunity Inc. (WIA/WIOA Cluster)							
Workforce Investment Act Youth Activities	AA-28347-16-55A-51	1,743,511					1,743,511
Passed through to - Opportunity Inc. (WIA/WIOA Cluster)							
Workforce Investment Act Dislocated Workers	AA-28347-16-55A-51	813,608					813,608
Passed through to - Opportunity Inc.							
Total for WIA/WIOA Cluster (17.258, 17.259 and 17.278)							5,361,555

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										
Virginia Department of Motor Vehicles										
State and Community Highway Safety										
Alcohol and Open Container Requirements										
DEPARTMENT OF TREASURY										
<u>Pass Through Payments:</u>										
Virginia Attorney General										
Equitable Sharing Program										
DEPARTMENT OF VETERANS AFFAIRS										
<u>Direct Payments:</u>										
Post-9/11 Veterans Educational Assistance										
ENVIRONMENTAL PROTECTION AGENCY										
<u>Direct Payments:</u>										
Office of Water										
National Clean Diesel Emissions Reduction Program										
DEPARTMENT OF EDUCATION										
<u>Direct Payments:</u>										
Impact Aid										
Federal Pell Grant Program										
MTSSB Grant Program										
<u>Pass Through Payments:</u>										
Virginia Department of Education										
Adult Education - Basic Grants to States										
Title I Grants to Local Education Programs										
Title I State Agency Program for Neglected and Delinquent Children and Youth										
Special Education - Grants to States (Special Education Cluster - IDEA)										
Career and Technical Education-Basic Grants to States										
Special Education - Preschool Grants (Special Education Cluster - IDEA)										
Special Education - Grants for Infants and Families										
Education for Homeless Children and Youth										
Twenty-First Century Community Learning Centers										
English Language Acquisition State Grants										
Improving Teacher Quality State Grants										
Preschool Development Grants										
Student Support and Academic Enrichment Program										
<i>Total for Special Education Cluster - IDEA (84.027 and 84.173)</i>								14,086,464		
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										
Virginia Department of Behavioral Health and Developmental Services										
Projects for Assistance in Transition from Homelessness (PATH)										
Substance Abuse and Mental Health Services Projects of Regional and National Significance										
Block Grants for Community Mental Health Services										
Block Grants for Prevention and Treatment of Substance Abuse										

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	950115	126,213				
Temporary Assistance for Needy Families				93.558	0400114, 0400115, 0400116, 0900116	2,312,069				
Refugee and Entrant Assistance_Voluntary Agency Programs				93.566	0500116, 0510114	3,807				
Low-Income Home Energy Assistance				93.568	0600415, 0600416, 0600515, 0600616	272,413				
Child Care and Development Block Grant (CCDF Cluster)				93.575	0770114, 0770115, 0770116	(29,301)				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)				93.596	0750116, 0760116	338,289				
Chafee Educationa and Training Vouchers Program (ETV)				93.599	9160115	11,433				
Stephanie Tubbs Jones Child Welfare Services Program				93.645	900116	5,922				
Foster Care Title IV-E				93.658	1100116	3,051,159				
Adoption Assistance				93.659	1120116	2,059,809				
Social Services Block Grant				93.667	1000116	2,137,967				
Chafee Foster Care Independence Program				93.674	9150116	36,747				
Children's Health Insurance Program				93.767	540116	157,666				
Medical Assistance Program				93.778	1200116	6,687,126				
Oploel STR				93.788		874,429				
HIV Prevention Activities Health Department Based				93.940		16,850				
<i>Total for CCDF Cluster (93.575 and 93.596)</i>								308,988		
DEPARTMENT OF HOMELAND SECURITY										
<u>Direct Payments:</u>										
Port Security Grant Program				97.056	EMW-2014-PU-00087, EMW-2015-PU-00132,					
Staffing for Adequate Fire and Emergency Response - SAFER				97.083	EMW-2014-PU-00087, EMW-2016-PU-00362	46,085				
<u>Pass Through Payments:</u>										
Federal Emergency Management (FEMA)										
National Urban Search and Rescue Response System				97.025	EMW-2014-CA-K00005-S01,					
Virginia Department of Emergency Management					EMW-2015-CA-00005, EMW-2016-CA-00027,					
Disaster Grants - Public Assistance - Presidentially Declared Disasters ⁷					EMW-2013-CA-USR-0027-M001/03	3,533,292				
Hazard Mitigation Grant				97.036		5,885,724				
Emergency Management Performance Grants				97.039		287,202				
Assistance to Firefighters Grant				97.042		102,914				
State Homeland Security Grant				97.044		83,190				
				97.067		157,514				
TOTAL FEDERAL EXPENDITURES						\$ 151,639,947				\$ 7,311,478

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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 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 \$2,337,007 at June 30, 2018.

The City 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 CFDA #14.218, Community Development Block Grants. The outstanding principal balance of \$2,852,180 at June 30, 2018.

4 Relationship to Financial Statements

Revenues from federal awards are reported in the City's basic financial statements as follows:

General Fund	\$ 23,083,356
Capital Projects Fund	22,928,590
Non Major Governmental Funds	31,844,949
Enterprise Funds	6,511,522
School Board Funds	<u>63,485,387</u>
 Total federal awards reported in basic financial statements	 \$ 147,853,804

Less: Revenue closed to fund balances from the following:

Community Development Block Grants	14.218	1,805
Community Development Block Loans	14.218	(3,181,778)
Emergency Solution Grants	14.231	19,943
Home Investment Partnerships Program Grants	14.239	(3,210)
Home Investment Partnerships Program Loans	14.239	(2,429,943)
HOPWA Total	14.241	11,089
Continuum of Care Program	14.267	(4,828)
Services for Trafficking Victims	16.320	1,003
Edward Byrne Memorial Justice Assistance Grant Program	16.378	7,296
Victims of Crim Act Grant Program (Victim Witness Program)	16.575	(242,278)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	25,724
Body Work Camera Policy and Implementation	16.835	(1,462)
Equitable Sharing Program	16.922	(172,685)
Highway Planning and Construction	20.205	6
DMV Seat Belt Enforcement	20.600	(33,623)
DMV Select DUI	20.607	(39,585)
DEA Shared Seized Assets - Passed Attorney General	21.016	(26,192)
Special Education - Grants for Infants and Families	84.181	27,882
Foster Care Title IV-E	93.658	66,457
Social Services Block Grant	93.667	(113,480)
Opioid STR	93.788	29,778

CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,441
National Urban Search and Rescue Response System	97.025	127,470
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(94,603)
Emergency Management Performance Grants	97.042	9,583
Assistance to Firefighters Grant	97.044	(7,854)
Port Security Grant Program	97.056	(11,500)
State Homeland Security Grant	97.067	(89,998)
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	(223,737)
		<hr/>
		(6,347,276)

Less: Revenue not subject to Single Audit:

Federal Reimbursement for Police OT	62,402
Federal Reimbursement for Jet Fuel Spill	47,757
Encroachment Partnership Agreement - BRAC	498,033
General Fund Federal Bond Subsidy	261,430
Water & Sewer EF Federal Bond Subsidy	936,671
Storm Water EF Federal Bond Subsidy	284,133
Debt Service SRF Federal Bond Subsidy	470,706
	<hr/>
	2,561,133

Total Federal Expenditures	<u><u>\$ 151,639,947</u></u>
----------------------------	------------------------------

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 Highway Planning and Construction Grants

The City's Highway Planning and Construction Grants are typically multi-year projects with flexible funding sources that result in funding allocation changes throughout the life of the project. Accordingly, due to the inherent nature of these transportation grants, the City prepares the accompanying Schedule using the best information received at the time of the reporting. In cases where it is difficult to identify the mix of Federal and State money under the Highway Planning and Construction program, the expenditures are reported on the accompanying schedule.

7 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, 2018
(UNAUDITED)

Taxpayer		Business Type	Real Property Assessed
1	Armada Hoffer	Office/ Apartments/ Hotel/ Retail/ Restaurant/ College/ Vacant Land	\$ 415,886,600
2	Virginia Electric & Power Company	Utility	396,271,648
3	Ramon W. Breeden, Jr.	Apartments/ Shopping Center/ Hotel Condominium -Timeshare/ Fast-Food/ Restaurant/ Office/ Vacant Land	373,354,000
4	A.D. & L.E. Fleder & J.M. & R.J. Caplan	Shopping Centers/ Retail/ Restaurant/ Apartments/ Condominiums/ Vacant Land	317,794,800
5	Lynnhaven Mall LLC	Shopping Mall	294,300,100
6	E. C. & A. F. Ruffin & B. L. Thompson	Hotel/ Apartments/ Shopping Center/ Retail/ Restaurant/ Office/ Parking Garage/ Vacant Land	269,551,500
7	Pembroke Square Associates LLC	Shopping Mall/ Retail/ Restaurants/ Fast Food/ Shopping Centers/ Office/ Apartments/ Condominium/ Warehouse/ Vacant Land	204,821,600
8	Cheryl P. McLeskey	Shopping Centers/ Townhouses/ Condominiums/ Marina/ Retail/ Car Dealership/ Vacant Land	149,775,600
9	Verizon Virginia, Inc.	Utility	141,423,283
10	Thomas J. Lyons, Jr. & Joan N.	Hotel	139,331,600
11	Christian Broadcasting Associates, Inc./Network, Inc.	Broadcasting/ Office/ Apartments/ Hotel	132,664,000
12	Lake Gem	Shopping Center/ Apartments/ Fast-Food/ Restaurant	128,505,100
13	Watergate Treehouse & Chanticleer Associates LP	Apartments	126,475,900
14	Windsor Lake & Shoreline Apartments LLC.	Apartments/ Shopping Center/ Restaurant/ Vacant Land	106,757,800
15	W. Taylor Franklin	Apartments/ Vacant Land	106,722,100
16	Virginia Natural Gas	Utility	106,541,433
17	Potter Properties	Shopping Center/ Banks/ Fast-Food/ Restaurant/ Retail/ Vacant Land	101,406,800
18	Westminster Canterbury of Hampton Roads, Inc.	Retirement Center/ Condominiums/ Vacant Land	100,081,000
19	KRG Virginia Beach Landstown LLC	Shopping Center	88,422,500
20	Wal Mart Real Estate Business Trust	Retail Stores	87,848,900
21	Atlantic Shores Cooperative Association, Inc.	Apartments	75,820,400
22	T.J. & A. Stiffler & M.B. & M.J. Stone Lewis	Office/ Hotel/ Retail/ Storage/ Fast-Food	69,765,800
23	Occidental Development, Ltd.	Apartments	68,102,600
24	Sifen, Michael D.	Shopping Centers/ Restaurant/ Retail/ Vacant Land	67,210,900
25	Latitudes LLC	Apartments	55,513,000
Total			<u><u>\$ 4,124,348,964</u></u>

* Also see Statistical Table 8

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 2008 THROUGH 2018
(UNAUDITED)

Fiscal Year (1)	Tax Rate on Real Property (2)	Real Property Tax Levy (3)	Percentage Annual Change in Tax Levy
2008	0.8900	483,635,234	4.72
2009	0.8900	497,742,524	2.92
2010	0.8900	485,659,493	(2.43)
2011	0.8900	456,029,698	(6.18)
2012	0.8900	443,160,075	(2.82)
2013	0.9500	457,057,821	3.14
2014	0.9300	446,015,531	(2.42)
2015	0.9300	463,184,807	(3.85)
2016	0.9900	510,528,757	10.22
2017	0.9900	528,410,384	3.50
2018	1.0025	551,883,966	4.44

Source: City Department of Finance

(1) Eleven years of data are shown for consistency with past Official Statements.

(2) Tax rate per \$100 per assessed value. See Statistical Table 7.

(3) 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. See Statistical Table 9.

CITY OF VIRGINIA BEACH, VIRGINIA
HISTORICAL ASSESSED VALUE
FISCAL YEARS 2008 THROUGH 2018
(UNAUDITED)

Fiscal Year (1)	Real Property Assessed Value (2)	Percentage Change From Prior Year	Personal Property Assessed Value	Percentage Change From Prior Year	Public Service Property Assessed Value (3)	Percentage Change From Prior Year	Total Assessed Value	Percentage Change From Prior Year
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
2018	55,520,701,233	3.12	4,786,765,849	2.01	983,607,868	4.08	61,291,074,950	3.05

(1) Eleven years of data are shown for consistency with past Official Statements.

(2) Real Property is assessed at 100% of fair market value.

(3) 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 2008 THROUGH 2018
(UNAUDITED)**

Fiscal Year ¹	Total Tax Levy ²	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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	15,242,756	609,085,906	95.9
2018	662,272,634	636,789,707	96.2	-	636,789,707	96.2

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 Eleven years of data are shown for consistency with past Official Statements.

² Includes both Real and Personal Property and Public Service. See Statistical Table 9. For 2018, the breakdown is as follows:

Real Property tax levy (includes Public Service real property):	\$ 551,883,966
Personal Property tax levy (includes Public Service personal property):	<u>110,388,668</u>
	<u>\$ 662,272,634</u>

CITY OF VIRGINIA BEACH, VIRGINIA
PRINCIPAL TAX REVENUES BY SOURCE
FISCAL YEARS 2008 THROUGH 2018
(UNAUDITED)

Fiscal Year ¹	Real Property Taxes ²	Personal Property Taxes²	General Sales Tax	Utility Tax	Restaurant Meal Tax	Other Taxes	Total Taxes Assessed
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
2018	567,573,017	108,123,397	63,511,403	47,518,887	66,264,685	126,236,359	979,227,748

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 Eleven years of data are shown for consistency with past Official Statements.

² Includes taxes, penalty & interest (\$10 minimum) on delinquent collections from prior years.

**CITY OF VIRGINIA BEACH, VIRGINIA
TEN LARGEST UTILITY (WATER) CUSTOMERS
FISCAL YEAR 2018
(UNAUDITED)**

	Customer	Annual Consumption in 1,000 Gallons	Type of Customer
1	Virginia Beach Correction Center	53,005	City Correction Center
2	Sentara Princess Anne Hospital	37,611	Hospital
3	S L Nusbaum Realty	29,225	Thalia Garden Apartments
4	Sentara Virginia Beach General Hospital	27,325	Hospital
5	Westminister-Canterbury of Hampton Roads	26,541	Retirement Community
6	County View Mobile Court	25,727	Mobile Home Park
7	Bonaventure Property Management	22,130	Real Estate Asset Manager
8	Colony Mobile Home Park	21,409	Mobile Home Park
9	Occidental Development, Ltd.	20,898	Waterfront Apartments
10	Town Center Associates 7 LLC	20,077	Real Estate Asset Manager

Source: City Department of Public Utilities

**CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
OUTSTANDING DEBT BY ISSUE
AT JUNE 30, 2018
(UNAUDTED)**

2016-B \$42,865,000 Water and Sewer Refunding Bonds	\$ 39,125,000
2016A Water and Sewer Revenue Bonds	45,505,000
2013 Water and Sewer System Revenue Bonds	40,610,000
2010A Water and Sewer System Revenue Bonds	53,435,000
2010B Water and Sewer System Refunding Revenue Bonds	6,740,000
2010C Water and Sewer System Refunding Revenue Bonds	16,395,000
1998 Taxable Water and Sewer System Revenue Bond ¹	<u>425,276</u>
 Total Water and Sewer Debt Outstanding ²	 <u><u>\$ 202,235,276</u></u>

Source: City Department of Finance

¹ The 1998 taxable issue was 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 2013 THROUGH 2018
(IN THOUSANDS OF DOLLARS)
(UNAUDITED)**

	Fiscal Year					
	2013	2014	2015	2016	2017	2018
Balance - July 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees Received	3,905	2,116	3,120	2,414	2,796	2,046
Disbursements	<u>3,905</u>	<u>2,116</u>	<u>3,120</u>	<u>2,414</u>	<u>2,796</u>	<u>2,046</u>
Balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF VIRGINIA BEACH, VIRGINIA
WATER AND SEWER ENTERPRISE FUND
SYSTEM OPERATING REVENUES, EXPENSES AND COVERAGE
FOR FISCAL YEAR JUNE 30
(IN THOUSANDS OF DOLLARS)
(UNAUDITED)

	Fiscal Year				
	2014	2015	2016	2017	2018
<u>Operating Revenues</u>					
Service Charges	\$ 68,226	\$ 74,518	\$ 75,233	\$ 75,767	\$ 77,126
Water Usage	45,881	45,309	44,847	45,599	45,485
Interfund Services Provided	-	1,169	1,170	1,497	1,421
Miscellaneous	1,636	1,187	1,771	1,616	1,297
Total Operating Revenues	115,743	122,183	123,021	124,479	125,329
<u>Operating Expenses</u>					
Water Acquisition	23,188	23,771	24,488	24,722	24,811
Water Distribution	7,882	6,780	6,832	7,189	7,187
Sewer Collection	12,658	14,274	13,812	14,494	14,329
Administration and Engineering	18,367	19,157	18,646	16,708	22,349
Customer Services	9,813	10,163	10,152	9,701	10,839
Total Operating Expenses	71,908	74,145	73,930	72,814	79,515
Net Operating Income	43,835	48,038	49,091	51,665	45,814
<u>Non-Operating Revenues/(Expense)</u>					
Interest	405	493	597	2,082	2,640
Water Resource Recovery Fee	2,116	3,120	2,414	2,796	2,046
Connection Fees	767	1,211	1,187	1,047	890
Norfolk Water True-Up	3,257	-	825	-	-
Total Non-Operating Income	6,545	4,824	5,023	5,925	5,576
Income Available For Debt Service	50,380	52,862	54,114	57,590	51,390
Annual Debt Service¹					
Water and Sewer Revenue Bonds	\$ 15,965	\$ 18,119	\$ 18,520	\$ 16,569	\$ 17,918
<u>Coverage of Debt Service on Water and Sewer Revenue Bonds</u>	3.16 x	2.92 x	2.92 x	3.48 x	2.87 x
<u>Coverage of Debt Service on All Debt Supported by Water and Sewer Revenues²</u>	3.16 x	2.92 x	2.92 x	3.48 x	2.87 x

¹ Includes Principal, Interest at gross, and Bank Charges

² There are currently no outstanding water and sewer general obligation bonds.

Source: City Departments of Finance and Public Utilities.

**CITY OF VIRGINIA BEACH
WATER AND SEWER ENTERPRISE FUND
DEBT SERVICE REQUIREMENTS
AS OF JUNE 30, 2018
(UNAUDITED)**

Fiscal Year	Principal	Interest	Gross Debt Service	Subsidy	Debt Service Net of Subsidy	Principal Outstanding
2019	¹ \$ 9,215,276	\$ 8,685,065	\$ 17,900,341	\$ (914,264)	\$ 16,986,077	\$ 193,020,000
2020	9,625,000	8,271,996	17,896,996	(946,786)	16,950,210	183,395,000
2021	10,045,000	7,853,921	17,898,921	(914,831)	16,984,090	173,350,000
2022	10,485,000	7,415,368	17,900,368	(881,323)	17,019,045	162,865,000
2023	10,980,000	6,934,041	17,914,041	(845,560)	17,068,481	151,885,000
2024	11,520,000	6,411,109	17,931,109	(806,512)	17,124,597	140,365,000
2025	12,095,000	5,854,825	17,949,825	(763,963)	17,185,862	128,270,000
2026	12,730,000	5,249,295	17,979,295	(718,085)	17,261,210	115,540,000
2027	10,670,000	4,677,121	15,347,121	(668,665)	14,678,456	104,870,000
2028	11,065,000	4,194,685	15,259,685	(615,203)	14,644,482	93,805,000
2029	9,080,000	3,760,068	12,840,068	(557,679)	12,282,389	84,725,000
2030	9,470,000	3,339,893	12,809,893	(496,087)	12,313,806	75,255,000
2031	9,845,000	2,921,344	12,766,344	(430,472)	12,335,872	65,410,000
2032	7,720,000	2,543,280	10,263,280	(360,896)	9,902,384	57,690,000
2033	8,050,000	2,185,578	10,235,578	(287,430)	9,948,148	49,640,000
2034	8,395,000	1,809,156	10,204,156	(210,223)	9,993,933	41,245,000
2034	8,770,000	1,412,928	10,182,928	(129,077)	10,053,851	32,475,000
2036	9,150,000	998,573	10,148,573	(43,740)	10,104,833	23,325,000
2037	4,945,000	696,706	5,641,706	-	5,641,706	18,380,000
2038	5,125,000	516,200	5,641,200	-	5,641,200	13,255,000
2039	5,310,000	332,075	5,642,075	-	5,642,075	7,945,000
2040	2,570,000	199,800	2,769,800	-	2,769,800	5,375,000
2041	2,645,000	121,575	2,766,575	-	2,766,575	2,730,000
2042	2,730,000	40,950	2,770,950	-	2,770,950	-
Totals	<u>\$ 202,235,276</u>	<u>\$ 86,425,552</u>	<u>\$ 288,660,828</u>	<u>\$ (10,590,796)</u>	<u>\$ 278,070,032</u>	

¹ Fiscal Year 2019 has been adjusted to reflect the impact on the respective debt service interest payments of federal sequestration in effect at 6.6% July through September and 6.2% October through June.

All Water & Sewer Debt is Parity Debt, and 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, 1983	\$ 1.62	\$ 9.46
August 1, 1987	1.81	9.46
October 1, 1987	1.99	9.46
July 1, 1988	2.18	9.46
July 1, 1989	2.51	9.46
July 1, 1990	2.69	9.46
October 1, 1990	2.77	9.65
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
July 1, 2018	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, 2018
(UNAUDITED)

Customer	Fees Billed
Lynnhaven Mall Group	\$ 227,720
Stihl, Inc.	173,261
Sentara Healthcare	121,685
Virginia Wesleyan College	113,505
Pembroke Square Associates	87,818
Kroger	84,643
Evergreen Virginia LLC	80,580
Emerald Point LLC	78,167
Sentara Virginia Beach General Hospital	78,399
Wal Mart Real Estate Business	75,515

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, 2018
(UNAUDITED)**

Type of Property	2018 Percent of Equivalent Residential Units (ERU)
Residential	49.0%
Multi-Family	12.4%
Non-Residential	38.6%

Source: City Department of Public Works/Storm Water Management

**CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER UTILITY FEE COLLECTIONS
AS OF JUNE 30, 2018
(UNAUDITED)**

Fiscal Year	Assessed fees	Collected fees ¹	% Collected
2009	\$ 17,441,273	\$ 17,435,519	99.97
2010	19,285,723	19,251,212	99.82
2011	20,883,989	20,833,505	99.76
2012	27,632,407	27,541,919	99.67
2013	32,006,788	31,852,199	99.52
2014	36,709,700	36,537,711	99.53
2015	39,055,783	38,684,230	99.05
2016	39,804,972	39,530,243	99.31
2017	39,854,926	40,046,975	100.48
2018	42,654,304	41,854,463	98.12

Source: City Department of Public Works/Storm Water Management

¹ Represents collections of Equivalent Residential Unit (ERU) Fees 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					
	2014	2015	2016	2017	2018	2019 Budget
Total Revenues:						
System Revenues (including interest income)	\$ 37,150,524	\$ 39,294,658	\$ 39,648,163	\$ 40,471,105	\$ 42,148,983	\$ 42,044,666
Budgeted Operating Expenses	15,366,723	16,645,536	18,487,455	26,074,916	26,383,086	29,272,488
Revenues Available for Debt Service	<u>21,783,801</u>	<u>22,649,122</u>	<u>21,160,708</u>	<u>14,396,189</u>	<u>15,765,897</u>	<u>12,772,178</u>
Maximum Principal and Interest Requirement on Revenue Bonds ¹	<u>\$ 2,040,009</u>	<u>\$ 3,402,039</u>	<u>\$ 3,399,201</u>	<u>\$ 3,399,201</u>	<u>\$ 3,393,984</u>	<u>\$ 3,393,984</u>
Debt Service Coverage Ratio ²	10.7 x	6.7 x	6.2 x	4.2 x	4.7 x	3.8 x

Source: City Department of Finance

Revenue Requirement B ³	Fiscal Year					
	2014	2015	2016	2017	2018	2019 Budget
Total System Revenues (including interest income)	\$ 37,150,524	\$ 39,294,658	\$ 39,648,163	\$ 40,471,105	\$ 42,148,983	\$ 42,044,666
Less:						
Budgeted Operating Expenses	15,366,723	16,645,536	18,487,455	26,074,916	26,383,086	29,272,488
Revenue Bond Debt Service ¹ :						
Requirement on Series 2007A Bonds	1,391,583	1,390,683	1,394,533	1,391,695	1,386,025	1,382,793
Requirement on Series 2007B Bonds	640,681	641,181	641,481	641,581	641,481	645,475
Requirement on Series 2012 Bonds	-	226,374	1,357,556	1,359,106	1,360,056	1,358,631
	<u>226,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	2,258,721	2,258,238	3,393,570	3,392,382	3,387,562	3,386,899
Capital Improvement Account (Cash)	13,962,480	9,514,582	8,490,000	7,500,000	7,500,000	8,000,000
Total Expenditures	<u>31,587,924</u>	<u>28,418,356</u>	<u>30,371,025</u>	<u>36,967,298</u>	<u>37,270,648</u>	<u>40,659,387</u>
Surplus Revenue	<u>\$ 5,562,600</u>	<u>\$ 10,876,302</u>	<u>\$ 9,277,138</u>	<u>\$ 3,503,807</u>	<u>\$ 4,878,335</u>	<u>\$ 1,385,279</u>

Reconciliation of Expenses to CAFR						
Total Operating Expenses (per CAFR)	\$ 19,477,620	\$ 22,059,299	\$ 23,177,375	\$ 33,123,109	\$ 32,853,281	
Add (Subtract):						
Depreciation	(4,110,897)	(4,569,433)	(4,792,210)	(5,466,520)	(5,670,476)	
Annual CIP Expense		(1,265,350)	(463,098)	(1,091,586)	(1,131,483)	
Net Deferred Retirement Contribution		421,020	565,388	(490,087)	283,027	
OPEB Expenditures					48,737	
Total Budgeted Expenses (Pro Forma Requirement)	<u>\$ 15,366,723</u>	<u>\$ 16,645,536</u>	<u>\$ 18,487,455</u>	<u>\$ 26,074,916</u>	<u>\$ 26,383,086</u>	

¹ All Interest is presented at "gross" and includes bank charges.

² Per the Agreement of Trust dated January 1, 2000, as amended and supplemented, pledged revenues will be sufficient to equal the sum of (1) the Operating Expenses shown in the Annual Operating Budget and (2) 115% of Maximum Annual Debt Service.

³ Also per the Agreement of Trust, system revenues will be sufficient to equal the sum of (1) the Operating Expenses payable from System Revenues shown in the Annual Operating Budget, (2) the amount required to be paid into the Bond Fund, (3) the amount (if any) required to be paid into the Parity Double Barrel Bond Fund, (4) the amount (if any) required to be paid into the Subordinate Debt Fund, (5) the amount of any other indebtedness of the City attributable to the System required to be paid from Pledged Revenues, (6) the amount transferred to the Capital Improvement Account as may be determined by the Director of Public Works and (7) any amount necessary to be paid into the Debt Service Reserve Fund to restore the amount on deposit therein to the amount of the Debt Service Reserve Requirement.

Source: City Department of Finance

**CITY OF VIRGINIA BEACH, VIRGINIA
STORM WATER UTILITY FUND
DEBT SERVICE REQUIREMENTS
AS OF JUNE 30, 2018
(UNAUDITED)**

Fiscal Year	Principal	Interest	Subsidy*	Total
2019	\$ 1,795,000	\$ 1,591,899	\$ (256,436)	\$ 3,130,463
2020	1,855,000	1,524,033	(266,663)	3,112,370
2021	1,915,000	1,456,699	(258,352)	3,113,347
2022	1,980,000	1,389,533	(249,214)	3,120,319
2023	2,055,000	1,320,030	(239,354)	3,135,676
2024	2,135,000	1,244,380	(228,512)	3,150,868
2025	2,230,000	1,158,443	(216,511)	3,171,932
2026	1,665,000	1,077,844	(203,639)	2,539,205
2027	1,745,000	1,002,196	(189,517)	2,557,679
2028	1,815,000	926,131	(174,077)	2,567,054
2029	1,890,000	851,499	(157,878)	2,583,621
2030	1,970,000	773,544	(140,831)	2,602,713
2031	2,050,000	692,139	(122,892)	2,619,247
2032	2,130,000	607,284	(104,060)	2,633,224
2033	2,215,000	516,581	(83,497)	2,648,084
2034	2,310,000	419,581	(61,071)	2,668,510
2035	2,405,000	318,231	(37,489)	2,685,742
2036	2,505,000	212,394	(12,705)	2,704,689
2037	1,220,000	140,019	-	1,360,019
2038	1,260,000	102,031	-	1,362,031
2039	1,295,000	62,109	-	1,357,109
2040	1,340,000	20,938	-	1,360,938
	<u>\$ 41,780,000</u>	<u>\$ 17,407,538</u>	<u>\$ (3,002,698)</u>	<u>\$ 56,184,840</u>

* Fiscal Year 2019 has been adjusted to reflect the impact on the respective debt service interest payments of federal sequestration in effect of 6.6% (prior to October, 2018) and 6.2% (October, 2018 onward).

Source: City Department of Finance



The new Virginia Beach Housing Resource Center is a one-stop shop of services for families and individuals experiencing homelessness or a housing crisis. This 62,000-square-foot facility opened in September 2018 and is expected to be LEED-certified.



Virginia Beach Parks and Recreation's new administration building, opened in April 2018, is a 27,000-square-foot facility now home to 115 staff members. The open, bright and modern-looking building is expected to be LEED-certified.



The Cavalier Hotel re-opened earlier this year after four years of restoration/renovation. Originally built in 1927, the Cavalier on the Hill was a major player in Virginia Beach's original resort scene. Nine U.S. presidents stayed at or visited the hotel, as well as celebrities like Judy Garland, Bette Davis, F. Scott Fitzgerald, Benny Goodman and Frank Sinatra.