COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

A Component Unit of the City of Newport News, Virginia

Fiscal Year ended June 30, 2019

(With Report of Independent Auditor)

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS

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

Fiscal Year ended June 30, 2019

Prepared by:

BUSINESS OFFICE

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

12465 Warwick Boulevard
Newport News, VA 23606

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CITY OF NEWPORT NEWS

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INTRODUCTORY SECTION

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS

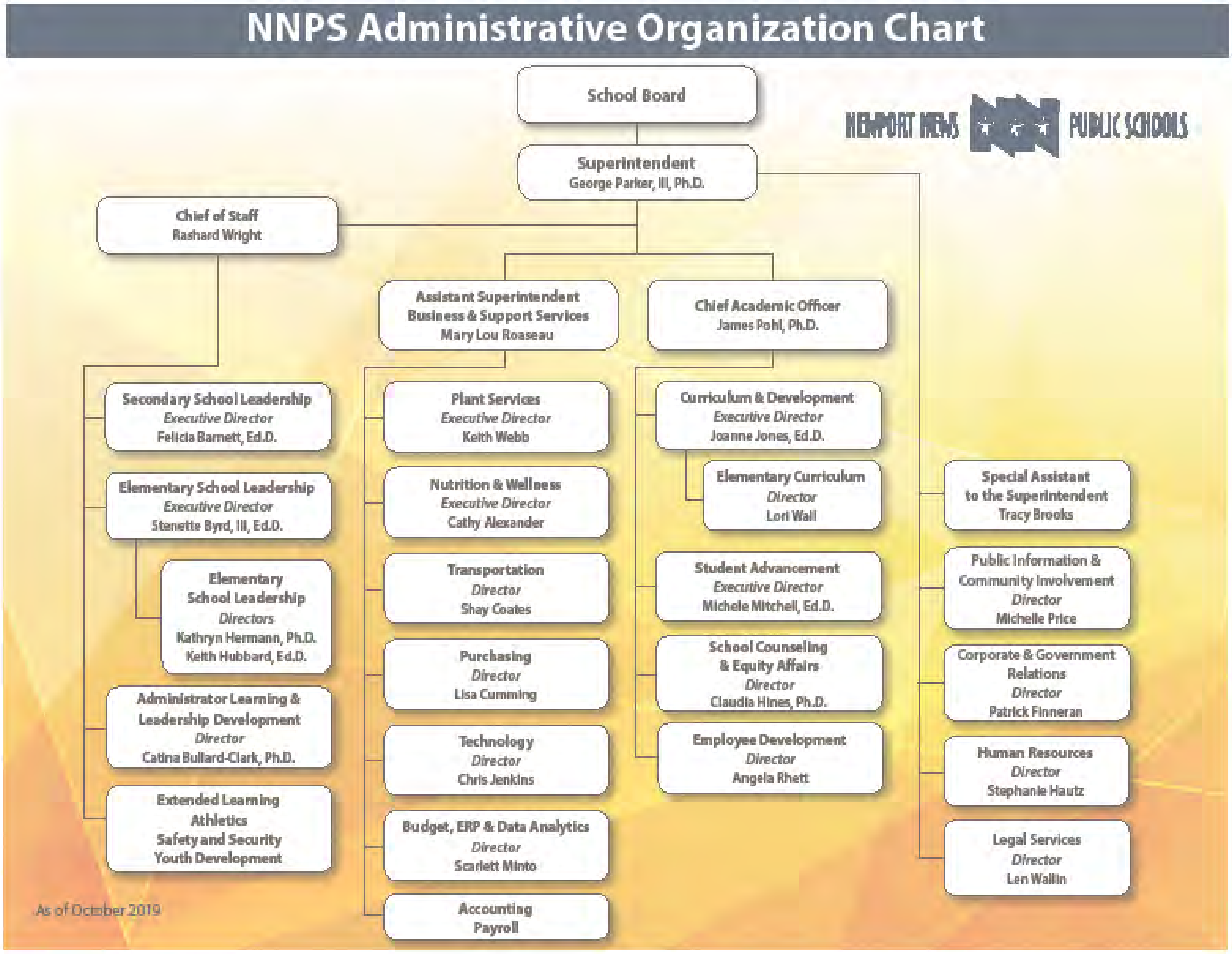
Members of the School Board and School Board Officials

School Board

Gary B. Hunter	Chairman
Lisa R. Surles-Law	Vice-Chairman
Dr. Terri L. Best	Member
Douglas C. Brown	Member
John R. Eley, III	Member
Marvin L. Harris	Member
Shelley A. Simonds	Member

School Board Officials

Dr. George Parker, III	Superintendent
Rashard Wright	Chief of Staff
Mary Lou Roaseau, CPA	Assistant Superintendent – Business & Support Services
Dr. James Pohl	Chief Academic Officer – Curriculum & Development
Cathy Alexander	Executive Director – Child Nutrition
Dr. Felicia Barnett	Executive Director – Secondary School Leadership
Dr. Stennette Byrd, III	Executive Director – Elementary School Leadership
Dr. Joanne Jones	Executive Director – Curriculum & Development
Dr. Michele Mitchell	Executive Director – Student Advancement
Keith Webb	Executive Director – Plant Services


NNPS Administrative Organization Chart
School Board
NEWPORT NEWS PUBLIC SCHOOLS
Superintendent
George Parker, III, Ph.D.
Chief of Staff
Rashard Wright
Assistant Superintendent
Business & Support Services
Mary Lou Roaseau
Chief Academic Officer
James Pohl, Ph.D.
Secondary School Leadership
Executive Director
Felicia Barnett, Ed.D.
Elementary School Leadership
Executive Director
Stenette Byrd, III, Ed.D.
Elementary
School Leadership
Directors
Kathryn Hermann, Ph.D.
Keith Hubbard, Ed.D.
Administrator Learning &
Leadership Development
Director
Catina Bullard-Clark, Ph.D.
Extended Learning
Athletics
Safety and Security
Youth Development
Plant Services
Executive Director
Keith Webb
Nutrition & Wellness
Executive Director
Cathy Alexander
Transportation
Director
Shay Coates
Purchasing
Director
Lisa Cumming
Technology
Director
Chris Jenkins
Budget, ERP & Data Analytics
Director
Scarlett Minto
Accounting
Payroll
Curriculum & Development
Executive Director
Joanne Jones, Ed.D.
Elementary Curriculum
Director
Lori Wall
Student Advancement
Executive Director
Michele Mitchell, Ed.D.
School Counseling
& Equity Affairs
Director
Claudia Hines, Ph.D.
Employee Development
Director
Angela Rhett
Special Assistant
to the Superintendent
Tracy Brooks
Public Information &
Community Involvement
Director
Michelle Price
Corporate & Government
Relations
Director
Patrick Finneran
Human Resources
Director
Stephanie Hautz
Legal Services
Director
Len Wallin
As of October 2019

Newport News Public Schools

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

December 19, 2019

The Honorable Members of the School Board:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the School Board of Newport News, Virginia (the School Board or Newport News Public Schools), for the fiscal year ended June 30, 2019. The School Board is responsible for the accuracy, completeness and fairness of the data presented. We believe that the data presented is accurate in all material respects and presents fairly the financial position and results of operations of the School Board's various funds.

Management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the School Board are protected from loss, theft or misuse; and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

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

Overview of the Report

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

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

School Board Profile

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

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

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

The School Board provides educational services in 41 separate school facilities plus alternative services at six additional sites. The School Board's buildings range in age from three years old (when the newly constructed Discovery STEM Academy was brought online in September 2016) to 100 years old, with the average age of all schools being 48 years old. Only a few schools have received extensive renovations throughout their life.

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

Factors Affecting Financial Condition

Local Economy. The School Board's boundaries are co-terminus with the City. Newport News is a vibrant city at the mid-point of the Atlantic Coast and at the center of the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area, the 37th largest market in the United States and the largest metro between Washington and Atlanta, with a population estimate of 1.7 million.

Newport News is located on the Virginia Peninsula, surrounded by the James River to the south, the York River to the north, and the Chesapeake Bay to the east. The diversity of available resources and quality of life for those who live here are further enhanced by its close proximity to 18 other cities and counties. In total, these entities blend synergistically into Virginia's Hampton Roads region, with Newport News being a vital contributor to the desirable lifestyle, high energy and economic strength of this vibrant area.

Newport News has an economic foundation which was historically based largely on livelihoods benefitting from the constant presence of water—shipbuilding, fishing and naval and commercial transport networks. Over the past 40 years, the City has evolved into a community now defined by science and technology industries balanced between commercial and military applications, research facilities, higher education, manufacturing, distribution and healthcare.

Unemployment rates in Newport News have decreased slightly in the last year, and are on par with the national average. As of July 2019, the local unemployment rate (not seasonally adjusted) was 3.5% compared to 4.2% in July 2018. The national rate was 4.0% compared to 4.2% in 2018.

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

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

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

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

The School Board is expected to continue to experience limited growth in funding in the near future and enrollment is expected to increase slightly. The FY2020 General Fund budget increased by $8.1 million (2.7%) as compared to the FY2019 actual. The State is providing all the increase. The City contribution remains unchanged. A modest decrease in Federal Impact Aid funding is being offset with increases from Other Revenue Sources. The forecast for FY2021 has the potential for a modest increase, but likely less than the increase received for FY2020.

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

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

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

Accomplishments, Recognitions and Awards

School Accreditation. Twenty-four of NNPS' 38 schools are accredited by the Virginia Department of Education.

For the 2019-2020 school year, Marshall Early Learning Center; An Achievable Dream Academy; Charles, Deer Park, Dutrow, General Stanford, Hilton, Jenkins, Kiln Creek, Lee Hall, Nelson, Palmer, Richneck, Riverside, Sanford and Yates elementary schools; Dozier and B.T. Washington middle schools; Achievable Dream Middle and High School; and Denbigh, Heritage, Menchville, Warwick and Woodside high schools earned the accredited status.

Fourteen schools are designated accredited with conditions: Carver, Discovery STEM Academy, Epes, Greenwood, Hidenwood, McIntosh, Newsome Park, Saunders and Sedgefield elementary schools; and Crittenden, Gildersleeve, Hines, Huntington and Passage middle schools.

Under the Virginia Board of Education's revised Standards of Accreditation, schools are evaluated on school quality indicators grouped in three categories: academic achievement, achievement gaps and student engagement and outcomes.

More NNPS Students Are Earning Diplomas. By keeping the focus on college and career readiness, NNPS' graduation rate has increased to 94.8%, up from 72.9% in 2008. During the same time, the dropout rate decreased from 12% to 1.8% for the class of 2019. Newport News Public Schools' dropout prevention and recovery program provides an array of services to help students graduate on time (in four years).

NNPS Students Are Preparing for Successful Futures. More high school students are earning industry and professional certifications, preparing them for future careers. In 2019, NNPS students earned 3,037 certifications, giving them access to advanced post-secondary opportunities and high-skilled internships and careers.

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

224 NNPS high school students who took Advanced Placement courses during the 2018-2019 school year were named 2019 Advanced Placement (AP) Scholars by the College Board. Students earning this distinction took at least three AP course exams and scored a 3 or better (out of 5) on each exam.

1,947 students took 3,410 Advanced Placement courses during the 2018-2019 school year. Recognizing the benefits of AP coursework, NNPS encourages all students to prepare for and take at least one AP class. Studies show that AP courses move students towards a higher level of preparedness for success after high school. Students with qualifying scores may earn college credit. NNPS offers more Advanced Placement courses than any other school district or private school on the Virginia Peninsula.

Two high school students were recognized in the 2019 National Merit Scholarship Program. The privately-financed, competition program evaluate scores, and recognizes high performing students - those with the highest PSAT Index scores in critical reading, mathematics and writing skills qualify for recognition.

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

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

NNPS has talented, award-winning employees. Newport News Public Schools is home to the National School Plant Manager of the Year (Keith Webb), the Virginia Association of School Librarians Administrator of the Year (Janelle Spitz); the Virginia School Social Worker of the Year (Donna Thornton) and one of the Commonwealth's Most Outstanding Crossing Guards (Clarence Daniels).

Awards Newport News Public Schools has received a 2019 Environmental Education and Stewardship Grant from Dominion Energy in the amount of $5,000 in support of a new environmental science course. The grant will provide funding to purchase kayaks, life vests and paddles for students to participate in a watershed educational experience at the Mariner's Museum's Lake Maury. The grant will also be used to obtain teacher certifications from the American Canoeing Association.

In the fall of 2018, Newport News Public Schools was awarded nearly $800,000 by the Department of Defense to implement the National Math and Science Initiative (NMSI) College Readiness Program in three NNPS high schools: Denbigh, Heritage and Warwick. The grant aims to increase the number of students taking and excelling in college-level math, science and English classes.

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

Deer Park and General Stanford elementary schools earned 2019 Virginia Board of Education's Highest Achievement Exemplar Award. Discovery STEM Academy, Dutrow Elementary, Sanford Elementary and Denbigh High School earned 2019 Virginia Board of Education's Continuous Improvement Award through the Exemplar School Recognition Program.

Deer Park and Nelson elementary schools earned 2019 Virginia Board of Education Excellence Awards for exceeding all state and federal accountability benchmarks and making significant progress toward goals for increased student achievement and expanded educational opportunities.

Newport News Public Schools is recognized as one of the 2019 Best Communities for Music Education by the National Association of Music Merchants Foundation. NNPS is one of 623 school districts across the country recognized for its music education program; and one of only 18 in Virginia. The designation recognizes outstanding efforts by teachers, administrators, parents, students and community leaders who work together to ensure access to music learning for all students as part of the school curriculum.

Christopher Newport University and NNPS launched the Community Captains program, a new partnership that grants early admission to qualifying 10th grade students. Participating students will have three years of free, on-campus learning opportunities at CNU, in addition to a free class for college credit, CNU student mentors and financial aid programs for tuition assistance.

Heritage High School's Chapter of Students Against Destructive Decisions, or SADD, earned a 2019 Governor's Transportation Safety Award in the Community Impact category. The award recognizes SADD for promoting transportation safety through various events and programs.

Newport News Public Schools launched a CyberSTEAM (Science, Technology, Engineering, Arts and Math) program at seven schools in September 2019 with the support of a grant from the Department of Defense Education Agency. The program exposes students to coding, robotics and a game-based cybersecurity curriculum.

Booker T. Washington Middle School is recognized as a 2019 Virginia Naturally School for supporting environmental conservation and stewardship by the Virginia Department of Game and Inland Fisheries.

An Achievable Dream High School was named among the 2019 Best W!SE High Schools Teaching Personal Finance. It is the only national ranking that recognizes excellence in personal finance instruction among the W!SE (Working In Support of Education) national network of schools. The "100 Best" ranking is determined based on the average certification test score with consideration given to the number of test takers and the socio-economic background of the students.

Twelve NNPS career and technical education teachers are named 2018-2019 W!SE Gold Star teachers for their students' successful performance on the W!SE Financial Literacy Certification test. To receive the Gold Star Award, a teacher must achieve a 93% pass rate on the test in at least one of their classes.

Todd Stadium, home of NNPS football and track and field events, earned recognition as a Field of Excellence by Pioneer Athletics. The Fields of Excellence awards program honors outstanding athletic fields and the hardworking crews who diligently maintain the fields. Todd Stadium was selected as one of 91 winners for the Fields of Excellence Awards for 2018-2019.

Newport News Public Schools has earned several awards in recognition of outstanding financial management and distinguished budget presentation. The school district earned its sixteenth consecutive *Certificate of Achievement for Excellence in Financial Reporting* from the Government Finance Officers Association (GFAO) for our Comprehensive Annual Financial Report (CAFR) for the 2018 fiscal year. We also earned our ninth consecutive *Certificate of Excellence for Financial Reporting Award* from the Association of School Business Officials International (ASBO) for our CAFR. The School Board's FY2019 comprehensive budget document earned its eight consecutive ASBO *Meritorious Budget Award* for excellence in budget presentation.

Acknowledgements

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

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

Sincerely,

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

School Board of the City of Newport News, Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Newport News Public Schools

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

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

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Tom Wohlleber, CSRM
President

Siobhán McMahon, CAE
Chief Operating Officer

FINANCIAL SECTION

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia (the "School Board"), a component unit of the City of Newport News, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Student Activity Funds, a fiduciary fund of the School Board, which represents 3% of the total assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Student Activity Funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Student Activity Funds were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and

Cherry Bekaert LLP

Richmond, Virginia
December 19, 2019

The following discussion and analysis of the School Board of the City of Newport News, Virginia's (the School Board) financial performance provides an overview of the School Board's financial activities as of and for the fiscal year ended June 30, 2019. The analysis focuses on the School Board's financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the School Board's financial statements, which follow this section.

Financial Highlights for Fiscal Year (FY) 2019

The School Board, on a government-wide basis, had an increase in Net Position of $18.2 million. The increase during FY2019 resulted in Net Position going from negative $317.7 million to negative $299.5 million. This is the fifth consecutive year we have improved our Net Position, having increased by $23.7 million in FY2015, by $2.8 million in FY2016, by $9.5 million in FY2017, by $16.3 million in FY2018 and now by $18.2 million in FY2019, for a total increase of $70.5 million over the past five years.

Net investment in capital assets increased by $2.1 million to $85.8 million primarily due to receiving back from the City the accounting book value (cost less accumulated depreciation) for the building and associated improvements of Kiln Creek Elementary School. Under the provisions of *Code of Virginia* 15.2-1800 (Assets Held Tenancy in Common) (AHTIC), the City recorded Kiln Creek on their books as an asset until the general obligation bonds used to finance the construction of the school were repaid (the School Board is not permitted to issue General Obligation Bonds). Restricted Net Position increased by $2.0 million primarily due to an increase in funds restricted for Workers' Compensation claims. Claim payouts were low in FY2019 while additional funding was provided to have sufficient funds equal to the actuarial computed liability. The restricted balance from all sources is now $16.5 million. Unrestricted Net Position increased by $14.1 million and is now at negative $401.8 million.

The General Fund utilized all available resources to meet School Board needs.

Overview of the Financial Statements

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

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

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

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

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

Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (e.g., year-to-year or government to government), and enhance the School Board's accountability. The notes to the financial statements explain some of the information in the statements and provide additional disclosures so that statement users have a complete picture of the School Board's financial activities and position. The required supplementary information further explains and supports the financial statements.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Financial Analysis of the School Board as a Whole

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

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

Table 1
Net Position
(In millions)

	FY 2019	FY 2018	Change
Current and other assets	$ 81.9	$ 83.8	$ (1.9)
Capital assets, net	102.5	101.7	0.8
Total assets	184.4	185.5	(1.1)
Deferred outflows of resources	50.9	55.5	(4.6)
Other liabilities	32.0	30.8	1.2
Long-term liabilities	438.2	484.5	(46.3)
Total liabilities	470.2	515.3	(45.1)
Deferred inflows of resources	64.6	43.4	21.2
Net Position:			
Net investment in capital assets	85.8	83.7	2.1
Restricted	16.5	14.5	2.0
Unrestricted	(401.8)	(415.9)	14.1
Total Net Position	$ (299.5)	$ (317.7)	$ 18.2

The School Board's total Net Position shows an increase of $18.2 million increasing from a negative $317.7 million to a negative $299.5 million. Virtually all of the increase ($17.3 million, or 95%) resulted from a decrease in expenses due to the actuarial calculations involving allocated Virginia Retirement System (VRS) and City (Newport News Employee Retirement Fund (NNERF)) pension plans and three OPEB plans.

Current and other assets decreased by $1.9 million (2.3%). This was attributed to a decrease in funds held by Anthem for our self-insured employee health plan. Those funds decreased by $4.2 million. The decrease was partially offset by favorable experience in the Child Nutrition Services Fund which had an increase of $0.9 million in current and other assets. This was the result of good management by Child Nutrition Services to contain cost of operations, while revenue was increased from the Federal government.

Capital assets increased by $0.8 million (0.8%). This increase was due to the City transferring Kiln Creek Elementary School back to the School Board under the provisions of AHTIC, since the bonded debt had been repaid, which added $3.9 million. However, this was partially offset by the School Board transferring the land and buildings of the School Center for Operations (SCOT) to the City valued at $1.8 million. The City will use the property for commercial development. The City provided the School Board replacement facilities. However, the City will keep the cost of those properties on their books for the next 20 years under the provision of AHTIC.

Deferred outflows of resources decreased by $4.6 million (8.3%) due to adjustments associated with actuarial calculations related to changes in experience data of the VRS and NNERF pension and OPEB plans.

Other liabilities increased by $1.2 million (3.9%), primarily due to accounts payable in the General Fund. This was primarily caused by payments due to a contractor for office and library renovations at Saunders Elementary School. In addition, the School Board changed to weekly payments to Anthem for health insurance and one week of claims was classified as vendor accounts payable.

Long-term liabilities decreased by $46.3 million (9.6%). This was primarily the result of a decrease in allocated pension liabilities and OPEB related liabilities. Allocated pension liabilities decreased by $18.3 million ($14.6 for VRS and $3.7 for NNERF). OPEB liabilities decreased by $26.6 million, to account for $44.9 million (97%) of the decrease of $46.3 million. Much of the decreases were the result of actuarial calculations.

Deferred inflows of resources increased by $21.2 million (48.8%) primarily due to changes from actuarial computations associated with expected versus actual experience with the NNPS OPEB Trust Fund. A total of $19.6 million (92% of the total change) is due to this OPEB plan.

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

Table 2
Changes in Net Position
(In millions)

	FY 2019	FY 2018	Change
Revenues:			
Program revenues:			
Charges for services	$ 6.1	$ 5.2	$ 0.9
Operating grants and contributions	77.1	73.8	3.3
Capital grants and contributions	1.6	1.4	0.2
General revenues:			
Local	113.9	115.1	(1.2)
State	158.0	151.8	6.2
Federal	2.5	1.9	0.6
Interest	0.2	0.1	0.1
Total revenues	359.4	349.3	10.1
Expenses:			
Academic services	237.1	233.5	3.6
Attendance and health	5.8	5.8	-
Transportation services	20.4	19.5	0.9
Operations and facilities	32.6	32.6	-
Child nutrition services	17.9	17.8	0.1
Technology services	17.3	14.8	2.5
Administration	9.6	8.5	1.1
Interest on capital debt	0.5	0.5	-
Total expenses	341.2	333.0	8.2
Change in net position	18.2	16.3	1.9
Beginning net position	(317.7)	(334.0)	16.3
Ending net position	$ (299.5)	$ (317.7)	$ 18.2

For the Fiscal Year ended June 30, 2019, revenues from governmental activities (excluding charges for services and interest) totaled $353.1 million, $9.1 million (2.7%) more than in FY2018. Charges for services and interest were $6.3 million to bring the total to $359.4 million.

Charges for services was $6.1 million (1.7% of the total) and increased by $0.9 million (17.3%) from FY2018. Workers' Compensation fund charges were $1.6 million more due to additional funding provided to have the fund equal to the actuarial computed liability. Child Nutrition Services saw a $0.8 million decrease in charges for meals as more students qualified for Federal free and reduced lunch and breakfast.

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

Operating grants, which were comprised of approximately 50% from Virginia sources, 49% from Federal sources and 1% from local sources, totaled $77.1 million (21.5% of the total). This was an increase of $3.3 million (4.5%). Child Nutrition Services saw an increase of $1.7 million (10%) due to more meals served, which included more students qualifying for free breakfast and lunch.

Capital grants, which was primarily for technology, was $1.6 million (0.4% of the total) increased by $0.2 million due primarily to the timing of grant-related purchases of Chromebooks for student use.

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

Revenue to the General Fund	$ 110,889,307
Less debt service returned to the City	(339,010)
Add Revenue General Obligation Bonds	3,293,717
Add Revenue General Capital Fund	2,000,000
Less net capital assets transferred tenancy-in-common	(1,958,743)
Net amount from City - Entity-wide statements	$ 113,885,271

Revenue from the City in FY2018 was $113.9 million (31.7% of the total), a decrease of $1.2 million (1.0%). This decrease was mainly due to the provisions of AHTIC.

Commonwealth Standards of Quality (SOQ) Funds accounted for $158.0 million (44.0%) of the School Board's resources. These funds are based on student membership counts. These funds increased by $6.2 million (4.1%). Most of the increase was the result of the State increasing the amount provided per pupil in their funding formulas.

Federal revenue increased by $0.6 million to $2.5 million (0.7% of the total) in FY2019 due to the timing of the receipt of Impact Aid funding.

Expenses for FY2019 totaled $341.2 million, an increase of $8.2 million (2.5%). Half of this increase ($4.0 million or 2.0%) was due to compensation increases. A general across-the-board pay increase of 2.0% was provided. Some of that was offset by vacancies and turnover, but more experienced teachers received a further pay increase to partially offset pay scale compression that had built up over the past decade.

Academic services accounted for $237.1 million (69.5%) of the School Board's total spend. A significant portion of this amount is for the salaries and benefits of teachers, teacher assistants and instructional administrators. This category increased by $3.6 million (1.5%). Seventy five percent ($2.7 million) was due to the aforementioned compensation increases.

Operations and facilities were the next highest cost category with a total of $32.6 million (9.6% of the total). Much of these expenses relate to the operation (utilities and insurance), maintenance, and cleaning of our 41 regular schools, six alternative school sites, and administrative offices. This category showed no change from last year.

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

Transportation services are the third largest cost category, with expenses of $20.4 million (6.0% of the total). This category increased by $0.9 million (4.6%). The additional expenses are due to increased pay rates for bus drivers to fully staff all bus routes. Total compensation and related employee benefit costs increased by $0.6 million. Some of the increased bus driver costs were to transport students for an expanded summer program.

Child nutrition services is the fourth largest cost category, with expenses of $17.9 million (5.2% of the total). This category showed an increase of $0.1 million (0.6%).

Technology services is the fifth largest cost category, with expenses of $17.3 million (5.1% of the total). This category showed an increase of $2.5 million (16.9%). This was entirely due to capital purchases, which increased by $2.7 million. The School Board purchased Chromebooks for students and substantial laptop replacements for teachers and staff.

Capital Assets

At the end of 2019, the School Board had invested $102.5 million in capital assets, which reflects historical cost of $232.7 million and accumulated depreciation of $130.2 million. In addition, the School Board and the City have, under the provisions of AHTIC, a net of $137.5 million of capital assets, which are reflected in the financial statements of the City (historical cost of $214.0 million net of accumulated depreciation of $76.5 million). Most school buildings and improvements undertaken in the past 20 years, for which City bonded debt has been issued, are included therein.

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

Table 3
Capital Assets, Net
(In millions)

	FY 2019	FY 2018	Change
Nondepreciable assets:			
Land	$ 2.3	$ 2.9	$ (0.6)
Construction in progress	1.1	-	1.1
Other capital assets:			
Buildings	77.9	73.4	4.5
Building improvements	81.6	80.3	1.3
Equipment and vehicles	69.8	67.6	2.2
Accumulated depreciation	(130.2)	(122.5)	(7.7)
Total	$ 102.5	$ 101.7	$ 0.8

Construction in progress increased by $1.1 million due primarily to the start of work on a backup technology network operations center at the relocated SCOT facility and the Saunders Elementary office and library renovation project. Buildings increased by $4.5 million (6.1%) due primarily to the transfer of Kiln Creek Elementary to the School Board under the provisions of AHTIC, as City bonded debt associated with the building construction has been paid off. Building improvements increased by $1.3 million (1.6%). Accumulated depreciation increased $7.7 million due primarily to $7.4 million of depreciation expense. See Note 4 to the financial statements for additional information.

Long-Term Liabilities

The School Board cannot issue bonded debt. Accordingly, long-term liabilities of $438.2 million, as shown on Table 1, are related to capital leases on equipment, capital facility notes payable, compensated absences, workers' compensation claims payable (under our self-insurance program), other postemployment benefits and incurred but not reported claims under our self-insured employee health insurance program and pension obligations. During FY2019, long-term liabilities had a net decrease of $46.3 million (9.6%) primarily due to a decrease in allocated pension obligations of $18.3 million and an OPEB liability decrease of $26.6 million. See Note 6 in the notes to basic financial statements for additional information.

Financial Analysis of the School Board's Governmental Funds

(The comments in this section pertain to the Balance Sheet – Governmental Funds on page 15 and the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds on page 16).

For the fiscal year ended June 30, 2019, the governmental funds had a combined fund balance of $46.8 million. This is a decrease of $1.5 million as compared to June 30, 2018. There were three primary reasons for the decrease. The General Obligation Bond Fund decreased by $2.7 million due primarily to funding previously provided by the City for the Heritage High HVAC replacement project that was used in FY2019 in support of that project. The General Fund decreased by $1.8 million primarily due to increased health insurance claims. Those decreases were offset by two increases. The Workers' Compensation nonmajor special revenue fund increased by $1.6 million due to lower claim payments combined with additional funding provided to achieve full funding of the entire actuarial liability. In addition, the Child Nutrition Services fund increased by $0.9 million due to good management to control costs while also maximizing the eligible Federal free and reduced breakfast and lunch reimbursement.

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General Fund Budgetary Highlights

Table 4
General Fund Budget to Actual Summary (non-GAAP basis)
Year ended June 30, 2019
(In millions)

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
State	$ 187.5	$ 188.7	$ 188.9	$ 0.2
City	110.9	110.9	110.9	-
Federal	3.5	3.5	3.5	-
Other	1.7	1.7	1.6	(0.1)
Total revenues	303.6	304.8	304.9	0.1
Expenditures and transfers:				
Expenditures	303.4	304.6	304.6	-
Transfers	0.2	0.2	0.2	-
Total expenditures and transfers	303.6	304.8	304.8	-
Change in fund balance	$ -	$ -	$ 0.1	$ 0.1

Revenues from the Commonwealth were $0.2 million more than the budget due to higher student enrollment. Other revenue was $0.1 million less than the budget due to lower amounts received from sales of surplus equipment and vehicles. The net revenue surplus is $0.1 million.

Economic Factors

The School Board is financially dependent upon the Commonwealth and City governments. Virginia funding is primarily dependent upon income and sales tax, both of which are expected to show moderate growth in the near term. The City is dependent upon property tax revenues, which are expected to be flat in the near term. FY2020 General Fund budgeted funding is $8.1 (2.7%) higher as compared to FY2019 actual. The State is providing all of the increase. No additional funding was provided by the City. A modest decrease in Federal Impact Aid funding is being offset with increases on Other Revenue sources. The projection for FY2021 has potential for a modest increase.

Contacting the School Board's Financial Management

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

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BASIC FINANCIAL STATEMENTS

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Statement of Net Position – Governmental Activities

June 30, 2019

Assets	
Cash and temporary investments	$ 60,972,839
Cash with agent	6,374,964
Accounts receivable, net	448,202
Receivables from other governments:	
City of Newport News, Virginia	4,670,804
Federal:	
Department of Agriculture	886,766
Commonwealth of Virginia:	
Department of Treasury – sales tax	2,485,154
Department of Education	3,096,577
Inventories, at cost	1,344,321
Pension asset (VRS stand-alone plan)	1,648,474
Capital assets, non-depreciable	3,360,615
Capital assets, depreciable, net	99,113,536
Total assets	184,402,252
Deferred Outflows of Resources	
Deferred pension (NNERF)	8,598,267
Deferred pension (VRS teacher pool plan)	28,013,255
Deferred pension (VRS stand-alone plan)	399,775
Deferred OPEB (NNPS Trust Fund)	8,742,360
Deferred OPEB (VRS health income credit)	1,976,811
Deferred OPEB (VRS group life insurance)	3,183,511
Total deferred outflows of resources	50,913,979
Liabilities	
Accounts payable	3,612,898
Accrued liabilities	813,728
Payroll withholdings and accrued fringe benefits	27,476,485
Unearned revenues	86,475
Long-term liabilities:	
Due within one year	4,921,804
Due in more than one year	433,266,110
Total liabilities	470,177,500
Deferred Inflows of Resources	
Deferred pension (VRS teacher pool plan)	32,226,000
Deferred pension (VRS stand-alone plan)	271,705
Deferred pension (NNERF)	3,390,329
Deferred OPEB (NNPS Trust Fund)	20,089,898
Deferred OPEB (VRS health care credit)	889,000
Deferred OPEB (VRS group life insurance)	1,551,000
Deferred contribution to City – AHTIC	4,766,558
Deferred grant proceeds	1,465,237
Total deferred inflows	64,649,727
Net Position	
Net investment in capital assets	85,817,478
Restricted for:	
Adult Education	60,083
Capital Projects	105,775
Child Nutrition Services	6,485,409
Textbooks	4,480,162
Workers' Compensation	5,356,961
Unrestricted (deficit)	(401,816,864)
Total net position	$(299,510,996)

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Statement of Activities – Governmental Activities

Year Ended June 30, 2019

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:					
Academic services	$ 237,092,146	$ 1,079,119	$ 58,722,749	$ -	$ (177,290,278)
Attendance and health services	5,789,055	-	168	-	(5,788,887)
Transportation services	20,414,287	-	-	-	(20,414,287)
Operations and facilities	32,634,471	369,970	-	-	(32,264,501)
Child nutrition services	17,874,039	1,306,961	18,408,278	-	1,841,200
Technology services	17,282,063	298,250	-	1,632,915	(15,350,898)
Administration	9,658,002	3,094,401	-	-	(6,563,601)
Interest on capital debt	470,071	-	-	-	(470,071)
Total governmental activities	$ 341,214,134	$ 6,148,701	$ 77,131,195	$ 1,632,915	(256,301,323)
General revenues:					
City of Newport News, Virginia					113,885,271
Commonwealth of Virginia					157,975,478
Federal government					2,464,163
Interest					188,822
Total general revenues					274,513,734
Change in net position					18,212,411
Net position at beginning of year					(317,723,407)
Net position at end of year					$ (299,510,996)

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Balance Sheet – Governmental Funds

June 30, 2019

	General Fund	Grant Fund	General Obligation Bond Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 38,327,860	$ 2,422,343	$ -	$ 20,222,636	$ 60,972,839
Cash with agent	6,124,964	-	-	250,000	6,374,964
Accounts receivable, net	114,191	108,059	-	225,952	448,202
Receivables from other governments:					
City of Newport News	-	-	4,670,804	-	4,670,804
Federal:					
Department of Agriculture	-	-	-	886,766	886,766
Commonwealth of Virginia:					
Department of Treasury – sales tax	2,485,154	-	-	-	2,485,154
Department of Education	-	3,096,577	-	-	3,096,577
Inventories, at cost	860,087	-	-	484,234	1,344,321
Due from other funds	3,980,000	-	-	-	3,980,000
Total assets	$ 51,892,256	$ 5,626,979	$ 4,670,804	$ 22,069,588	$ 84,259,627
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	$ 2,623,276	$ 175,368	$ 343,095	$ 471,159	$ 3,612,898
Accrued liabilities	807,354	6,374	-	-	813,728
Payroll withholdings and accrued employee benefits	27,476,485	-	-	-	27,476,485
Due to other funds	-	3,980,000	-	-	3,980,000
Unearned revenues	86,475	-	-	-	86,475
Total liabilities	30,993,590	4,161,742	343,095	471,159	35,969,586
Deferred inflows of resources:					
Deferred grant proceeds	-	1,465,237	-	-	1,465,237
Total deferred inflows of resources	-	1,465,237	-	-	1,465,237
Fund balances:					
Nonspendable:					
Imprest funds	2,125	-	-	-	2,125
Inventories	860,087	-	-	-	860,087
Restricted:					
Adult education services	-	-	-	60,083	60,083
Capital projects	-	-	-	105,775	105,775
Child nutrition services	-	-	-	6,485,409	6,485,409
Textbooks	-	-	-	4,480,162	4,480,162
Workers' compensation	-	-	-	5,356,961	5,356,961
Assigned to:					
Adult education services	-	-	-	335,161	335,161
Child nutrition services	-	-	-	461,797	461,797
Contractual obligations	13,578,296	-	4,327,709	4,313,081	22,219,086
Health insurance	6,124,964	-	-	-	6,124,964
Unassigned	333,194	-	-	-	333,194
Total fund balances	20,898,666	-	4,327,709	21,598,429	46,824,804
Total liabilities, deferred inflows of resources and fund balances	$ 51,892,256	$ 5,626,979	$ 4,670,804	$ 22,069,588	$ 84,259,627
Amounts reported for governmental activities in the Statement of Net Position are different because:					
Total fund balances reported in governmental funds					$ 46,824,804
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					102,474,151
Pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					1,648,474
Deferred retirement outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the funds					50,913,979
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds					(438,187,914)
Deferred inflows from City tenancy-in-common are not recognized in the current period and, therefore, are reported in the funds					(4,766,558)
Deferred retirement inflows of resources are not recognized in the current period and, therefore, are not reported in the funds					(58,417,932)
Net position of governmental activities					$ (299,510,996)

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

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

Year Ended June 30, 2019

	General Fund	Grant Fund	General Obligation Bond Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental:					
City of Newport News, Virginia	$ 110,550,297	$ -	$ 3,293,717	$ 2,000,000	$ 115,844,014
Commonwealth of Virginia	188,988,794	7,270,162	-	2,682,291	198,941,247
Federal government	3,488,711	18,590,938	-	17,732,869	39,812,518
Charges for services	1,560,960	-	-	4,587,741	6,148,701
Investment income	-	-	-	188,822	188,822
Miscellaneous	-	449,986	-	-	449,986
Total revenues	304,588,762	26,311,086	3,293,717	27,191,723	361,385,288
Expenditures:					
Current:					
Academic services	221,255,371	23,535,863	-	1,771,380	246,562,614
Attendance and health services	6,081,041	47,900	-	-	6,128,941
Transportation services	19,817,923	77,177	-	-	19,895,100
Operations and facilities	31,240,270	639,403	-	93,915	31,973,588
Child nutrition services	-	-	-	18,833,316	18,833,316
Technology services	16,056,761	1,867,164	-	-	17,923,925
Administration	8,464,192	168,474	-	1,451,339	10,084,005
Debt service:					
Principal	1,262,985	-	-	-	1,262,985
Interest and other charges	470,071	-	-	-	470,071
Capital outlay	1,379,429	-	6,012,671	2,028,903	9,421,003
Total expenditures	306,028,043	26,335,981	6,012,671	24,178,853	362,555,548
Deficiency of revenues under expenditures	(1,439,281)	(24,895)	(2,718,954)	3,012,870	(1,170,260)
Other financial sources:					
Transfers In	-	24,895	-	-	24,895
Trasnfers Out	(24,895)	-	-	-	(24,895)
Total other financing sources	(24,895)	24,895	-	-	-
Net change in fund balances	(1,464,176)	-	(2,718,954)	3,012,870	(1,170,260)
Fund balances at beginning of year	22,669,891	-	7,046,663	18,590,161	48,306,715
Decrease in nonspendable inventory	(307,049)	-	-	(4,602)	(311,651)
Fund balances at end of year	$ 20,898,666	$ -	$ 4,327,709	$ 21,598,429	$ 46,824,804

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

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

Year Ended June 30, 2019

Net change in fund balances – total governmental funds		$ (1,170,260)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	$ 9,421,003	
Items capitalized, but shown as expended	3,723,113	
Deferred inflow - contribution to City for tenancy-in-common	(162,948)	
Transfer from City, tenancy-in-common	3,890,580	
Transfer to City, tenancy-in-common	(5,849,323)	
Capital outlay, net	11,022,425	
Loss on disposal of capital assets	(2,775,706)	
Depreciation expense	(7,428,143)	818,576
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the Statement of Activities.		1,262,985
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This year, compensated absences earned exceeded the amount used by $133,838, workers' compensation claims incurred were less than the amount paid by $330,734, health insurance claims incurred were more than the amount paid by $96,000, other postemployment benefits incurred for all plans were less than the amount paid by $26,579,927, VRS teacher pool pension costs incurred were less than the amount paid by $14,632,000 and City of Newport News pension costs incurred were less than the amount paid by $3,706,518.		45,019,341
Statement of Activities, pension asset increased, thus increasing net position		159,549
Statement of Activities, deferred outflows of resources associated with pension and OPEB plans decreased, but are not included in governmental funds		(4,625,074)
Statement of Activities, change in deferred inflows of resources associated with pension and OPEB plans increased, but are not included in governmental funds		(23,104,001)
Statement of Activities, change in deferred inflows of resources associated with City contribution related to tenancy-in-common		162,946
Change in nonspendable inventory from governmental funds is included in expenses in the Statement of Activities.		(311,651)
Change in net position of governmental activities		$ 18,212,411

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Statement of Fiduciary Net Position – Fiduciary Funds

June 30, 2019

	OPEB Trust Fund	Agency Fund
Assets:		
Cash and cash equivalents	$ -	$ 1,664,105
Investments, at fair value:		
Money market trust	26,424,664	-
Total assets	26,424,664	$ 1,664,105
Liabilities:		
Due to students	-	$ 1,664,105
Total liabilities	-	$ 1,664,105
Net Position:		
Net position restricted for other postemployment benefits	$ 26,424,664	

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Year Ended June 30, 2019

		OPEB Trust Fund
Additions		
Contributions:		
Employer contributions	$	4,710,799
Plan member (retiree) contributions		1,413,703
Total contributions		6,124,502
Net investment income:		
Net appreciation in the fair value of investments		1,154,070
Interest and dividends		8,689
Total investment gain		1,162,759
Total additions		7,287,261
Deductions		
Benefits		6,124,502
Administrative expenses		26,688
Total deductions		6,151,190
Change in fiduciary net position		1,136,071
Fiduciary net position at beginning of year		25,288,593
Fiduciary net position at end of year	$	26,424,664

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Narrative Profile

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

(a) Financial Reporting Entity

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

(b) Basis of Presentations

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

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

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

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

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

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

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

The School Board reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the School Board. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily from intergovernmental revenues.

Grant Fund – The Grant Fund accounts for the proceeds of Federal and Virginia operating and capital grants, which are received for a designated purpose.

General Obligation Bond Fund – This fund accounts for proceeds of general obligation bonds issued by the City to construct or purchase capital assets.

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

Special Revenue Funds – Special Revenue Funds account for revenue derived from specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. The School Board utilizes four special revenue funds - Workers' Compensation Fund, Textbook Fund, Child Nutrition Services Fund and Adult Education Fund.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources received and used for the acquisition, construction or improvement of capital facilities or maintenance of the school plant (other than those financed by the other funds).

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

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

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

(c) Basis of Accounting

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

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

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

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

(d) Encumbrances

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

(e) Cash and Temporary Investments

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

(f) Cash with Agent

Cash with agent of $6,374,964 represents $6,124,964 of healthcare premiums paid in advance and on deposit with our third-party claims administrator. Another $250,000 is held in escrow by our workers' compensation third-party claims administrator in order to pay claims. The School Board's healthcare program is self-insured (see Note 8 (a) for further information). Premiums paid in prior years have been more than actual claims and expenses. The premiums are on deposit to pay future healthcare premiums.

(g) Receivables and Due from Other Governments

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

(h) Inventories

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

(i) Capital Assets

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

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

Under Virginia law, certain property maintained by the School Board is subject to tenancy-in-common with the City, if the City incurred a financial obligation for the property which is payable over more than one fiscal year. The School Board and the City have agreed that such property will be carried on the City's financial statements until the outstanding debt is repaid, upon which time the book value of the assets in question will be transferred back to the School Board's books. At June 30, 2019, the City holds capital assets related to school property with a net book value of $137,541,554.

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

Description	Estimated Useful Lives
Buildings	60 years
Improvements	25 years
Machinery and equipment	5-20 years

(j) Compensated Absences

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

(k) Fund Balance and Net Position Items

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

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

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

- The Workers' Compensation special revenue fund has a restricted fund balance of $5,356,961, which City Council restricts for Workers' Compensation for the School Board's Self-Insured Workers' Compensation Plan.
- The Textbook special revenue fund has a restricted fund balance of $4,480,162, which City Council restricts for textbooks. The School Board intends to purchase textbooks in the upcoming years based upon a six-year replacement cycle for most subjects.
- The Adult Education special revenue fund has a restricted fund balance of $60,083 representing the portion of the fund balance provided over the years from State grants restricted for the purpose of providing adult citizens of the community with educational services.
- The State Construction Capital Projects Fund has a fund balance of $65,428, restricted by the Commonwealth to capital outlay and repayment of debt issued for capital outlay.
- The General Cash Capital Projects Fund has a fund balance of $40,347 restricted by the City for capital outlay.
- The Child Nutrition Services special revenue fund has a restricted fund balance of $6,485,409 representing the portion of the fund balance provided over the years from Federal and Virginia grants restricted for the purpose of providing students with nutritional meals.

Assigned to items – Assigned items represents School Board management's intent to use certain resources for assigned purposes. The Superintendent is authorized by the School Board annually during the budget approval process to make the following assignments as of June 30, 2019.

- $335,161 is assigned to provide adult education services in the community as represented in the Adult Education special revenue fund.
- $461,797 is assigned to provide students attending the schools with a nutritious breakfast and lunch, meeting the regulations of the United States Department of Agriculture and the Commonwealth as represented in the Child Nutrition Services special revenue fund.
- $22,219,086 is assigned to meet contractual obligations. The School Board has purchase orders outstanding with vendors in this amount and expects the vendors to deliver the goods and services in the upcoming fiscal year. The amounts are $13,578,296 in the General Fund, $4,327,709 in the General Obligation Bond Fund, $8,920 in the Worker Compensation special revenue fund, $1,583,074 in the Textbook special revenue fund, $752,037 in the Child Nutrition Services special revenue fund, $3,787 in the Adult Education special revenue fund, $5,281 in the State Construction capital projects fund and $1,959,982 in the General Cash capital projects fund.
- $6,124,964 is assigned to the employee self-insured health insurance plan. Funds equal to this amount are on deposit with our contracted health insurance provider and shown as a prepaid item in the asset section of the Balance Sheet.

Unassigned items – The School Board has $333,194 in unassigned fund equity in governmental fund balances at June 30, 2019. The School Board intends to petition City Council for an appropriation to spend these funds for improvement projects. If an appropriation is not granted, then $73,998 of the funds will have to be remitted during FY2020 to the Commonwealth of Virginia Department of Education and $259,196 will have to be remitted during FY2020 to the City of Newport News.

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

Net Investment in Capital Assets

Capital assets:		
Capital assets, non-depreciable	$	3,360,577
Capital assets, depreciable, net		99,113,536
Total capital assets		102,474,113
Less related debt:		
Capital leases payable		983,623
Capital facility notes payable		15,673,050
Total related debt		16,656,673
Net Investment in capital assets	$	85,817,440

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

(l) Interfund Transactions

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

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

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

(m) Deferred Inflows and Outflows

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

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

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

(n) Pensions

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

(2) Cash and Cash Equivalents

All of the $60,972,839 of School Board cash and cash equivalents (except for $2,320 of petty cash funds) are maintained on deposit with the Treasurer of the City. All of the funds are available for immediate School Board use. See the City's Comprehensive Annual Financial Report (CAFR) for additional details. A copy may be obtained from the City of Newport News, Virginia's Finance Department, 2400 Washington Avenue, Newport News, VA 23607.

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

Interfund receivables and payables and transfers in and out as of June 30, 2019 are as follows:

Funds	Transfers Out	Transfers In	Due from Other Funds	Due to Other Funds
General Fund	$ (24,895)	$ -	$ 3,980,000	$ -
Grant Fund	-	24,895	-	3,980,000
Total all funds	$ (24,895)	$ 24,895	$ 3,980,000	$ 3,980,000

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

(4) Capital Assets, Net

A summary of changes in capital assets follows:

	Balance July 1, 2018	Increases	Decreases	Assets Held Tenancy-in-Common	Balance June 30, 2019
Capital assets not being depreciated:					
Land	$ 2,896,704	$ -	$ 633,280	$ -	$ 2,263,424
Construction in progress	-	1,097,191	-	-	1,097,191
Total capital assets not being depreciated	2,896,704	1,097,191	633,280	-	3,360,615
Other capital assets:					
Buildings	73,391,826	90,000	2,529,340	6,982,320	77,934,806
Improvements	80,259,454	1,631,918	459,302	194,592	81,626,662
Machinery and equipment	67,614,176	4,312,736	2,121,115	-	69,805,797
Total other capital assets	221,265,456	6,034,654	5,109,757	7,176,912	229,367,265
Less accumulated depreciation for:					
Buildings	45,515,284	1,028,413	1,684,585	3,173,464	48,032,576
Improvements	29,936,567	2,626,925	282,854	112,868	32,393,506
Machinery and equipment	47,054,734	3,772,805	999,892	-	49,827,647
Total accumulated depreciation	122,506,585	7,428,143	2,967,331	3,286,332	130,253,729
Other capital assets, net	98,758,871	(1,393,489)	2,142,426	3,890,580	99,113,536
Totals	$ 101,655,575	$ (296,298)	$ 2,775,706	$ 3,890,580	$ 102,474,151

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

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Depreciation was charged to governmental functions as follows:

Academic services	$ 4,325,641
Attendance and health services	26,616
Transportation services	1,380,649
Operations and facilities	1,085,961
Child nutrition services	215,514
Technology services	216,755
Administration	177,007
Total governmental activities depreciation expense	$ 7,428,143

Loss on disposal of assets of $2,775,706 was charged to the following functions: Academic services $948,034, Transportation services $350,000 and Operations and facilities $1,477,672.

Construction in progress is composed of the following at June 30, 2019:

	Project Authorization	**Expended Through June 30, 2019**	**Balance of Authorization**	**Future Requirements**
Total school projects	$ 20,332,935	$ 10,811,530	$ 9,521,405	$ -

Of the amount expended through June 30, 2019, all $10,811,530 relates to assets transferred to the City under the AHTIC provisions. The balance of authorization of $9,521,405 will be transferred to the City as AHTIC once completed. There are purchase orders totaling $4,327,710 at June 30, 2019, leaving $5,193,695 balance of authorization available for project procurement.

(5) Leases

(a) Operating Leases

The School Board had three ongoing-leased buildings in FY2019. Part of the leased space expires on June 30, 2028 and other leased space in that same building expires on June 30, 2030. One other lease expired on June 30, 2019 but the School Board is negotiating a possible extension in addition to leasing space for high school graduation ceremonies on a year-to-year basis. Total costs for such leases were approximately $824,072 for the year ended June 30, 2019.

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

Year ending June 30:	
2020	$ 658,673
2021	663,605
2022	707,751
2023	712,882
2024	718,116
2025-2029	3,218,483
2030	296,938
	$ 6,976,448

(b) Capital Leases

The School Board has four lease agreements at June 30, 2019 for financing the acquisition of property and equipment.

The net book value of assets acquired through the four capital leases as of June 30, 2019 is as follows:

Machinery and equipment	$ 2,068,108
Less accumulated depreciation	(1,186,250)
	$ 881,858

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year ending June 30:	
2020	$ 354,643
2021	317,262
2022	374,602
Total minimum lease payments	1,046,507
Less amounts representing interest	(62,884)
Present value of minimum capital lease payments	$ 983,623

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(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Compensated absences	$ 4,933,667	$ 15,388,079	$ 15,254,241	$ 5,067,505	$ 760,126
Workers' compensation claims	5,332,395	1,128,380	1,459,114	5,001,661	1,000,332
Incurred but not reported health claims	2,594,000	28,904,270	28,808,270	2,690,000	2,690,000
Capital leases payable	1,402,592	-	418,969	983,623	322,522
Capital facility notes payable	16,517,067	-	844,017	15,673,050	148,824
OPEB NNPS Trust Fund	89,334,628	12,121,886	38,286,813	63,169,701	-
OPEB VRS health insurance credit	25,671,000	2,483,000	2,868,000	25,286,000	-
OPEB VRS group life insurance	13,753,000	2,498,000	2,528,000	13,723,000	-
VRS teacher pool pension	248,946,000	47,022,000	61,654,000	234,314,000	-
City of Newport News pension (NNERF)	75,985,892	7,570,333	11,276,851	72,279,374	-
Totals	$ 484,470,241	$ 117,115,948	$ 163,398,275	$ 438,187,914	$ 4,921,804

Incurred but not reported health claims represent an estimate of healthcare claims incurred by our employees as of June 30, 2019, but not paid by our third-party claims administrator. As we are self-insured for healthcare claims, we consider the entire amount as due within one year. In fact, the claims are paid in a matter of a few weeks after year-end as the medical providers submit their claims to the third-party administrator.

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

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

	Principal	Interest	Total
FY2020	$ 148,824	$ 49,263	$ 198,087
FY2021	913,818	397,702	1,311,520
FY2022	977,662	374,441	1,352,103
FY2023	1,044,359	349,545	1,393,904
FY2024 - FY2028	6,309,282	1,311,983	7,621,265
FY2029 - FY2032	6,279,105	408,536	6,687,641
Totals	$ 15,673,050	$ 2,891,470	$ 18,564,520

The interest rate on $13,258,188 of debt is 2.651% and an annual payment is due each July 15. The interest rate is 2.04% on $2,414,862 of the debt and an annual payment is due each March 1.

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

(7) Defined Benefit Retirement Plans

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

1. Plan Description

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

Full-time regular employees hired on or before July 1, 2009 for the School Board and March 1, 2010 for the City are members of this fund. NNERF benefits are available only to employees with five years of service. School VRS employees, who did not have five years of service when the supplemental NNERF benefits were frozen at December 31, 2012, are not eligible for a supplemental benefit from NNERF. Employees hired after the above dates are in VRS, an agent multiple-employer defined benefit plan as discussed in note 7 (b). For the years ended June 30, 2019 and 2018, the total payroll of the School Board was approximately $203.0 million and $199.0 million, respectively, with approximately $103.8 million and $108.2 million covered by NNERF.

At June 30, 2019, NNERF membership consisted of:

	Retirees and Beneficiaries	Vested Terminated or Frozen Employees	Active Employees Vested	Total
City general	1,477	697	699	2,873
City police and fire	974	264	568	1,806
Public utilities	299	90	179	568
School VRS	2,762	2,917	-	5,679
School Non-VRS	933	233	384	1,550
Total	6,445	4,201	1,830	12,476

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

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

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

2. Contributions

Effective January 1, 2013 employee contributions to the Plan were made mandatory. Contributions totaling $8,598,267 and $602,601 were made by the employer and employees, respectively, to NNERF during the year ended June 30, 2019. The percentage of contributions to covered payroll for fiscal year 2019 was 8.28% and 7.04% for fiscal year 2018. The percentage of normal costs to covered payroll was 8.13% for fiscal year ended June 30, 2019 and 8.18% for fiscal year ended June 30, 2018.

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

At June 30, 2019, the School Board reported a liability of $72,279,374 for its proportionate share of the Net Pension Liability, which was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion was 18.7011% as compared to 18.5783% at June 30, 2017.

For the year ended June 30, 2019, the School Board recognized pension expense of $7,570,333.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ (3,390,329)
Contributions to the plan subsequent to the measurement date	8,598,267	-
Total	$ 8,598,267	$ (3,390,329)

$8,598,267 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Inflows
2019	$ 982,877
2020	(393,694)
2021	(3,021,224)
2022	(958,288)
	$ (3,390,329)

4. Actuarial Assumptions

The City's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2016, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	30 years level dollar closed as of July 1, 2011
Asset valuation method	Five-year smoothed market

Actuarial assumptions:

Investment rate of return	7.35%
Rate of salary increases:	Non-VRS Schools: 3.00% for the next year 2.00% for second year 4.50% thereafter
Cost of living adjustment	1.26%
Inflation	2.60%
Rate of Mortality	RP-2000 sex distinct combined healthy mortality projected to 2020 by Scale AA

The long-term expected rate of return on NNERF investments was determined using best-estimate ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation), developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Large Cap Equities	4.6%	24.0%
Mid Cap Equities	8.4%	14.0%
Small Cap Equities	6.3%	12.0%
International Equities	3.5%	12.0%
Emerging Markets	7.9%	4.0%
Real Estate	6.5%	4.0%
Private Equities	10.1%	6.0%
Timberland	3.6%	8.0%
Fixed Income (Bonds)	1.8%	15.0%
Cash	-2.8%	1.0%
Total		100.0%

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

The following presents the net pension liability of the School Board, calculated using the discount rate of 7.35%, as well as what the School Board's net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.35%) or 1% point higher (8.35%) than the current rate:

	1.00% Lower 6.35%	Current Discount Rate 7.35%	1.00% Higher 8.35%
Proportionate share of the NNERF Net Pension Liability	$100,563,795	$72,279,374	$48,511,163

6. Pension Plan Fiduciary Net Position

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

(b) Virginia Retirement System:

1. Plan Description

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

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

VRS issues a publicly available CAFR that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

VRS PLAN 1	**VRS PLAN 2**	**HYBRID RETIREMENT PLAN**
Plan 1 is a defined benefit plan. The retirement benefit is based upon a member's age, creditable service and average final compensation at retirement using a formula.	Plan 2 is a defined benefit plan. The retirement benefit is based upon a member's age, creditable service and average final compensation at retirement using a formula.	The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based upon a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<u>Eligible Members</u> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.	<u>Eligible Members</u> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	<u>Eligible Members</u> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014.

VRS PLAN 1	**VRS PLAN 2**	**HYBRID RETIREMENT PLAN**
<u>Hybrid Opt-In Election</u> Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.	<u>Hybrid Opt-In Election</u> Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.	This includes: • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. 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. .
<u>Retirement Contributions</u> Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. The School Board elected to phase in the required 5% member contribution; all employees have paid the full 5% as of July 1, 2014. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially	<u>Retirement Contributions</u> Same as VRS Plan 1.	<u>Retirement Contributions</u> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members

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

VRS PLAN 1	**VRS PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five 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.	Vesting Same as Plan 1.	Vesting Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

VRS PLAN 1	**VRS PLAN 2**	**HYBRID RETIRMENT PLAN**
		• After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
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. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under Plan 1. 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.

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

VRS PLAN 1	**VRS PLAN 2**	**HYBRID RETIREMENT PLAN**
		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility Defined Benefit Component: Age 60 with at least five years (60 months) of creditable service. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.

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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIRMENT PLAN
<u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	<u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	<u>Disability Coverage</u> Employees of political subdivision and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members, which the School Board has elected to provide. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
<u>Purchase of Prior Service</u> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	<u>Purchase of Prior Service</u> Same as Plan 1.	<u>Purchase of Prior Service</u> <u>Defined Benefit Component:</u> Same as VRS Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. Defined Contribution Component: Not applicable.

2. Employees Covered by Benefit Terms – Nonprofessional

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

	Number
Members receiving benefits	8
Inactive members:	
Vested inactive members	17
Non-vested inactive members	322
Inactive members active elsewhere in VRS	44
Total inactive members	383
Active Members	461
Total covered employees	852

3. Contributions

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

Professional

Each School Board's contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and rolled forward. The contractually required rate, when combined with employee contributions, was expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were $25,197,255 and $27,964,364 for the years ended June 30, 2019 and 2018, respectively.

Nonprofessional

The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 3.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. Contributions to the pension plan from the School Board were $289,226 and $276,857 for the years ended June 30, 2019 and 2018, respectively.

4. Net Pension Liability (Asset)

Professional

At June 30, 2019, the School Board reported a liability of $234,314,000 for its proportionate share of the Net Pension Liability, which was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation done as of that date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion was 1.99247% as compared to 2.02429% at June 30, 2017.

Nonprofessional

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

5. Actuarial Assumptions

The total pension liability for the Professional and Nonprofessional Plans were based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. 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 White Collar Employee Rates to age 80, White Collar 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 White Collar Employee Rates to age 49, White Collar 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

6. Long-Term Expected Rate of Return

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

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

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

7. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for State and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1.00% Lower 6.00%	Current Discount Rate 7.00%	1.00% Higher 8.00%
Professional Net Pension Liability	$ 357,921,000	$ 234,314,000	$ 132,002,000
Nonprofessional Net Pension (Asset)	(1,109,000)	(1,648,474)	(2,081,000)

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Changes in Net Pension Liability – Nonprofessional Plan

	Increase/(Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension (Asset)**
Balance at July 1, 2017	**$ 2,658,306**	**$ 4,147,231**	**$ (1,488,925)**
Changes for the Year:			
Service cost	622,391	-	622,391
Interest	182,205	-	182,205
Difference between expected and actual experience	51,870	-	51,870
Contributions -- employer	-	276,857	(276,857)
Contributions -- employee	-	422,842	(422,842)
Net investment income of	-	318,845	(318,845)
employee contributions	(110,743)	(110,743)	-
Admininstrative expense	-	(2,215)	2,215
Other changes	-	(314)	314
Net Changes	745,723	905,272	(159,549)
Balances at June 30, 2018	**$ 3,404,029**	**$ 5,052,503**	**$ (1,648,474)**

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

Professional

For the year ended June 30, 2019, the School Board recognized pension expense of $11,762,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 4,969,000
Change in assumptions	2,797,000	-
Change in proportion and differences between employer contributions and proportionate share of contributions	19,000	7,221,000
Change in expected versus actual experience	-	20,036,000
Contributions to the plan subsequent to the measurement date	25,197,255	-
Total	$ 28,013,255	$ 32,226,000

$25,197,255 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed on page 53.

Nonprofessional

For the year ended June 30, 2019, the School Board recognized reduction in pension expense of ($24,752). At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 45,982	$ 69,650
Change in assumptions	-	86,544
Net difference between projected and actual earnings on pension plan investments	64,567	115,511
Contributions to the plan subsequent to the measurement date	289,226	-
Total	$ 399,775	$ 271,705

$289,226 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction/increase of the Net Pension Asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed below.

Year Ending June 30	School Board Teacher Retirement	School Board (Non-teacher) Plan
2020	$ (5,167,000)	$ (72,000)
2021	(7,141,000)	(60,000)
2022	(11,841,000)	(28,000)
2023	(3,991,000)	(1,156)
2024	(1,270,000)	-
	$ (29,410,000)	$ (161,156)

10. Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR which may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-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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8. Other Postemployment Benefits (OPEB)

(a) NNPS OPEB Trust Fund

1. Plan Description

In FY2000, an OPEB Trust fund was established to accumulate assets to pay for other postemployment benefits. The fund was administered by the City to provide health, dental and life insurance benefits for City and School Board pre-65 retirees. During FY2010, the School Board established a separate Trust Fund apart from the City and all assets belonging to the School Board were transferred to this new fund. The plan is a single-employer plan. Benefits and contribution provisions are established by the School Board and may be amended only by the School Board. An actuarial service is employed to advise the School Board of the contributions necessary to fund the benefits.

The School Board provides health, drug and dental insurance for their pre-65 retirees under the school's group plans. The School Board annually determines the retiree's contribution to participate in the medical plans. The total contribution is based on the active premium rates except that employees retiring after July 1, 2011 have their group premiums based upon the health claim experience of just the retiree group (adjusted to filter out large claims greater than $75,000). The amount contributed by the School Board is based on the retiree's years of service at retirement. Retirees with 30 years of service and who retired by July 1, 2011 will pay what an active employee would pay. Retirees after that date pay higher premiums commensurate with claims experience.

Approximately 200 School Board retirees are grandfathered to participate in the City OPEB Fund's sponsored life insurance coverage paid for by the School Board. The premiums are not material. These retirees have elected supplemental coverage under the City OPEB fund.

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

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

Benefits
Pre-Medicare eligibility:

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

After-Medicare eligibility:

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

As of the July 1, 2018 actuarial valuation, the following employees were covered by the benefit terms of the NNPS OPEB plan:

Number of Participants	**Total**
Active	1,722
Retired	1,797
Total Participants	3,519

The OPEB Trust Fund does not issue a separate report.

2. Contributions Required and Contributions Made

OPEB funding policy provides for periodic employer contributions at actuarially determined rates that express, as percentages of annual covered payroll, contributions sufficient to accumulate sufficient assets to pay benefits when due. A level percentage of payroll with a 25-year amortization period is used for purposes of computing the minimum accrual in accordance with GAAP. The projected unit credit method is used for cost calculations. Contributions to the OPEB plan from the School Board were $4,710,799 and $5,120,869 for the years ended June30, 2019 and 2018, respectively.

3. Net NNPS OPEB liability

The school division's net NNPS OPEB liability was measured as of June 30, 2019. The total NNPS OPEB liability was determined by an actuarial valuation performed as of July 1, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

4. Actuarial Methods and Assumptions

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

Actuarial valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Amortization period	22 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.00% net of investment expense and including inflation at 2.75%
Projected salary increases	Not Applicable
Healthcare inflation rate	7.20% initially (6.30% for Medicare), grading down to 4.50% ultimate 4.50% for dental benefits
Inflation Rate	2.50%
Mortality Rate	Public 2010 Teachers Headcount mortality table (male and female) for Active Employees/Healthy Annuitants Generational with Projection Scale SSA18

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

5. Long-Term Expected Rate of Return

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

Best estimates of real rates of return for each major asset class included in the OPEB's plan target asset allocation as of June 30, 2019, and the final investment return assumption, are summarized in the following table:

Asset Class	**Long-Term Expected Real Return-Portfolio**	**Weight**
Domestic Equity	5.75%	36.00%
International Funds	6.25%	18.00%
U.S. Fixed Income	1.65%	21.00%
Hedge Funds	2.60%	10.00%
Real Estate	4.80%	7.00%
Private Equity	8.60%	5.00%
Commodities	2.00%	3.00%
		100.00%
Total Weighted Average Expected Real Return	4.63%	
Plus Inflation	2.50%	
Total Return without Adjustment	7.13%	
Risk Adjustment	-0.13%	
Total Geometric Expected Return	**7.00%**	

6. Discount Rate

The discount rate used to measure the total NNPS OPEB liability is 5.92%. The School's funding expectations/policy is to contribute amounts annually to the NNPS OPEB trust to pay benefits for retirees, and allow the assets in the fund to accumulate earnings. The School Board expects benefits will be paid from the trust when a 50% funding level is reached. Based on this information, the School Board projects that benefits will be financed on a pay-as-you-go basis until 2032, then from the trust there forward. Therefore, the expected trust return of 7.00% is blended with the 20-year Aa bond rate of 3.13%. (Source: Fidelity general obligation municipal bond index).

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7. Changes in Net NNPS OPEB Liability

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2018	**$ 114,650,221**	**$ 25,315,593**	**$89,334,628**
Changes for the Year:			
Service cost	367,239	-	367,239
Interest	5,576,757	-	5,576,757
Change in assumptions	(7,065,612)	-	(7,065,612)
Difference between expected and actual experience	(19,223,441)	-	(19,223,441)
Contributions -- employer	-	4,710,799	(4,710,799)
Contributions -- employee	-	1,413,703	(1,413,703)
Net investment income	-	1,162,759	(1,162,759)
Benefit payments	(4,710,799)	(6,124,502)	1,413,703
Admininstrative expense	-	(26,688)	26,688
Other Changes	-	(27,000)	27,000
Net Changes	(25,055,856)	1,109,071	(26,164,927)
Balances at June 30, 2019	**$ 89,594,365**	**$ 26,424,664**	**$63,169,701**

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

The following presents the net OPEB liability of the plans, calculated using the discount rate of 5.92%, as well as what the plan’s net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1.00% Lower 4.92%	Current Discount Rate 5.92%	1.00% Higher 6.92%
Net OPEB Liability	$ 71,693,526	$ 63,169,701	$ 55,894,992
Ratio of Plan Net Position to Total OPEB Liability	26.93%	29.49%	32.10%

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

The following presents the net OPEB liability of the plans, calculated using the healthcare trend rate of from 7.20% to an ultimate rate of 4.50%, as well as what each plan's net OPEB liability would be if it were calculated using trend rates for each year that are 1.00% lower or 1.00% higher than the current rates:

	1.00% Lower 3.50%	Current Ultimate Trend Rate 4.50%	1.00% Higher 5.50%
Total OPEB Liability	$ 46,997,945	$ 63,169,701	$ 82,727,762
Ratio of Plan Net Position to Total OPEB Liability	35.99%	29.49%	24.21%

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

For the year ended June 30, 2019, the school division recognized NNPS OPEB expense $405,328. At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the NNPS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (14,417,581)
Change in assumptions	8,257,047	(5,298,984)
Net difference between projected and actual earnings	485,313	(373,333)
Total	$ 8,742,360	$ (20,089,898)

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

Year Ended June 30	Deferred Outflow/(Inflow)
2020	$ (3,822,956)
2021	(3,822,956)
2022	(3,822,955)
2023	121,329
2024	-
Thereafter	-
	$ (11,347,538)

(b) OPEB VRS Teacher Employee Health Insurance Credit

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

1. Plan Description

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

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

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

At Retirement – For teacher sand other professional school employees who retire with at least 15 years of service credit, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.

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

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

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

2. Contributions Required and Contributions Made

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS Teacher Employee HIC Program were $1,976,811 and $2,151,528 for the years ended June 30, 2019 and 2018, respectively.

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

At June 30, 2019, the School Board reported a liability of $ 25,286,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion of the VRS Teacher Employee HIC Program was 1.99148% as compared to 2.02361% at June 30, 2017.

For the year ended June 30, 2019, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of $1,977,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program net OPEB expense was related to deferred amounts from changes in proportion.

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At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on VRS Teacher HIC OPEB plan investments	$ -	$ 19,000
Change in assumptions	-	220,000
Change in proportionate share	-	524,000
Difference between expected and actual experience	-	126,000
Contributions to the plan subsequent to the measurement date	1,976,811	-
Total	**$ 1,976,811**	**$ 889,000**

$1,976,811 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Deferred Inflows
2020	$ (151,000)
2021	(151,000)
2022	(151,000)
2023	(140,000)
2024	(143,000)
Thereafter	(153,000)
	$ (889,000)

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4. Actuarial Methods and Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
Salary increases, including inflation –	
Teacher Employees	3.5% – 5.95%
Investment rate of return	7.0%, net of plan investment expenses, including inflation*

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

5. Mortality Rates -Teachers

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

6. Net Teacher Employee HIC OPEB Liability

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

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$ 1,381,313
Plan Fiduciary Net Position	111,639
Employers' Net HIC OPEB Liability	$ 1,269,674
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%

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

7. Long-Term Expected Rate of Return

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

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

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

8. Discount Rate

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

9. Sensitivity of the Teacher Employee HIC Liability to Changes in the Discount Rate

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

	1.00% Lower 6.00%	Current Discount Rate 7.00%	1.00% Higher 8.00%
Proportionate share of the VRS Teacher HIC OPEB Plan Net OPEB Liability	$ 28,242,000	$ 25,286,000	$22,771,000

10. Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

(c) Virginia Retirement System Group Life Insurance Program

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

11. Plan Description

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

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

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

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

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

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

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

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA): For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

12. Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. The School Board has elected to pay all of the employee contribution therefore those contributions are classified as employer contributions. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions, including both employer and employee contributions, to the GLI Program from the School Board were $2,171,373 and $2,323,641 for Professionals and were $146,138 and $138,877 for Non-professionals for the years ended June 30, 2019 and 2018, respectively.

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

At June 30, 2019, the School Board reported a liability of $12,936,000 and $787,000 for its proportionate share of the Professional and Non-professional Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the School Board's proportion was .85173% as compared to .87085% for Professionals and .05185% as compared to .04305% for Non-professionals for the years ended June 30, 2018 and 2017, respectively.

For the year ended June 30, 2019, the School Board recognized GLI OPEB expense of $37,000 and $45,000 for Professionals and Non-professionals, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Professional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on VRS Group Life Insurance OPEB plan	$ -	$ 421,000
Change in assumptions	-	539,000
Change in proportionate share	-	286,000
Difference between expected and actual experience	632,000	232,000
Contributions to the plan subsequent to the measurement date	2,171,373	-
	$ 2,803,373	**$ 1,478,000**

Non-professional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on VRS Group Life Insurance OPEB plan investment	$ -	$ 26,000
Change in assumptions	-	33,000
Change in proportionate share	196,000	-
Difference between expected and actual experience	38,000	14,000
Contributions to the plan subsequent to the measurement date	146,138	-
	$ 380,138	**$ 73,000**

$2,171,373 for Professionals and $146,138 for Non-professionals reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020.

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

Professional

Year Ended June 30	Deferred Inflows and Outflows
2020	$ (244,000)
2021	(244,000)
2022	(244,000)
2023	(123,000)
2024	(14,000)
Thereafter	23,000
	$ (846,000)

Non-professional

Year Ended June 30	Deferred Inflows and Outflows
2020	$ 27,000
2021	27,000
2022	27,000
2023	35,000
2024	33,000
Thereafter	12,000
	$ 161,000

14. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
Salary increases, including inflation –	
Professional	3.5%– 5.95%
Non-Professional	3.5%– 5.35%
Investment rate of return	7.0%, net of plan investment expenses, including inflation*

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

Mortality rates – Professional

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

15. Net GLI OPEB Liability

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

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability	$ 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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

16. Long-Term Expected Rate of Return

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

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

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

17. Discount Rate

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

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

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

Professional

	1.00% Lower 6.00%	Current Discount Rate 7.00%	1.00% Higher 8.00%
Proportionate share of the VRS Group Life Insurance OPEB Plan Net OPEB Liability	$ 16,905,000	$ 12,936,000	$ 9,713,000

Non-professional

	1.00% Lower 6.00%	Current Discount Rate 7.00%	1.00% Higher 8.00%
Proportionate share of the VRS Group Life Insurance OPEB Plan Net OPEB Liability	$ 1,029,000	$ 787,000	$ 591,000

19. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(9) Self-Insurance

(a) Medical Benefits

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

Claims processing and payments for the medical claims are made through a third-party administrator. The School Board uses the information provided by the third-party administrator to aid in the determination of self-insurance liabilities. Amounts due in future years on claims as of June 30, 2019 are recognized as a long-term liability due within one year in the Statement of Net Position.

Changes in the incurred but not reported amount during the fiscal years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Claims payable at beginning of year	$ 2,594,000	$ 3,078,000
Claims and changes in estimates	28,904,270	28,348,765
Claim payments	(28,808,270)	(28,832,765)
Claims payable at end of year	$ 2,690,000	$ 2,594,000

(b) *Workers' Compensation*

The School Board self-insures for workers' compensation through funding from the Workers' Compensation Special Revenue Fund. Expenditures are charged to the various departments at amounts that approximate what third-party insurers would have charged. Amounts due in future years on claims made as of June 30, 2019 are accounted for as long-term liabilities. These long-term liabilities include an estimate of claims that have been incurred but not reported. The following is a reconciliation of changes in workers' compensation claims payable for years ended June 30, 2019 and 2018:

	2019	2018
Claims payable at beginning of year	$ 5,332,395	$ 5,332,357
Claims and changes in estimates	1,128,380	1,173,032
Claim payments	(1,459,114)	(1,172,994)
Claims payable at end of year	$ 5,001,661	$ 5,332,395

(c) *Other*

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

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

(10) Contingent Liabilities

(a) Litigation

The School Board is involved in several lawsuits arising in the ordinary course of operations. It is the opinion of School Board management, based on the advice of the School Board attorney, that any losses incurred as a result of claims existing as of June 30, 2019 will not be material to the financial statements.

(b) Grants

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

(11) Related Organizations

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

(12) Related Party Transaction

The School Board operates by authority of the charter of the City, which provides annual appropriations to the School Board for operating the school system and is obligated for all bonded indebtedness issued to benefit the School Board. The City is also the custodian of the majority of the School Board's cash and temporary investments and also provides a defined benefit pension plan to employees hired before July 1, 2009. The City provides services to the School Board, primarily 800-megahertz radio repairs, services related to the vehicle self-insurance program and Parks & Recreation children's summer program services, through the City's General Fund. The School Board is charged based on established fee schedules or a shared cost formula. The total value of the services provided by the City and reimbursed by the School Board during the year ended June 30, 2019 was $647,353. The School Board provides fiber WAN services, fiber WAN installation and shared costs of a School Board building that houses City programs to the City during the year ended June 30, 2019 at charges of $213,683. Amounts due to and due from the City for services are negligible and are generally settled on a monthly basis. The City provides school police resource officers at no charge to the School Board. The City Parks & Recreation Department provides services to children and citizens after regular school hours in School Board buildings at no rental charge to the City.

At June 30, 2019, the City owed the School Board $4,670,804 for capital projects funding.

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

(13) Subsequent Events

The School Board has evaluated subsequent events (events occurring after June 30, 2019 through the date of the Report of Independent Auditor) in the preparation of these financial statements. There were no events subsequent to year-end requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

General Fund Year Ended June 30, 2019

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

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Intergovernmental:				
Commonwealth of Virginia:				
Standards of Quality funds	$ 158,582,043	$ 158,582,043	$ 157,975,478	$ (606,565)
Incentive funds	4,185,569	4,072,538	3,715,409	(357,129)
Categorical funds	140,549	140,549	122,922	(17,627)
Lottery funded programs	24,550,227	25,897,649	27,174,985	1,277,336
Other state agencies	5,000	5,000	-	(5,000)
City of Newport News	110,889,307	110,889,307	110,889,307	-
Federal government	3,544,802	3,544,802	3,488,711	(56,091)
Charges for services	1,721,887	1,721,887	1,560,961	(160,926)
Total revenues	303,619,384	304,853,775	304,927,773	73,998
Expenditures:				
Instructional services:				
Classroom instruction	122,864,616	116,470,779	117,242,130	(771,351)
Office of the principal	20,252,541	19,414,877	19,508,717	(93,840)
Special education	37,161,084	36,721,355	36,813,553	(92,198)
Career and technical	8,474,285	8,349,448	8,342,283	7,165
Talented and gifted	5,197,489	4,469,120	4,368,423	100,697
Summer school	1,353,274	992,658	1,077,670	(85,012)
Adult Education	-	154,398	159,222	(4,824)
Athletics/Drivers' Education	2,555,344	2,643,345	2,559,264	84,081
Pre school	6,624,624	6,123,648	6,116,584	7,064
Guidance and counseling	7,634,708	7,706,023	7,761,151	(55,128)
Improvement of instruction - staff	5,836,513	5,969,194	5,733,088	236,106
Media services	5,002,785	5,572,061	5,595,454	(23,393)
School social workers	974,148	1,073,413	1,070,760	2,653
Homebound	251,000	321,140	323,197	(2,057)
Instructional support-student leadership	1,121,745	1,154,547	1,172,352	(17,805)
Total academic services	225,304,156	217,136,006	217,843,848	(707,842)
Attendance and health services:				
Psychological services	1,781,090	1,573,389	1,545,836	27,553
Attendance	778,657	954,842	978,853	(24,011)
Health services	3,621,393	3,579,791	3,553,380	26,411
Total attendance and health services	6,181,140	6,108,022	6,078,069	29,953
Transportation services:				
Transportation administration	1,997,897	2,030,225	1,987,178	43,047
Vehicle operation services	13,306,842	15,091,818	15,073,415	18,403
Monitoring services	2,292,523	2,240,462	2,267,719	(27,257)
Vehicle maintenance services	2,386,775	2,399,806	2,394,912	4,894
Total transportation services	19,984,037	21,762,311	21,723,224	39,087

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

General Fund Year Ended June 30, 2019

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

	Original Budget	Amended Budget	Actual	Variance
Operations and Facilities:				
Security	$ 2,881,725	$ 3,010,377	$ 3,032,828	$ (22,451)
Warehouse	206,389	224,012	218,935	5,077
Operations	1,397,578	1,380,306	1,341,513	38,793
Grounds services	1,014,798	1,032,238	998,581	33,657
Building services	24,900,243	26,546,358	26,348,953	197,405
Equipment services	-	3,500	7,990	(4,490)
Vehicle operation services	655,383	255,065	266,214	(11,149)
Facilities	477,500	3,148,308	3,093,334	54,974
Total operations and facilities	31,533,616	35,600,164	35,308,348	291,816
Technology services:				
Technology - classroom instruction	83,885	689,028	683,366	5,662
Technology - instructional support	7,554,538	8,060,525	8,066,438	(5,913)
Information technology	4,127,011	4,314,817	4,098,760	216,057
Technology - operations & maintenance	651,363	2,398,030	2,374,370	23,660
Total technology services	12,416,797	15,462,400	15,222,934	239,466
Administration:				
Information services	1,543,283	1,555,338	1,540,558	14,780
School Board	259,613	282,234	277,354	4,880
Superintendent's office	1,047,281	1,575,483	1,613,340	(37,857)
Human resources	2,587,061	2,602,467	2,521,482	80,985
Accountability	184,732	215,169	218,349	(3,180)
Business	1,833,907	1,806,550	1,672,271	134,279
Purchasing	529,366	531,338	531,913	(575)
Print shop	(13,835)	(11,937)	73,855	(85,792)
Total administration	7,971,408	8,556,642	8,449,122	107,520
Total expenditures	303,391,154	304,625,545	304,625,545	-
Other financing uses:				
Transfer to City of Newport News – debt service	228,230	228,230	228,230	-
Total other financing uses	228,230	228,230	228,230	-
Total expenditures and other financing uses	303,619,384	304,853,775	304,853,775	-
Net change in fund balances	-	-	73,998	73,998
Fund balance at beginning of year	22,669,891	22,669,891	22,669,891	-
Less encumbrances outstanding at June 30, 2018 expended or canceled at June 30, 2019	(11,185,343)	(11,185,343)	(10,926,147)	259,196
Add encumbrances outstanding at June 30, 2019	13,578,296	13,578,296	13,578,296	-
Decrease in assigned for health self-insurance	(4,190,323)	(4,190,323)	(4,190,323)	-
Decrease in nonspendable inventories	(307,049)	(307,049)	(307,049)	-
Fund balance at end of year	$ 20,565,472	$ 20,565,472	$ 20,898,666	$ 333,194.00

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

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

Year Ended June 30

	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	$ 422,992	$ 487,107	$ 571,242	$ 589,528	$ 622,391
Interest	45,008	76,377	109,773	156,742	182,205
Benefit payments, including refunds of employee contributions	(13,178)	(26,584)	(19,080)	(46,216)	(110,743)
Change in assumptions	-	-	-	(181,126)	-
Difference between expected and actual experience	-	(63,569)	22,631	(122,907)	51,870
Net change in total pension liability	454,822	473,331	684,566	396,021	745,723
Total pension liability -- beginning	649,566	1,104,388	1,577,719	2,262,285	2,658,306
Total pension liability -- ending	$ 1,104,388	$ 1,577,719	$ 2,262,285	$ 2,658,306	$ 3,404,029
Plan fiduciary net position					
Contributions -- employer	$ 375,675	$ 261,980	$ 261,217	$ 231,378	$ 276,857
Contributions -- employee	226,048	284,255	296,130	345,945	422,842
Net investment income	221,774	104,055	64,857	423,954	318,845
Benefit payments, including refunds of employee contributions	(13,178)	(26,584)	(19,080)	(46,216)	(110,743)
Administrative expense	(698)	(876)	(1,265)	(1,869)	(2,215)
Other	12	(24)	(23)	(405)	(314)
Net change in plan fiduciary net position	809,633	622,806	601,836	952,787	905,272
Plan fiduciary net position -- beginning	1,160,169	1,969,802	2,592,608	3,194,444	4,147,231
Plan fiduciary net position -- ending	$ 1,969,802	$ 2,592,608	$ 3,194,444	$ 4,147,231	$ 5,052,503
Total net pension asset -- beginning	$ (510,603)	$ (865,414)	$ (1,014,889)	$ (932,159)	$ (1,488,925)
Total net pension asset -- ending	$ (865,414)	$ (1,014,889)	$ (932,159)	$ (1,488,925)	$ (1,648,474)
Plan net position as a percentage of total pension asset	227.6%	255.5%	342.7%	278.5%	306.5%
Covered Payroll	$ 3,917,266	$ 4,012,012	$ 6,499,789	$ 7,793,308	$ 9,712,181
Net pension asset as a percentage of covered payroll	22.1%	25.3%	14.3%	19.1%	17.0%

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

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

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

Year Ended June 30

	VRS 2014	NNERF 2014	VRS 2015	NNERF 2015	VRS 2016	NNERF 2016	VRS 2017	NNERF 2017	VRS 2018	NNERF 2018
Employer's proportion of the net pension liability	2.06946%	22.85650%	2.07000%	20.31030%	2.04154%	19.71100%	2.02429%	18.57830%	1.99247%	18.70110%
Employer's proportionate share of the net pension liability	$ 250,088,000	$ 81,092,361	$ 260,538,000	$ 80,247,927	$ 286,104,000	$ 91,756,052	$ 248,946,000	$ 75,985,892	$ 234,314,000	$ 72,279,374
Employer's covered payroll	$ 142,400,000	$ 126,100,000	$ 145,324,977	$ 123,619,906	$ 155,708,543	$ 118,639,692	$ 159,685,425	$ 113,302,877	$ 161,022,234	$ 108,187,035
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	175.62%	64.31%	179.28%	64.92%	183.74%	77.34%	155.90%	67.06%	145.52%	66.81%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.67%	70.68%	68.28%	68.28%	63.67%	72.92%	68.74%	74.81%	71.25%

The amounts presented are as of the measurement date.

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

Schedule of Contributions for the Virginia Retirement System and NNERF

Year Ended June 30

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
School Board (non-teacher) Pension Plan:					
2015	$ 375,675	$ 375,675	$ -	$ 4,102,012	9.16%
2016	328,332	328,332	-	6,499,789	5.05%
2017	290,298	290,298	-	7,793,308	3.72%
2018	297,786	297,786	-	9,712,181	3.07%
2019	289,226	289,226	-	10,920,615	2.65%
School Board Teacher Retirement Plan:					
2015	$ 21,648,000	$ 21,648,000	$ -	$ 145,324,977	14.90%
2016	20,744,442	20,744,442	-	155,708,543	13.32%
2017	20,947,209	20,947,209	-	159,685,425	13.12%
2018	27,964,364	27,964,364	-	161,022,234	17.37%
2019	25,197,255	25,197,255	-	164,776,215	15.29%
Newport News Employee Retirement Fund:					
2015	$ 6,711,771	$ 6,711,771	$ -	$ 123,619,906	5.43%
2016	7,779,308	7,688,476	90,832	118,639,692	6.48%
2017	7,270,772	7,270,772	-	113,302,877	6.42%
2018	7,611,499	7,611,499	-	108,187,035	7.04%
2019	8,598,267	8,598,267	-	103,823,307	8.28%

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

Schedule of Changes in Net OPEB Liability

Year Ended June 30

	2017	2018	2019
Total OPEB Liability			
Service cost	$ 346,158	$ 356,543	$ 367,239
Interest	6,228,890	6,134,980	5,576,757
Difference between expected and actual experience	-	-	(19,223,441)
Change in assumptions	-	13,762,045	(7,065,612)
Benefit payments	(6,171,067)	(5,120,869)	(4,710,799)
Net change in total OPEB liability	403,981	15,132,699	(25,055,856)
Total OPEB liability -- beginning	99,113,541	99,517,522	114,650,221
Total OPEB liability -- ending	$ 99,517,522	$ 114,650,221	$ 89,594,365
Plan fiduciary net position			
Contributions -- employer	$ 6,745,919	$ 5,120,869	$ 4,710,799
Contributions -- members	1,525,148	1,506,699	1,413,703
Net investment income	2,489,541	2,238,661	1,162,759
Benefit payments	(6,171,067)	(6,627,568)	(6,124,502)
Administrative expense	(23,168)	(26,340)	(26,688)
Other changes	-	-	(27,000)
Net change in plan fiduciary net position	4,566,373	2,212,321	1,109,071
Plan fiduciary net position -- beginning	18,536,899	23,103,272	25,315,593
Plan fiduciary net position -- ending	$ 23,103,272	$ 25,315,593	$ 26,424,664
Net OPEB Liability -- Beginning of Year	$ 80,576,642	$ 76,414,250	$ 89,334,628
Net OPEB Liability -- End of Year	$ 76,414,250	$ 89,334,628	$ 63,169,701
Plan Fiduciary Net Position as a percentage of Total OPEB Liabilty	23.2%	22.1%	29.5%
Covered Payroll	$ 111,269,858	$ 102,181,521	$ 96,501,902
Net OPEB Liability as a percentage of Covered Payroll	72.3%	87.4%	65.5%

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

Schedule of Investment Returns

Year Ended June 30

Year	Annual Money-Weighted Rate of Return, net of Investment Expenses
2016	12.8%
2017	9.7%
2018	4.6%

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

Schedule of Employer's OPEB Contributions

Year Ended June 30

Year Ended	Contractually Determined Employer Contribution	Actual Employer Contribution	Percentage Contributed	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2010	$ 5,272,059	$ 5,272,059	100.00%	$ -	$ 158,211,791	3.33%
2011	3,242,131	3,242,131	100.00%	-	147,032,000	2.21%
2012	5,926,175	5,926,175	100.00%	-	136,661,837	4.34%
2013	8,625,943	8,625,943	100.00%	-	128,553,728	6.71%
2014	8,548,391	8,548,391	100.00%	-	119,767,787	7.14%
2015	7,407,843	7,407,843	100.00%	-	111,511,673	6.64%
2016	6,897,333	6,897,333	100.00%	-	105,746,207	6.52%
2017	6,745,919	6,745,919	100.00%	-	111,269,858	6.06%
2018	5,120,869	5,120,869	100.00%	-	102,181,521	5.01%
2019	4,710,799	4,710,799	100.00%	-	96,501,901	4.88%

Actuarial Assumptions:

Valuation date	7/1/2018
Measurement date	6/30/2019
Actuarial cost method	Entry Age Normal
Amortization period	22 years
Asset valuation method	Market Value
Inflation	7.20% initially, grading down to 4.50% ultimate
Salary Increases	NA
Investment rate of return	7.00% net of investment expenses and including inflation

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

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

Year Ended June 30

	VRS 2017	VRS 2018
Employer's proportion of the net Teacher HIC OPEB plan liability	2.02361%	1.99148%
Employer's proportionate share of the net Teacher HIC OPEB plan liability	$ 25,671,000	$ 25,286,000
Employer's covered payroll	$ 159,703,318	$ 161,058,323
Employer's proportionate share of the net Teacher HIC OPEB plan liability as a percentage of its covered payroll	16.07%	15.70%
Plan fiduciary net position as a percentage of the total Teacher HIC OPEB liability	7.04%	8.08%

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

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

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

Year Ended June 30

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2009	$ 1,759,113	$ 1,759,113	$ -	$ 162,880,791	1.08%
2010	1,199,173	1,199,173	-	115,305,083	1.04%
2011	935,323	935,323	-	155,887,212	0.60%
2012	909,423	909,423	-	151,570,450	0.60%
2013	1,674,664	1,674,664	-	150,870,658	1.11%
2014	1,679,874	1,679,874	-	151,339,978	1.11%
2015	1,631,376	1,631,376	-	153,903,373	1.06%
2016	1,649,993	1,649,993	-	155,659,733	1.06%
2017	1,772,707	1,772,707	-	159,703,318	1.11%
2018	2,151,528	2,151,528	-	161,058,323	1.34%
2019	1,976,811	1,976,811	-	164,792,500	1.20%

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

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

Year Ended June 30

	VRS PROFESSIONAL 2017	VRS NON-PROFESSIONAL 2017	VRS PROFESSIONAL 2018	VRS NON-PROFESSIONAL 2018
Employer's proportion of the net GLI OPEB liability	0.87085%	0.04305%	0.85173%	0.05185%
Employer's proportionate share of the net GLI OPEB liability	$ 13,105,000	$ 648,000	$ 12,936,000	$ 787,000
Employer's covered payroll	$ 160,630,602	$ 7,941,396	$ 161,954,625	$ 9,859,090
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.16%	8.16%	7.99%	7.98%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	48.86%	51.22%	51.22%

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

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Required Supplementary Information (Unaudited)

Schedule of Employer's Contractually Required Employer OPEB Contributions – Group Life Insurance Program for the Virginia Retirement System (VRS)

Year Ended June 30

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
VRS Professional Plan:					
2010	$ 313,461	$ 313,461	$ -	$ 116,096,798	0.27%
2011	439,096	439,096	-	156,819,997	0.28%
2012	425,629	425,629	-	152,010,363	0.28%
2013	728,269	728,269	-	151,722,722	0.48%
2014	730,865	730,865	-	152,263,605	0.48%
2015	742,648	742,648	-	154,718,281	0.48%
2016	752,231	752,231	-	156,714,789	0.48%
2017	835,279	835,279	-	160,630,602	0.52%
2018	842,164	842,164	-	161,954,625	0.52%
2019	861,893	861,893	-	165,748,568	0.52%
VRS Non-Professional Plan:					
2010	$ 936	$ 936	$ -	$ 346,739	0.27%
2011	4,735	4,735	-	1,691,021	0.28%
2012	7,319	7,319	-	2,613,851	0.28%
2013	18,148	18,148	-	3,780,751	0.48%
2014	21,999	21,999	-	4,583,022	0.48%
2015	28,171	28,171	-	5,868,882	0.48%
2016	32,016	32,016	-	6,669,969	0.48%
2017	41,295	41,295	-	7,941,396	0.52%
2018	51,267	51,267	-	9,859,090	0.52%
2019	58,067	58,067	-	11,166,678	0.52%

The School Board has elected to pay all of the employee contribution therefore those contributions are classified as employer contributions.

(1) Budgetary Data

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

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

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

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

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

1) Encumbrances are included as budgetary expenditures;

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

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

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

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

(2) Intergovernmental Revenue – City of Newport News

A reconciliation of intergovernmental revenue follows:

City budget appropriations	$ 110,889,307
Less amounts recorded by City	(339,010)
City revenue - GAAP basis	$ 110,550,297

SUPPLEMENTARY INFORMATION

AGENCY FUND

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Statement of Changes of Assets and Liabilities – Agency Fund

Year Ended June 30, 2019

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Asset:				
Cash and cash equivalents	$1,608,018	$3,514,715	$3,458,628	$1,664,105
Liabilities:				
Due to students	$1,608,018	$3,514,715	$3,458,628	$1,664,105
Total liabilities	$1,608,018	$3,514,715	$3,458,628	$1,664,105

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

Special Revenue Funds:

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

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

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

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

Capital Projects Funds:

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

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Combining Balance Sheet

Other Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds				Capital Projects Funds		Total Other
Assets	**Workers' Compensation**	**Textbooks**	**Child Nutrition**	**Adult Education**	**State Construction**	**General Cash**	**Nonmajor Governmental Funds**
Cash and cash equivalents	$ 5,241,430	$ 6,063,236	$ 6,673,853	$ 173,079	$ 70,709	$ 2,000,329	$ 20,222,636
Cash with agent	250,000	-	-	-	-	-	250,000
Accounts receivable	-	-	-	225,952	-	-	225,952
Due from other governments:							
Federal - Department of Agriculture	-	-	886,766	-	-	-	886,766
Inventories, at cost	-	-	484,234	-	-	-	484,234
Total assets	$ 5,491,430	$ 6,063,236	$ 8,044,853	$ 399,031	$ 70,709	$ 2,000,329	$ 22,069,588
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ 125,549	$ -	$ 345,610	$ -	$ -	$ -	$ 471,159
Total liabilities	125,549	-	345,610	-	-	-	471,159
Fund balances:							
Restricted:							
Adult education services	-	-	-	60,083	-	-	60,083
Capital projects	-	-	-	-	65,428	40,347	105,775
Child nutrition services	-	-	6,485,409	-	-	-	6,485,409
Textbooks	-	4,480,162	-	-	-	-	4,480,162
Workers' compensation	5,356,961	-	-	-	-	-	5,356,961
Assigned to:							
Adult education services	-	-	-	335,161	-	-	335,161
Child nutrition services	-	-	461,797	-	-	-	461,797
Contractual obligations	8,920	1,583,074	752,037	3,787	5,281	1,959,982	4,313,081
Total fund balances	5,365,881	6,063,236	7,699,243	399,031	70,709	2,000,329	21,598,429
Total liabilities and fund balance	$ 5,491,430	$ 6,063,236	$ 8,044,853	$ 399,031	$ 70,709	$ 2,000,329	$ 22,069,588

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Other Nonmajor Governmental Funds

Year Ended June 30, 2019

	Special Revenue Funds				Capital Project Funds		Total Other Nonmajor Governmental Funds
	Workers' Compensation	**Textbook**	**Child Nutrition**	**Adult Education**	**State Construction**	**General Cash**	
Revenues:							
Intergovernmental:							
City of Newport News	$ -	$ -	$ -	$ -	$ -	$ 2,000,000	$ 2,000,000
Commonwealth of Virginia	-	1,956,490	675,409	50,392	-	-	2,682,291
Federal government	-	-	17,732,869	-	-	-	17,732,869
Charges for services	2,999,678	-	1,306,961	281,102	-	-	4,587,741
Investment income	79,248	-	109,574	-	-	-	188,822
Total revenues	3,078,926	1,956,490	19,824,813	331,494	-	2,000,000	27,191,723
Current expenditures:							
Academic services	-	1,313,546	-	457,834	-	-	1,771,380
Operations and facilities	-	-	93,915	-	-	-	93,915
Child nutrition services	-	-	18,833,316	-	-	-	18,833,316
Administration	1,451,339	-	-	-	-	-	1,451,339
Capital outlay	-	-	-	-	6,406	2,022,497	2,028,903
Total expenditures	1,451,339	1,313,546	18,927,231	457,834	6,406	2,022,497	24,178,853
Net change in fund balances	1,627,587	642,944	897,582	(126,340)	(6,406)	(22,497)	3,012,870
Fund balances at beginning of year	3,738,294	5,420,292	6,806,263	525,371	77,115	2,022,826	18,590,161
Increase in nonspendable inventory	-	-	(4,602)	-	-	-	(4,602)
Fund balances at end of year	$ 5,365,881	$ 6,063,236	$ 7,699,243	$ 399,031	$ 70,709	$ 2,000,329	$ 21,598,429

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Workers' Compensation Fund

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

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Charges for services	$ 1,825,000	$ 1,825,000	$ 2,999,678	$ 1,174,678
Investment income	10,500	10,500	79,248	68,748
Total revenues	1,835,500	1,835,500	3,078,926	1,243,426
Expenditures:				
Administration				
Claims	2,102,390	2,102,390	1,241,943	860,447
Administrative	225,240	225,240	209,396	15,844
Total Administration	2,327,630	2,327,630	1,451,339	876,291
Total expenditures	2,327,630	2,327,630	1,451,339	876,291
Net change in fund balances	(492,130)	(492,130)	1,627,587	2,119,717
Fund balance at beginning of year	3,738,294	3,738,294	3,738,294	-
Fund balance at end of year	$ 3,246,164	$ 3,246,164	$ 5,365,881	$ 2,119,717

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Textbook Fund

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

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Total revenues	$ 1,947,111	$ 1,947,111	$ 1,956,490	$ 9,379
Expenditures:				
Academic services	1,947,111	1,947,111	333,987	1,613,124
Total expenditures	1,947,111	1,947,111	333,987	1,613,124
Net change in fund balances	-	-	1,622,503	(1,622,503)
Fund balance at beginning of year	5,420,292	5,420,292	5,420,292	-
Less encumbrances outstanding at June 30, 2018 expended or canceled at June 30, 2019	(950,748)	(950,748)	(979,559)	(28,811)
Fund balance at end of year	$ 4,469,544	$ 4,469,544	$ 6,063,236	$ (1,593,692)

STATISTICAL SECTION

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

STATISTICAL SECTION

(Unaudited)

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

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

- Schedule of Property Tax Levies and Collections
- Schedule of Property Valuations – Assessed Valuations
- Schedule of Property Tax Rates
- Legal Debt Limit
- Construction and Property Values and Bank Deposits

Contents **Page**

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

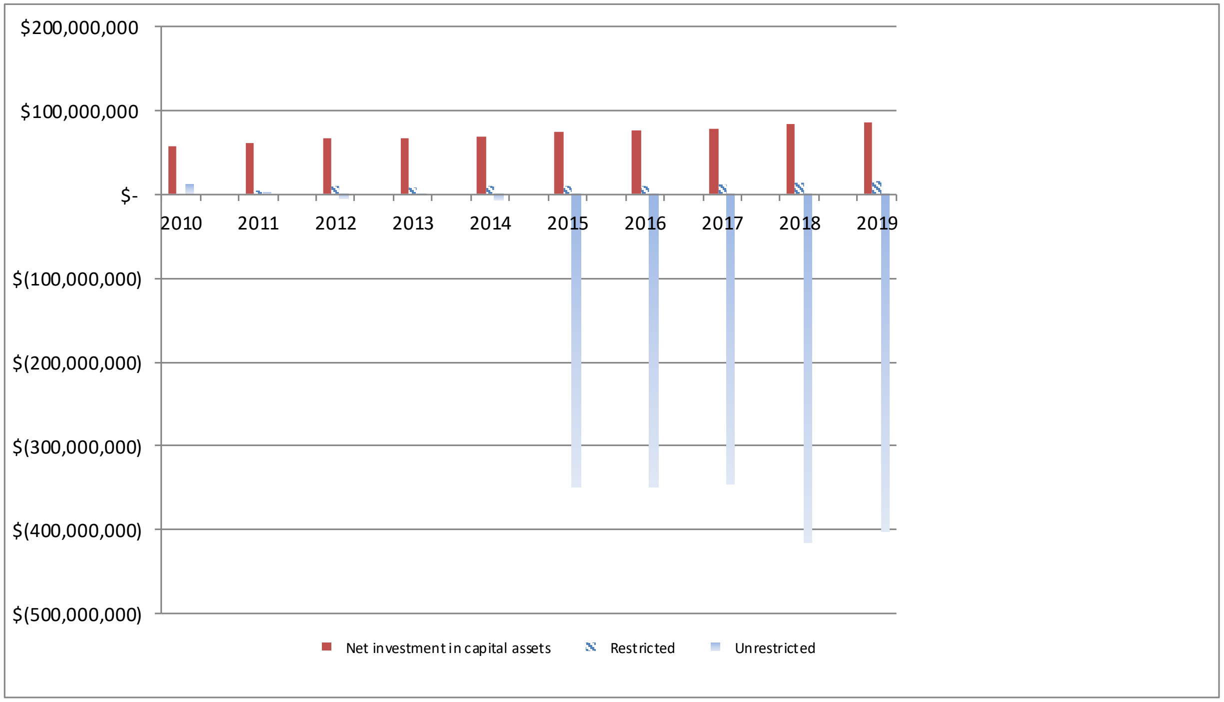
Net Position by Component (Unaudited)

Last Ten Fiscal Years

(Accrual Basis of Accounting)
Fiscal Year

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	$ 57,205,176	$ 61,780,411	$ 67,370,342	$ 66,806,834	$ 68,663,255	$ 73,864,578	$ 76,396,233	$ 79,134,691	$ 83,735,916	$ 85,817,478
Restricted	-	5,483,662	10,268,578	9,143,955	10,355,978	10,161,823	9,887,365	12,979,322	14,453,268	16,488,390
Unrestricted	12,260,185	3,062,106	(4,156,231)	(1,530,491)	(6,480,188)	(349,008,517)	(348,482,706)	(344,837,917)	(415,912,591)	(401,816,864)
Total net position	$ 69,465,361	$ 70,326,179	$ 73,482,689	$ 74,420,298	$ 72,539,045	$ (264,982,116)	$(262,199,108)	$ (252,723,904)	$ (317,723,407)	$ (299,510,996)

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



THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Expenses, Program Revenues and Net Expense (Unaudited)

Last Ten Fiscal Years

(Accrual Basis of Accounting)
Fiscal Year

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
Academic services	$ 240,751,459	$ 230,788,505	$ 227,368,609	$ 224,047,407	$ 220,242,178	$ 226,919,153	$ 223,914,542	$ 239,059,534	$ 233,563,436	$ 237,092,146
Attendance and health services	-	-	-	5,410,181	5,370,389	5,477,238	5,516,924	5,819,807	5,772,856	5,789,055
Transportation services	18,284,090	17,460,802	18,703,166	18,732,095	17,760,521	18,060,597	17,178,198	19,401,940	19,477,828	20,414,287
Operations and facilities	29,659,712	33,490,915	34,635,744	31,507,246	32,334,959	32,217,732	29,940,440	33,551,144	32,622,223	32,634,471
Child nutrition services	13,987,487	13,766,336	14,079,191	15,155,813	15,045,887	16,318,436	16,719,938	17,410,411	17,763,684	17,874,039
Technology services	21,723,542	14,786,921	12,799,635	12,189,933	13,352,948	13,305,419	14,816,817	15,885,584	14,763,143	17,282,063
Administration	8,441,950	7,742,987	7,627,183	7,718,428	8,320,335	9,677,653	9,478,014	8,808,208	8,540,498	9,658,002
Interest on capital debt	1,363,623	639,293	503,181	387,257	282,261	258,111	40,858	861,885	502,197	470,071
Total expenses	334,211,863	318,675,759	315,716,709	315,148,360	312,709,478	322,234,339	317,605,731	340,798,513	333,005,865	341,214,134
Program Revenues										
Charges for services:										
Academic services	2,048,618	1,872,761	1,395,070	1,200,596	1,431,667	1,694,406	1,043,101	994,482	964,365	1,079,119
Operations and facilities	1,143,087	1,066,629	597,360	480,397	258,467	417,127	443,071	425,862	456,180	369,970
Child nutrition services	4,019,072	4,059,105	3,923,464	3,510,490	3,310,549	3,054,562	2,959,508	2,435,283	2,137,859	1,306,961
Technology services	247,226	265,388	192,388	180,020	169,063	106,760	526,503	878,545	118,209	298,250
Administration	-	-	-	1,007,426	857,254	2,446,135	2,095,897	2,094,329	1,543,042	3,094,401
Operating grants and contributions	67,739,489	68,789,246	70,250,802	68,549,968	62,988,257	62,730,008	62,893,347	69,051,155	73,811,020	77,131,195
Capital grants and contributions	1,918,742	5,687,811	2,537,511	867,746	858,967	1,308,589	885,030	1,931,173	1,371,676	1,632,915
Total program revenues	77,116,234	81,740,940	78,896,595	75,796,643	69,874,224	71,757,587	70,846,457	77,810,829	80,402,351	84,912,811
Net Expense	$ 257,095,629	$ 236,934,819	$ 236,820,114	$ 239,351,717	$ 242,835,254	$ 250,476,752	$ 246,759,274	$ 262,987,684	$ 252,603,514	$ 256,301,323

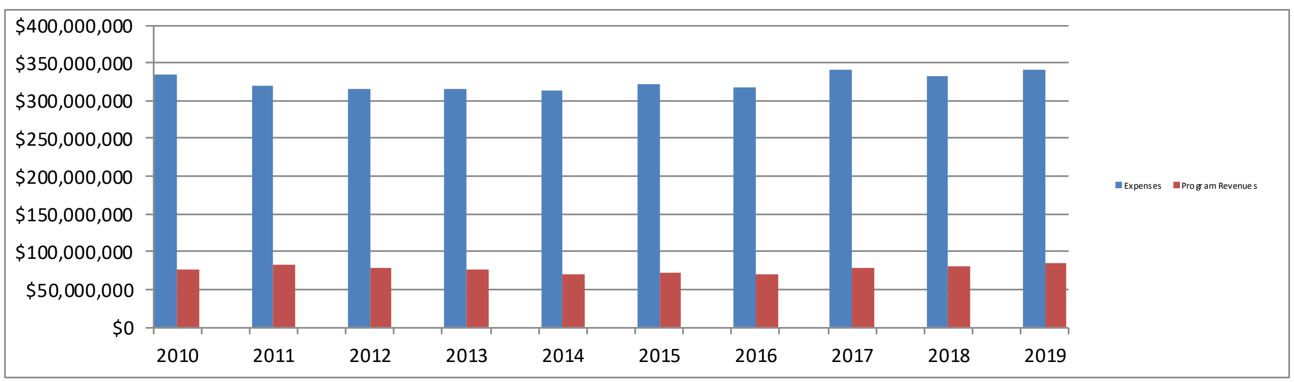


Table III

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

General Revenues and Total Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

Fiscal Year

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Expense										
Total net expense	$257,095,629	$236,934,819	$ 236,820,114	$ 239,351,717	$242,835,254	$ 250,476,752	$ 246,759,274	$ 262,987,684	$ 252,603,514	$ 256,301,323
General Revenues and Other Changes in Net Position										
Governmental activities:										
Grants not restricted to specific programs										
City of Newport News, Virginia	101,052,200	99,557,045	98,754,050	98,085,490	99,150,620	126,133,857	99,916,844	117,586,726	115,076,604	113,885,271
Commonwealth of Virginia	145,390,261	133,006,200	135,823,650	138,444,470	139,113,046	146,829,384	147,216,415	151,605,074	151,756,817	157,975,478
Federal government	6,148,525	5,216,293	5,380,140	3,740,091	2,672,988	1,173,182	2,380,330	3,211,922	1,877,070	2,464,163
Interest	22,443	16,099	18,784	19,275	17,347	15,432	28,693	59,166	110,753	188,822
Miscellaneous	-	-	-	-	-	-	-	-	39,418	-
Total general revenues	252,613,429	237,795,637	239,976,624	240,289,326	240,954,001	274,151,855	249,542,282	272,462,888	268,860,662	274,513,734
Change in Net Position	(4,482,200)	860,818	3,156,510	937,609	(1,881,253)	23,675,103	2,783,008	9,475,204	16,257,148	18,212,411
Net position at beginning of year	73,947,561	69,465,361	70,326,179	73,482,689	74,420,298	72,539,045	(264,982,116)	(262,199,108)	(252,723,904)	-
Prior period adjustment	2,670,328	-	-	-	-	(361,196,264)	-	-	(81,256,651)	-
Net position at end of year	$ 72,135,689	$ 70,326,179	$ 73,482,689	$ 74,420,298	$ 72,539,045	$ (264,982,116)	$ (262,199,108)	$ (252,723,904)	$ (317,723,407)	$ 18,212,411

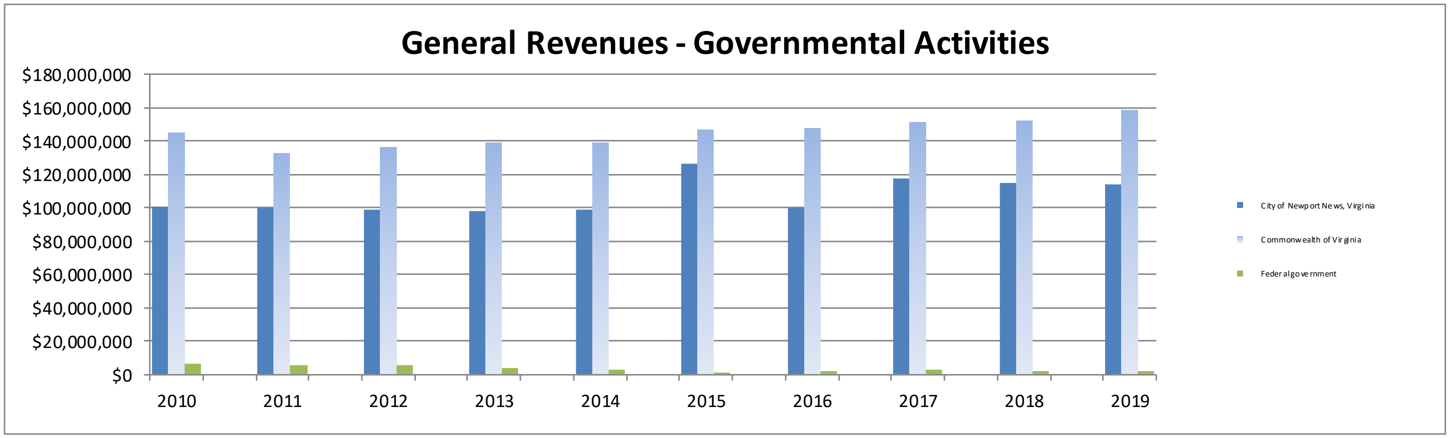


Table IV

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Fund Balances – Governmental Funds (Unaudited)

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)
Fiscal Year

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	$ 690,372	$ 656,720	$ 708,477	$ 1,416,350	$ 1,812,575	$ 1,748,790	$ 1,295,585	$ 1,114,494	$ 1,169,262	$ 862,212
Assigned to	38,704,948	31,046,573	23,589,331	27,509,853	27,925,260	23,648,913	24,068,826	22,342,891	21,500,629	19,703,260
Unassigned	-	-	-	619,750	-	-	-	-	-	333,194
Total General Fund	$ 39,395,320	$ 31,703,293	$ 24,297,808	$ 29,545,953	$ 29,737,835	$ 25,397,703	$ 25,364,411	$ 23,457,385	$ 22,669,891	$ 20,898,666
All Other Governmental Funds										
Reserved	$ 2,572,199	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	2,632,636	-	-	-	-	-	-	-	-	-
Capital project funds	2,358,745	-	-	-	-	-	-	-	-	-
Nonspendable	-	295,190	336,143	402,407	390,017	521,172	547,528	452,121	-	-
Restricted	-	1,871,770	10,268,578	9,143,955	10,355,978	10,161,823	9,887,365	12,979,322	14,453,268	16,488,390
Assigned to	-	7,282,680	2,440,928	5,881,305	2,038,882	19,738,006	5,071,163	6,631,329	11,183,556	9,437,748
Total all other governmental funds	$ 7,563,580	$ 9,449,640	$ 13,045,649	$ 15,427,667	$ 12,784,877	$ 30,421,001	$ 15,506,056	$ 20,062,772	$ 25,636,824	$ 25,926,138

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

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Governmental Funds’ Revenues and Other Financing Sources (Unaudited)

Last Ten Fiscal Years

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

Fiscal Year	City of Newport News	Commonwealth of Virginia	Federal Government	Other	Other Financing Sources	Total Revenues and Other Financing Sources
2010	$ 104,664,127	$ 173,239,439	$ 47,778,713	$ 7,659,311	$ -	$ 333,341,590
2011	104,112,311	160,146,070	52,480,818	7,352,644	-	324,091,843
2012	108,842,095	161,348,404	52,580,026	6,928,714	-	329,699,239
2013	105,888,340	165,372,234	46,216,240	6,412,005	1,072,755	324,961,574
2014	104,055,471	167,995,494	37,479,790	6,202,320	18,165	315,751,240
2015	127,074,351	174,050,882	37,375,412	8,349,290	663,485	347,513,420
2016	108,353,173	173,853,546	38,426,543	7,991,806	11,164,235	339,789,303
2017	118,449,648	184,807,119	40,643,471	7,236,401	8,726,166	359,862,805
2018	119,466,869	190,106,100	38,128,069	5,952,241	956,819	354,610,098
2019	115,844,014	198,941,247	39,812,518	6,787,509	24,895	361,410,183

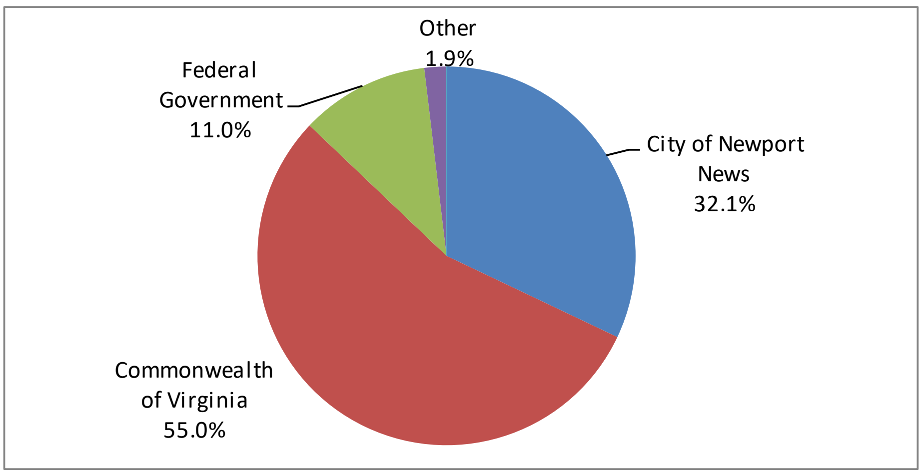


Table VI

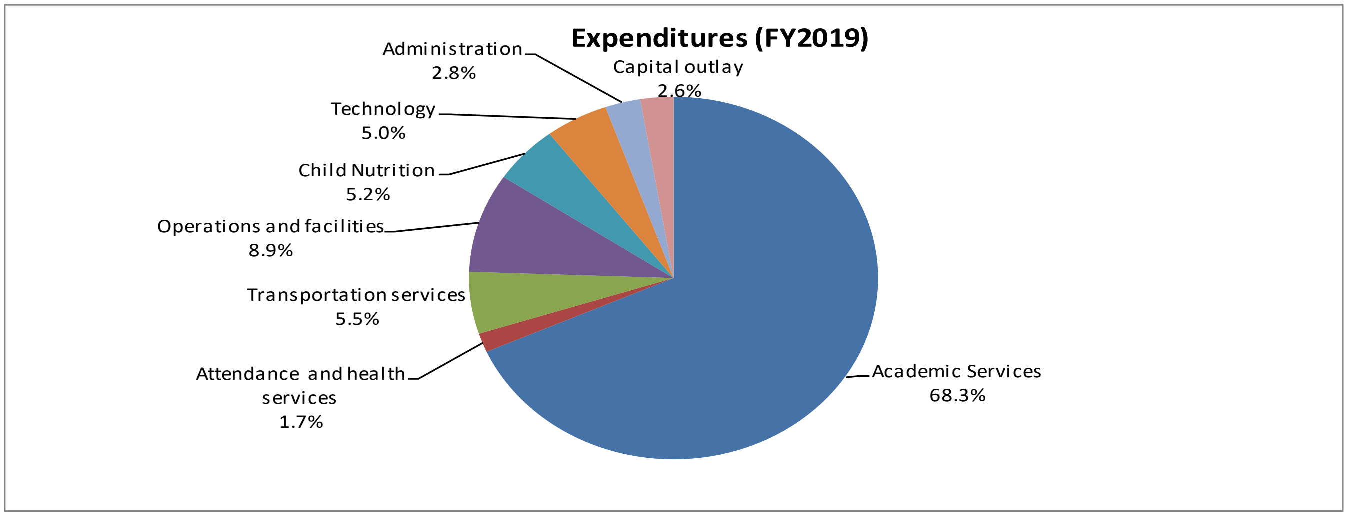
THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

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

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)
Fiscal Year

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues and other financing sources (Table V)	$ 333,341,590	$ 324,091,843	$ 329,699,239	$ 324,961,574	$315,751,240	$ 347,513,420	$ 339,789,303	$359,862,805	$ 354,610,098	$ 361,410,183
Academic services	$ 234,743,753	$ 227,559,797	$ 227,559,797	$ 221,425,243	$219,338,755	$ 226,859,864	$ 228,286,657	$236,673,539	$ 239,527,188	$ 246,562,614
Attendance and health services	-	-	-	$ 5,429,791	5,426,772	5,582,154	5,772,945	5,855,981	6,007,327	6,128,941
Transportation services	16,706,999	17,575,505	17,575,505	17,520,252	16,900,789	17,141,068	16,747,043	18,260,506	19,143,378	19,895,100
Operations and facilities	27,690,322	33,658,928	33,658,928	30,366,533	31,502,312	31,474,496	30,267,232	32,690,252	33,161,240	31,973,588
Child nutrition services	13,231,220	14,217,246	14,217,246	15,237,387	15,127,188	16,617,410	17,460,389	17,364,347	18,585,550	18,833,316
Technology services	21,407,036	12,916,263	12,916,263	12,188,113	13,616,968	13,577,254	15,655,607	15,747,776	15,137,753	17,923,925
Administration	7,862,407	7,267,413	2,391,998	7,309,967	8,054,340	9,654,222	9,740,468	8,711,954	8,735,554	10,084,005
Capital outlay	10,091,413	13,967,918	13,967,918	11,142,657	5,450,745	9,316,121	30,684,616	19,367,766	6,890,110	9,421,003
Debt service										
Principal	2,750,273	3,352,473	3,352,473	2,631,723	2,803,222	3,888,129	346,321	524,590	1,819,714	1,262,985
Interest	1,363,623	503,181	503,181	387,257	282,261	258,111	40,858	456,872	907,210	470,071
Other financing uses	74,463	-	-	-	18,165	-	19,821	1,282,834	-	24,895
Total expenditures and other financing uses	$ 335,921,509	$ 331,018,724	$ 326,143,309	$ 323,638,923	$318,521,517	$ 334,368,829	$ 355,021,957	$356,936,417	$ 349,915,024	$ 362,580,443
Change in fund balance	$ (2,579,919)	$ (6,926,881)	$ 3,555,930	$ 1,322,651	$ (2,770,277)	$ 13,144,591	$ (15,232,654)	$ 2,926,388	$ 4,695,074	$ (1,170,260)
Debt service as a percentage of noncapital expenditures	1.3%	1.2%	1.2%	1.0%	1.0%	1.3%	0.1%	0.3%	0.8%	0.5%



THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

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

Last Ten Fiscal Years

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

Fiscal year	(1) Population	(2) Assessed value of property	(3) Personal Income	Capital lease and facility notes payable debt	Ratio of debt to assessed value	Net debt per capita	Ratio of debt to personal income
2010	193,172	$ 18,048,533	$ 5,946,073	$ 14,822	0.08%	$ 77	0.25%
2011	180,719	17,090,031	6,241,927	12,005	0.07%	66	0.19%
2012	180,719	16,878,501	6,672,878	8,653	0.05%	48	0.13%
2013	180,726	16,307,403	6,891,612	7,094	0.04%	39	0.10%
2014	182,020	16,207,738	7,045,829	4,290	0.03%	24	0.06%
2015	182,965	16,319,157	7,377,992	1,066	0.01%	6	0.01%
2016	182,385	16,716,737	7,448,898	11,863	0.07%	65	0.16%
2017	181,825	17,082,661	7,470,774	18,783	0.11%	103	0.25%
2018	179,388	17,372,973	Not Available	17,920	0.10%	100	Not Available
2019	178,626	18,056,404	Not Available	16,657	0.09%	93	Not Available

Notes: (1) Source: 2010-2015 – Bureau of Economic Analysis; 2016-2019, U. S. Bureau of Census
(2) Source - City of Newport News Office of the Treasurer and Commissioner of the Revenue
(3) Source: 2010-2017 Bureau of Economic Analysis, 2018-2019 data not yet available
NOTE - The School Board is not permitted to issue general obligation bonded debt

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

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

Last Four Fiscal Years

Grade 3

Test	School Board 2016	2017	2018	2019	Change	State 2016	2017	2018	2019	Change
English: Reading	66	65	63	56	(7)	76	75	72	71	(1)
Mathematics	66	63	59	70	11	77	75	73	82	9

Grade 4

Test	School Board 2016	2017	2018	2019	Change	State 2016	2017	2018	2019	Change
English:Reading	69	69	64	60	(4)	77	79	76	75	(1)
Mathematics	74	72	67	69	2	83	81	79	83	4
Virginia Studies	78	78	73	64	(9)	87	87	85	81	(4)

Grade 5

Test	School Board 2016	2017	2018	2019	Change	State 2016	2017	2018	2019	Change
English: Reading,	73	74	71	65	(6)	81	81	80	78	(2)
Mathematics	70	74	67	70	3	79	79	77	81	4
Science	74	69	71	70	(1)	81	79	79	79	-

Grade 6

Test	School Board 2016	2017	2018	2019	Change	State 2016	2017	2018	2019	Change
English:Reading	64	66	68	62	(6)	77	78	80	77	(3)
Mathematics	76	77	71	69	(2)	82	82	79	78	(1)

Grade 7

Test	School Board 2016	2017	2018	2019	Change	State 2016	2017	2018	2019	Change
English:Reading	69	71	68	66	(2)	82	82	81	79	(2)
Mathematics	47	51	58	69	11	72	71	69	78	9

Grade 8

Test	School Board 2016	2017	2018	2019	Change	State 2016	2017	2018	2019	Change
English: Writing	60	56	58	53	(5)	71	73	73	70	(3)
English: Reading,	61	61	64	62	(2)	75	76	77	76	(1)
Mathematics	49	46	40	43	3	73	74	71	77	6
Science	65	64	66	65	(1)	79	79	78	78	-
Civics/Economics	78	77	70	68	(2)	87	87	86	82	(4)

End of Course

Test	School Board 2016	2017	2018	2019	Change	State 2016	2017	2018	2019	Change
English: Writing	80	78	78	76	(2)	83	84	84	81	(3)
English: Reading	85	82	82	81	(1)	89	87	87	86	(1)
Algebra I	81	74	70	81	11	83	82	81	86	5
Algebra II	91	93	88	92	4	89	90	89	91	2
Geometry	75	72	70	77	7	80	78	77	83	6
Earth science	78	82	72	72	-	84	82	81	81	-
Biology	83	80	74	69	(5)	84	82	82	83	1
Chemistry	78	84	83	78	(5)	88	89	89	88	(1)
World History I	86	89	82	79	(3)	84	85	82	80	(2)
World History II	89	50	33	25	(8)	86	87	84	81	(3)
VA & U. S. History	82	80	78	51	(27)	86	86	84	68	(16)
World Geography	80	75	72	68	(4)	86	83	82	80	(2)

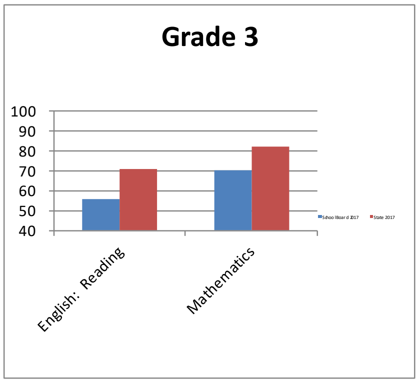
Source - Virginia Department of Education Dvision Report Card

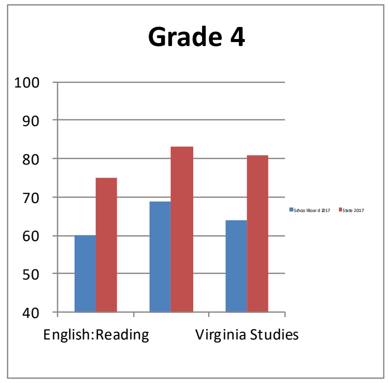
Table VIII

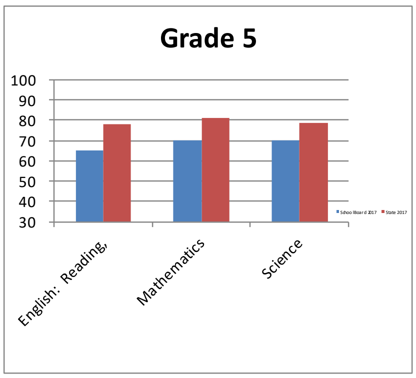
THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

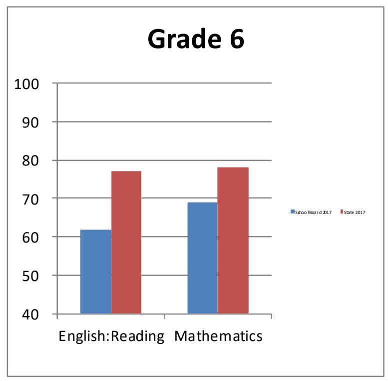
Standards of Learning – Percentage of Students with a Passing Score –
School Board and State (Unaudited) (continued)

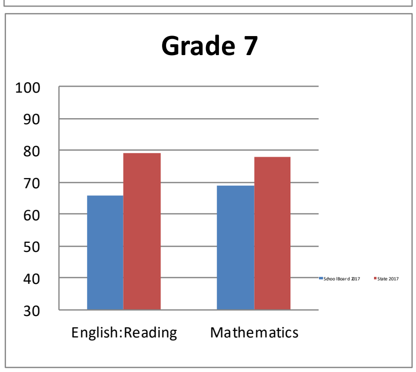
Last Four Fiscal Years

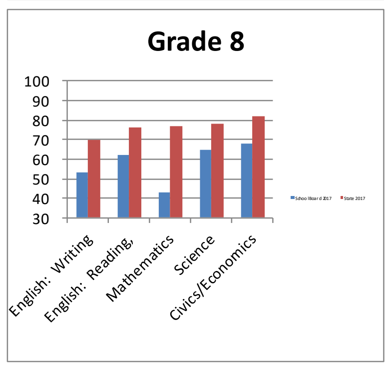


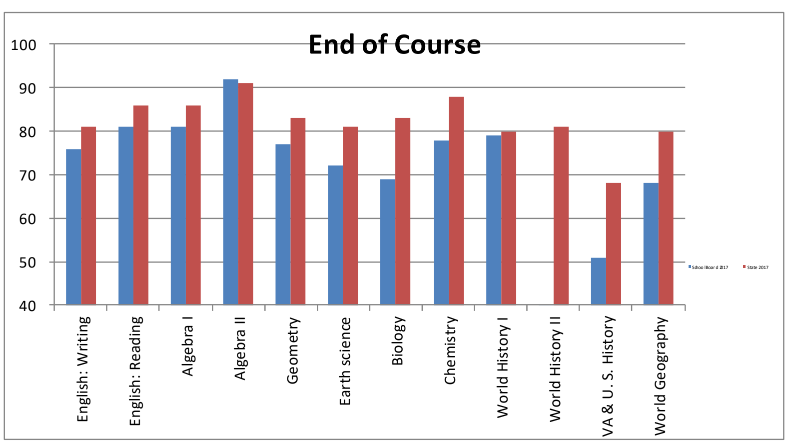












THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Miscellaneous Statistics (Unaudited)

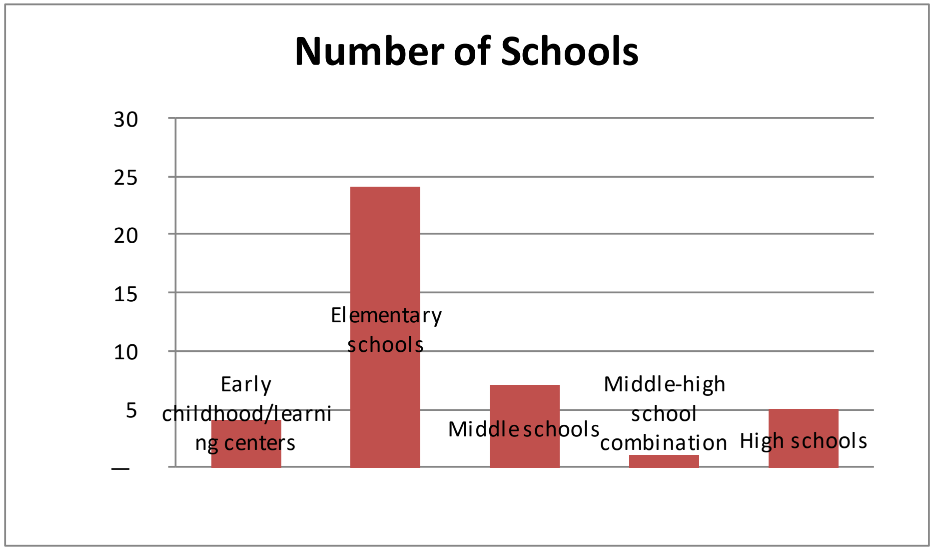
June 30, 2019

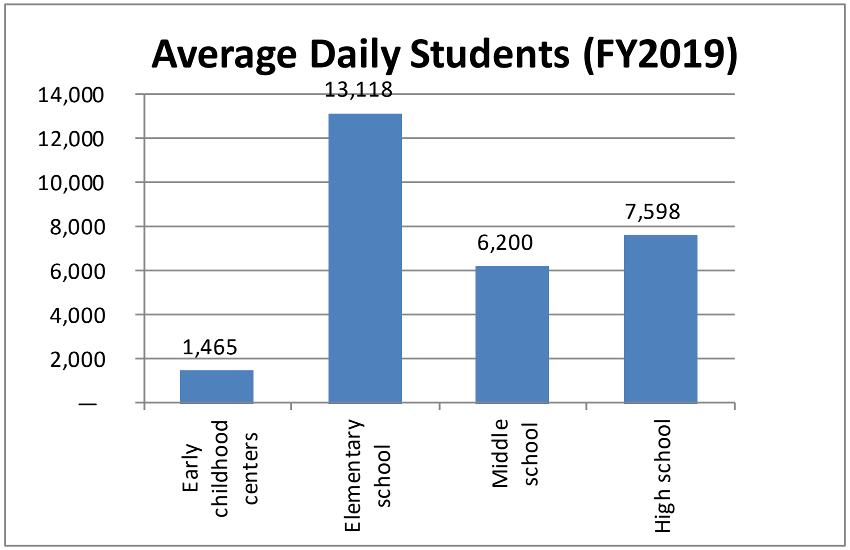
City of Newport News General Information

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

The School Board of the City of Newport News

Number of schools:		Average daily students (FY2019):	
Early childhood/learning centers	4	Early childhood centers	1,465
Elementary schools	24	Elementary school	13,118
Middle schools	7	Middle school	6,200
Middle-high school combination	1	High school	7,598
High schools	5		
Total	41	Total	28,381





THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Demographic Statistics (Unaudited)

Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income (In thousands)	(3) Per Capita Income	(4) School Enrollment	(5) Unemployment Rate (%)
2010	193,172	$ 5,946,073	$ 32,921	28,613	8.0%
2011	180,719	6,241,927	34,752	28,183	7.6%
2012	180,719	6,672,878	36,923	27,701	7.4%
2013	180,726	6,891,612	37,862	27,590	6.9%
2014	182,020	7,045,829	38,509	27,804	6.4%
2015	182,965	7,377,992	40,453	27,488	6.0%
2016	182,385	7,448,898	40,967	27,253	5.0%
2017	181,825	7,470,774	40,967	26,993	4.9%
2018	179,388	Not Available	Not Available	26,873	4.2%
2019	178,626	Not Available	Not Available	26,916	3.5%

Notes:

(1) Source: 2010-2015 – Bureau of Economic Analysis; 2016-2019, U. S. Bureau of Census

(2) Source: 2010-2017 Bureau of Economic Analysis; 2018-2019 data not yet available

(3) Source: 2010-2017 Bureau of Economic Analysis; 2018-2019 data not yet available

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

(5) 2010-2014 Virginia Workforce Connection, 2015-2019 Virginia Labor Market Information

Table XI

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Capital Asset Information (Unaudited)

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Schools										
Elementary										
Buildings (Note 1)	26	25	24	24	24	24	24	24	24	24
Average age of buildings (Note 2)	46 years	47 years	48 years	49 years	50 years	51 years	52 years	50 years	51 years	52 years
Modular learning cottages	71	71	71	71	71	71	71	71	71	71
Square feet	1,630,000	1,560,400	1,534,997	1,534,997	1,534,997	1,534,997	1,534,997	1,563,147	1,563,147	1,563,147
Capacity (based on current program)	16,391	15,800	15,600	15,600	15,600	15,600	15,600	15,750	15,750	15,750
Enrollment (as of September 30)	13,862	13,728	13,686	13,597	13,664	13,664	13,519	13,418	13,205	13,239
Percent of capacity used	85%	87%	88%	87%	88%	88%	87%	85%	84%	84%
Middle										
Buildings (Note 1)	8	8	8	8	8	8	8	8	8	8
Average age of buildings (Note 2)	38 years	39 years	40 years	41 years	42 years	43 years	44 years	45 years	46 years	47 years
Modular learning cottages	14	14	14	14	14	14	14	14	14	14
Square feet	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260
Capacity (based on current program)	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484
Enrollment (as of September 30)	6,199	6,074	6,191	6,138	6,152	6,152	6,162	5,911	5,912	6,243
Percent of capacity used	83%	81%	83%	82%	82%	82%	82%	79%	79%	83%
High										
Buildings	6	6	6	6	6	6	6	6	6	6
Average age of buildings (Note 2)	26 years	27 years	28 years	29 years	30 years	31 years	32 years	33 years	34 years	35 years
Alternative high school facilities (leased)	2	2	2	2	2	2	2	2	2	2
Modular learning cottages	20	20	20	20	20	20	20	20	20	20
Square feet	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000
Capacity (based on current program)	8,570	8,570	8,570	8,570	8,570	8,570	8,570	8,570	8,570	8,570
Enrollment (as of September 30)	8,988	8,621	8,139	7,963	7,963	7,963	7,540	7,757	7,756	7,705
Percent of capacity used	105%	101%	95%	93%	93%	93%	88%	91%	91%	90%
Early Childhood Centers										
Buildings	4	4	4	4	4	4	4	4	4	4
Average age of buildings (Note 2)	27 years	28 years	37 years	38 years	39 years	40 years	41 years	42 years	43 years	44 years
Square feet	181,000	181,000	206,403	206,403	206,403	206,403	206,403	206,403	206,403	206,403
Capacity (based on current program)	1,850	1,850	2,050	2,050	2,050	2,050	1,919	1,919	1,919	1,919
Enrollment (as of September 30)	1,813	1,607	1,637	1,632	1,456	1,456	1,504	1,428	1,528	1,465
Percent of capacity used	98%	87%	80%	80%	71%	71%	78%	74%	80%	76%
Administrative and Operations										
Buildings	6	6	6	6	6	6	6	6	6	5
Average age of buildings	35 years	36 years	37 years	38 years	39 years	40 years	41 years	42 years	43 years	35 years
Square feet	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000
Transportation										
Buildings	1	1	1	1	1	1	1	1	1	1
Age of building	33 years	34 years	35 years	36 years	37 years	38 years	39 years	40 years	41 years	1 year
Square feet	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Buses	368	361	375	386	365	356	335	336	335	338

Source: Newport News Public Schools insurance and facility department records

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

Note 2 - Average age is based upon the year the building was first constructed.

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Operational Statistics (Unaudited)

Last Ten Fiscal Years

Fiscal Year	(1) Cost per Student	(2) Elementary Student/ Teacher Ratio	(2) Secondary Student/ Teacher Ratio	(3) Percentage of Students on Free/Reduced Lunch
2010	$10,946	12.1	11.6	53.2%
2011	10,582	13.5	12.6	54.0%
2012	10,842	14.0	12.5	59.1%
2013	10,658	14.1	12.7	60.8%
2014	10,563	14.4	13.7	61.3%
2015	11,043	13.7	12.0	62.9%
2016	11,191	14.2	12.9	64.2%
2017	11,600	14.0	13.1	64.1%
2018	11,947	13.9	13.2	67.9%
2019	12,343	14.0	13.1	75.6%

Sources:
(1) Cost per student based upon formula for operating costs per the Virginia Department of Education and published in table 15 of the Annual Superintendent's Report on their website. Starting with FY2012, pre-school students are included in the cost per student. (FY2019 data based on internal estimates and not yet verified and published by the State)
(2) Student/teacher ratio includes all teachers (including resource and special education) and is published by the Virginia Department of Education on their website. (data for 2019 is estimated by School Board pending State publishing the data on their website)
(3) Percentage of students on free/reduced lunch from Newport News Public Schools Child Nutrition Services Department.

Table XIII

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Full Time Equivalent District Employees by Type (Unaudited)

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Supervisory:										
Principals	40	41	41	41	42	39	40	39	38	41
Assistant principals	74	68	72	72	76	77	77	72	75	73
Instructional administrative	64	59	59	58	56	59	60	60	54	76
Other administrative and professional	64	55	55	57	57	57	55	55	72	71
Instructional:										
Elementary classroom teachers	1,373	1,310	1,251	1,248	1,223	1,139	1,227	1,236	1,245	1,209
Secondary classroom teachers	840	795	771	738	693	801	734	702	707	713
Guidance counselors	99	91	91	95	95	95	95	93	90	93
Librarians	48	47	46	44	39	40	42	42	45	43
Technology	32	32	31	29	28	28	27	27	30	28
Other instructional	158	138	121	141	145	121	112	117	117	95
Social workers	18	18	16	16	14	13	13	14	13	15
Teacher assistants	533	521	500	478	452	431	415	413	396	372
Support Services:										
Psychologists	21	21	17	17	17	17	17	17	17	17
Instructional technical	55	40	36	40	38	41	40	41	47	25
Instructional clerical	223	219	192	186	180	180	179	171	169	203
Non-instructional technical	105	102	108	99	98	104	89	89	81	93
Non-instruction clerical	38	38	27	33	34	35	34	36	37	40
Nurses	55	52	51	53	52	52	56	55	55	58
Bus drivers	340	326	315	318	310	308	309	312	340	348
Bus assistants	92	91	90	97	96	113	99	106	102	104
Custodians	252	244	243	242	233	240	238	238	250	281
Child nutrition services	371	366	346	344	346	344	344	347	341	374
Security officers	65	65	63	64	62	61	64	65	70	63
Skilled trades	92	91	88	85	85	85	86	81	82	86
Other	2	2	2	2	14	16	16	13	14	3
Total	5,054	4,832	4,632	4,597	4,485	4,496	4,468	4,441	4,487	4,524

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

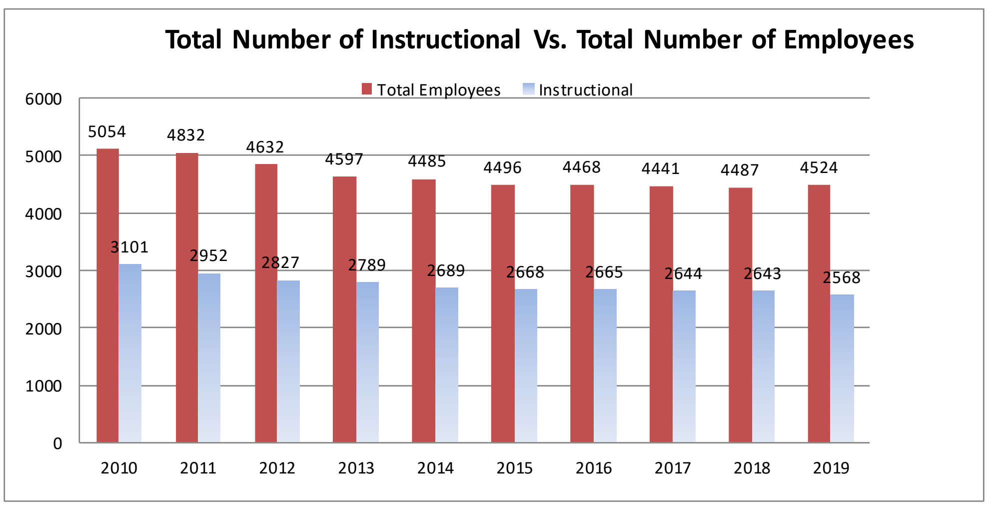


Table XIV

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Teacher Base Salaries (Unaudited)

Last Ten Fiscal Years

Fiscal Year	Minimum Salary	Maximum Salary	Newport News Average Salary	Statewide Average Salary
2010	$ 38,400	$ 58,766	$ 45,657	$ 51,887
2011	38,000	58,766	46,882	51,524
2012	38,205	56,761	48,228	52,096
2013	38,500	56,761	48,045	52,923
2014	39,500	57,879	49,540	53,756
2015	40,500	59,590	50,219	54,486
2016	41,500	59,884	51,153	54,891
2017	42,600	61,931	52,838	56,351
2018	43,250	63,406	52,854	57,249
2019	44,535	64,998	55,595	Not Available

Sources: Minimum and Maximum salaries from Newport News Public Schools Budget Document, Appendix 2 for teachers with a Bachelors degree working standard 192-day contract. Newport News and Statewide average salary from Superintendent's annual financial report Table 19 as published by the Virginia Department of Education on their website, except FY2019 is from our submission to the State but not yet verified. FY2019 Statewide Average is not yet available.

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Principal Taxpayers of the City of Newport News (Unaudited)

June 30, 2019 and Nine Years Prior
(Amounts in Thousands)

Taxpayer	2010 Taxes (1)	Percentage of Total Assessments	2019 Taxes (1)	Percentage of Total Assessments
Huntington Ingalls Incorporated	$ 14,944	8.48%	$ 25,060	9.08%
Canon USA Inc./Canon Virginia, Inc.	2,412	1.37%	5,494	1.99%
Virginia Electric & Power Co., Richmond	1,154	0.65%	3,144	1.14%
The Mariners' Museum	1,582	0.90%	2,819	1.02%
Continental Automotive Systems US, Inc.	1,831	1.04%	2,270	0.82%
PR Patrick Henry, LLC	1,453	0.82%	1,930	0.70%
Dominion Terminal Associates	1,035	0.59%	1,258	0.46%
Virginia Natural Gas Inc.	433	0.25%	1,132	0.41%
Verizon Virginia LLC	881	0.50%	1,116	0.40%
Kinder Morgan Operating LP	1,050	0.60%	991	0.36%
Ferguson Enterprises Corp	582	0.33%	949	0.34%
Pointe Hope LLC			944	0.34%
IREIT Newport News Tech Center LLC			888	0.32%
RPAI US Management LLC			698	0.25%
Oyster Point Residential LLC	521	0.30%	639	0.23%
Patrick Henry Hospital	496	0.28%	610	0.22%
Bottling Group LLC	526	0.30%	572	0.21%
Wal-Mart Real Estate Business Trust			568	0.21%
Venture Newport News LLC			565	0.20%
Cox Communications Hampton Roads Inc	457	0.26%	519	0.19%
Inland Western Newport News	793	0.45%		
United Dominion Realty Trust	507	0.29%		
Meridian Parkside Appartments LLC	467	0.26%		
Shorewood Packaging Corp of Va	435	0.25%		
Harbours LLC	402	0.23%		
	$ 31,961	18.15%	$ 52,166	18.89%

Note: (1) Includes real estate and personal property tax assessments for these taxpayers. Current taxpayer name used if different from 2010

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Principal Employers of the City of Newport News (Unaudited)

June 30, 2019 and Nine Years Prior

Employer	2010 Employees	Percentage of Total City Employment	2019 Employees	Percentage of Total City Employment
Huntington Ingalls Industries, Inc.	10,000 - 20,000	16.52%	10,000 - 25,000	19.60%
Newport News Public Schools	1,000 - 5,000	3.30%	1,000 - 5,000	3.38%
Riverside Regional Medical Center	1,000 - 5,000	3.30%	1,000 - 5,000	3.38%
City of Newport News	1,000 - 5,000	3.30%	1,000 - 5,000	3.38%
U.S. Department of Defense	1,000 - 5,000	3.30%	1,000 - 5,000	3.38%
Ferguson Enterprises Inc.	500 - 1,000	0.83%	1,000 - 5,000	3.38%
Christopher Newport University	1,000 - 5,000	3.30%	1,000 - 5,000	3.38%
U.S. Department of the Army and Air Force	1,000 - 5,000	3.30%	1,000 - 5,000	3.38%
Canon	1,000 - 5,000	3.30%	1,000 - 5,000	3.38%
WalMart	-	-	500 - 1,000	0.84%
Hampton Newport News Community Services Board	500 - 1,000	0.83%	-	-
	18,000 - 57,000	41.28%	18,500 - 66,000	47.48%

Source: Virginia Employment Commission

COMPLIANCE SECTION

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia (the "School Board"), a component unit of the City of Newport News, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated December 19, 2019. Our report includes a reference to other auditors who audited the financial statements of the Student Activity Funds, an agency fund of the School Board. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Student Activity Funds were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Richmond, Virginia
December 19, 2019

Cherry Bekaert LLP
CPAs & Advisors

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

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

Report on Compliance for Each Major Federal Program

We have audited the School Board of the City of Newport News, Virginia's (the "School Board"), a component unit of the City of Newport News, Virginia, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School Board's major federal programs for the year ended June 30, 2019. The School Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

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

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

Cherry Bekaert LLP

Richmond, Virginia
December 19, 2019

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	CFDA Number	Federal Expenditures
Department of Agriculture		
Pass-through payments -		
Virginia Department of Agriculture:		
School Lunch Program - Food Commodities	10.555	$ 1,183,455
Virginia Department of Education:		
School Breakfast Program (10.553/2018, 10.553/2019)	10.553	4,941,003
National School Lunch Program (10.555/2018, 10.555/2019)	10.555	9,894,339
Summer Food Service Program (10.559/2018)	10.559	466,145
Total Child Nutrition Cluster		16,484,942
Fresh Fruits and Vegetables (10.582/2017, 10.582/2018)	10.582	393,432
Child Nutrition Discretionary Grants (10.579/2017)	10.579	50,000
Virginia Department of Health:		
Child and Adult Care Food Program (10.558/2017, 10.558/2018, 10.558/2019)	10.558	804,495
Department of Defense		
Competitive Grants: Promoting k-12 Student Achievement at Military Connected Schools (HE1254-18-1-0025)	12.556	3,369
ROTC	12.357	323,799
Department of Education		
Impact Aid	84.041	2,464,164
Pass-through payments -		
Virginia Department of Education:		
Adult Education - Basic Grants (V002A170047, V002A180047)	84.002	488,147
Total Adult Education		488,147
Title I Part A Grants to Local Educational Agencies (S010A170046, S010A180046)	84.010	9,550,078
Title I Part A School Improvement (S010A160046)	84.010	566,714
Total Title I, Part A Cluster		10,116,792
IDEA Part B Section 611 Special Education (H027A170107,H027A180107)	84.027	4,558,624
IDEA Part B Section 611 - Interpreter Training (H027A170107, H027A180107)	84.027	20,858
IDEA Part B Section 611 - Inclusive Practice Partnership (H027A160107, H027A170107)	84.027	6,035
IDEA Part B Section 619 Special Education Preschool (H173A170112, H173A180112)	84.173	189,710
Total Special Education Cluster (IDEA)		4,775,227
Vocational Education - Perkins Secondary (V048A170046, V048A180046)	84.048	569,714
Title X McKinney-Vento Homeless	84.196	20,094
Title IV Part B 21 Century Community Learning (S287C170047, S287C180047)	84.287	811,480
Title IV Part A GEAR-UP	84.334	194,803
Title III Part A Language Acquisition Immigrant and Youth (S365A160046, S365A170046)	84.365	114,257
Title III Part A Language Acquisition State Grant (S365A160046, S365A170046)	84.365	9,742
Total English Language Acquisition Grant		123,999
Title I Part D (S013A160046, S013A170046)	84.013	991
Title II Part A Improving Teacher Quality (S367A170044, S367A180044)	84.367	1,282,707
Title IV Part A-Student Support and Academic Enrichment (S424A170048, S424A180048)	84.424	203,615
Pass-through Payments -		
Virginia Department of Social Services		
Medicaid Assistance Program	93.778	700,748
		$ 39,812,518

Note: The total for CFDA 10.555 is $11,077,794 and for 84.027 is $4,585,517.

Please note that 12.556 is for a new five year grant from DOD; Total Budget $1,000,000

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

(1) Basis of Presentation

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

(2) Relationship to Basic Financial Statements

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

	Federal Expenditures
General Fund	$ 3,488,711
Grants Fund	18,590,938
Other Non-Major Special Revenue Funds	17,732,869
Total expenditures as shown on Schedule of Federal Awards	$ 39,812,518

(3) Indirect Cost

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

(4) Sub recipients

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

THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I – Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major program: **Yes, Finding 2019-001**
6. Material weaknesses in internal control over major program: **No**
7. The type of report issued on compliance for major program: **Unmodified opinion**
8. Any audit findings which are required to be reported in accordance with the Uniform Guidance: **Yes**
9. The programs tested as major programs were:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster
84.287	21st Century Community Learning Centers Program

10. Dollar Threshold used to distinguish between Type A Programs and Type B Programs: **$1,194,376**
11. Auditee qualified as a low-risk auditee under Section .530 of Uniform Guidance: **Yes**

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

None reported

Section III – Findings and Questioned Costs Relating to Federal Awards

2019-001 – Non-material Noncompliance and Significant Deficiency – U.S. Department of Agriculture – Procurement for Child Nutrition Cluster (CFDA # 10.553, 10.555, 10.559)

Criteria: Per the 2 CFR Section 200.318 - 200.319, non-Federal entities other than States must meet the general procurement standards, which include oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements. These procurement transactions must be conducted in a manner that provides full and open competition.

Condition: Of the five (5) vendors selected for testing, one (1) of the vendors had a contract that expired in July 2018, but this contract did not go back out for bid through the formal procurement process before being renewed. The contract was extended informally with the vendor after a School Board buyer ensured price reasonableness through review of other contracts with other localities.

Cause: Effort was made to continue the search for alternative vendors to bid on the services and to check for price reasonableness against other contracts. However, no evidence of any binding legal documents could be provided that would represent a contract when this vendor was used during the year being audited. Once the 2013 contract expired, there was no new Invitation For Bid, no use of other localities' contract vehicles, and no formal extension where prices were agreed upon in a legal contract.

Effect: Failure to procure goods in compliance with the program's requirements could jeopardize the ability to receive awarded grant funds as well as impact the ability to receive further grant awards.

Questioned Cost: Non-financial

Recommendation: The School Board should implement a plan to enhance internal controls related to procurement procedures and ensure proper records are maintained to document the history of procurements.

Views of Responsible Officials and Planned Corrective Actions: Finding agreed as written: Buyer communicated in email correspondence with vendor for contract extension and pricing arrangement, but did not formalize the agreement as a note in the associated issued purchase order, a long standing process to formalize the extension and reference the pricing communication within the purchase order. Revised procedures implemented included introduction of formal two party signature contract modification documents.

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

None reported

Section V – Status of Prior Year Findings

2018-001 – Conflict of Interest – Non-compliant filing – Not repeated