



**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, 2020

(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, 2020

Prepared by:

BUSINESS OFFICE

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

12465 Warwick Boulevard
Newport News, VA 23606

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS**

Table of Contents

Page

Introductory Section:

Members of the School Board and School Board Officials.....	i
Newport News Public Schools Administrative Organization Chart.....	ii
Letter of Transmittal	iii-vii
Certificate of Achievement for Excellence in Financial Reporting from GFOA	viii
Certificate of Excellence in Financial Reporting from ASBO International	ix

Financial Section:

Report of Independent Auditor	1-3
Management's Discussion and Analysis (unaudited)	4-13

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Position – Governmental Activities	14
Statement of Activities – Governmental Activities	15

Governmental Funds' Financial Statements:

Balance Sheet – Governmental Funds	16
Reconciliation of Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18

Fiduciary Funds' Financial Statements:

Statement of Fiduciary Net Position – Fiduciary Funds	19
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	20

Notes to Basic Financial Statements	21-77
--	-------

Required Supplementary Information other than Management's

Discussion and Analysis (unaudited):

General Fund – Schedule of Revenues, Expenditure and Changes in Fund Balance – Budget and Actual (Budget Basis)	78-79
Schedule of Changes in Net Pension Asset and Related Ratios – School Board Nonprofessional Retirement Plan for the Virginia Retirement System	80
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)	81
Schedule of Contributions for the Virginia Retirement System and NNERF	82
Schedule of Changes in Net OPEB Liability	83
Schedule of Investment Returns	84

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS**

Table of Contents

Page

Schedule of Employer's OPEB Contributions.....	85
Schedule of Employer's Proportionate Share of Net OPEB Liability – Teacher Health Insurance Credit Program for the Virginia Retirement System (VRS)	86
Schedule of Employer's Contractually Required OPEB Contributions – Teacher Health Insurance Credit Program for the Virginia Retirement System (VRS)	87
Schedule of Employer's Proportionate Share of Net OPEB Liability – Group Life Insurance Program for the Virginia Retirement System (VRS).....	88
Schedule of Employer's Contractually Required OPEB Contributions – Group Life Insurance Program for the Virginia Retirement System (VRS).....	89
Notes to Required Supplementary Information	90-91

Supplementary Information:

Statement of Changes of Assets and Liabilities – Agency Fund	92
Nonmajor Governmental Funds.....	93
Combining Financial Statements – Other Nonmajor Governmental Funds: Combining Balance Sheet – Other Nonmajor Governmental Funds.....	94
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Other Nonmajor Governmental Fund	95
Workers' Compensation Fund – Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis)	96
Textbook Fund – Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis).....	97

Statistical Section (Unaudited):

Net Position by Component – Last Ten Fiscal Years (Accrual Basis of Accounting) I	S-1
Expenses, Program Revenues and Net Expense – Last Ten Fiscal Years (Accrual Basis of Accounting).....II.....	S-2
General Revenues and Total Changes in Net Position – Last Ten Fiscal Years (Accrual Basis of Accounting).....III.....	S-3
Fund Balances – Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting).....IV.....	S-4
Governmental Funds Revenues and Other Financing Sources – Last Ten Fiscal Years (Modified Accrual Basis of Accounting)..... V.....	S-5
Governmental Funds Expenditures, Other Financing Sources, Change in Fund Balance and Debt Service Ratio – Last Ten Fiscal Years (Modified Accrual Basis of Accounting)..... VI.....	S-6
Capital Leases and Facility Notes Payable Debt to Assessed Value of Taxable Property and Debt Per Capita of the City of Newport News – Last Ten Fiscal Years..... VII	S-7
Standards of Learning – Percentage of Students with a Passing Score – School Board and State – Last Four Fiscal Years..... VIII.....	S-8
Miscellaneous Statistics – June 30, 2020..... IX.....	S-9
Demographic Statistics – Last Ten Fiscal Years	X..... S-10
Capital Asset Information – Last Ten Fiscal Years	XI..... S-11
Operational Statistics – Last Ten Fiscal Years	XII..... S-12

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS**

Table of Contents

	<u>Page</u>
Full Time Equivalent District Employees by Type – Last Ten Fiscal Years.....	XIII..... S-13
Teacher Base Salaries – Last Ten Fiscal Years	XIV..... S-14
Principal Taxpayers of the City of Newport News – June 30, 2020 and Nine Years Prior	XV S-15
Principal Employers of the City of Newport News – June 30, 2020 and Nine Years Prior	XVI..... S-16

Compliance Section:

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 <i>Government Auditing Standards</i>	C-1 – C-2
Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	C-3 – C-4
Schedule of Expenditures of Federal Awards.....	C-5 – C-6
Notes to Schedule of Expenditures of Federal Awards	C-7
Schedule of Findings and Questioned Costs.....	C-8

INTRODUCTORY SECTION

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS**

Members of the School Board and School Board Officials

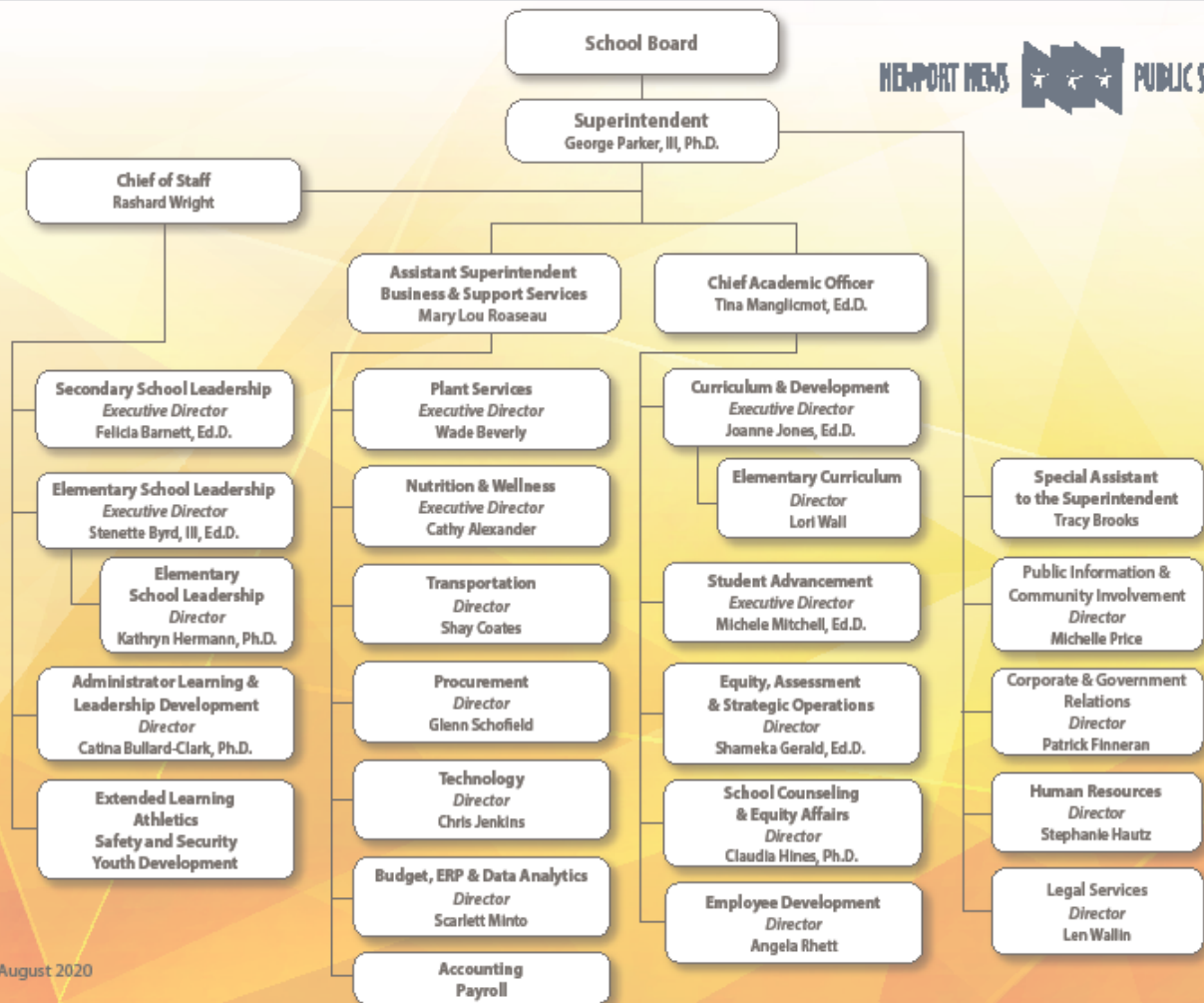
School Board

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

School Board Officials

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

NNPS Administrative Organization Chart



As of August 2020



Business Office

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

December 3, 2020

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, Newport News Public Schools or NNPS), for the fiscal year ended June 30, 2020. 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 28,300 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 four years old to 101 years old, with the average age of all schools being 49 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.

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 stagnant growth in funding in the near future and enrollment is expected to decrease slightly. The FY2021 General Fund budget expects to have an \$8.0 million revenue shortfall. Decreased enrollment of 1,100 students, suspected to be caused by concerns over a novel strain of coronavirus (COVID-19) have greatly affected the operating budget for State revenue (based on student enrollment). 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 FY2022 continues with stagnant funding. Financial resources available in the near-term are expected to be volatile due to economic impact of COVID-19.

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

Stewardship of Resources. The School Board adopted Journey 2025, a strategic plan to ensure all students graduate college, career and citizen-ready. Toward this end, the School Board affirmed five strategic supports that are necessary to achieve student success. The five components are Student Success, Student & Staff Wellness, Employee Expertise, Enhanced Partnerships and Stewardship of Resources. School divisions that have wise stewardship of resources 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. The School Board will make financial and human capital decisions with a focus on student and staff needs, organizational data, and equitable practices.

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, 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).

Accomplishments, Recognitions and Awards

School Accreditation.

Under the Virginia Board of Education's (VBOE) revised Standards of Accreditation, schools are evaluated on school quality indicators grouped in three categories: academic achievement, achievement gaps and student engagement and outcomes. Under both VBOE and the Federal Department of Education, all schools are listed as Accreditation Waived due to COVID-19. No tests were administered in 2020 as schools were forced to close as of March 13, 2020 per emergency order of the Governor. Plans are being considered to reinstitute testing and accreditation evaluations in 2021.

More NNPS Students Are Earning Diplomas. By keeping the focus on college and career readiness, NNPS' graduation rate has increased to 93.9%, up from 76.8% in 2010. During the same time, the dropout rate decreased

from 9.2% to 1.5% for the class of 2020. Newport News Public Schools' dropout prevention and recovery program provides an array of services to help students graduate on time (in four years).

NNPS Has Qualified Educators. NNPS has 34 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 School is home to the Virginia Art Educator of the Year, Patricia Franklin, Visual and Performing Arts Supervisor. Jacky Barber, principal of Riverside Elementary School, was honored with the School Bell Award by the Virginia Association for Elementary School Principals in 2020. The School Bell Award is given to school-based administrators who have made "significant contributions to their schools, school systems or other educational organizations."

Awards The Virginia School Boards Association included two successful programs in Newport News Public Schools in its 2020 VSBA Showcases for Success directory. iSTEM, a PK-12 instructional program, helps students use their STEM skills to solve real-world problems. The program extends beyond classrooms to include informal settings in clubs and afterschool programs and formal instruction. STEM Day, a capstone showcase for the year's work, is typically presented each year for the community's involvement through a partnership with Christopher Newport University. Every organization needs an IT Help Desk, and the Advanced Students Supporting Innovative Systematic Technology program (ASSIST) gives students the opportunity to assist school system IT professionals to help the users as they gain valuable problem-solving experience in a growing career area. Students gain on-the-job training through the NNPS Help Desk by completing network maintenance and desktop troubleshooting.

Newport News Public Schools and BayPort Federal Credit Union earned the Virginia Department of Education State Creating Excellence Business and Industry Partnership Award. The collaboration enhances personal finance education with student-staffed credit unions in 10 schools. BayPort offers NNPS students lessons in financial literacy and work-based learning opportunities exploring finance careers.

The Virginia Math and Science Coalition recognized two "Programs That Work" in Newport News Public Schools in spring 2020. STEM 360, a partnership between the Virginia Air and Space Center and schools in Newport News, Suffolk and Hampton, was recognized for its work giving students field experience, outreach from the Center's STEM coach, and customized instruction for participating schools. Menchville High School's research class, created and taught by Ashley Chassard, was recognized for the experience and preparation the course gives students in laboratory research and scientific reporting. Students conduct research, collect data and write research papers suitable for review by scientific journals for publication.

The Newport News Education Foundation was awarded a \$300,000 One Community Transformation Grant from Newport News Shipbuilding to support STEM education in Newport News Public Schools. The Foundation's proposal builds on STEM education through collaboration with the Brooks Crossing Innovation and Opportunity Center to provide technology training for over 400 NNPS teachers, materials and equipment. The grant also provides field experiences for 6,000 students at the Brooks Crossing Innovation and Opportunity Center.

Heritage High Senior Antonio Martin was named Jostens' National Renaissance Student of the Month for February 2020 in recognition of his service to his school and community. He was a member and volunteer with the Heritage High National Honor Society, the City-Wide Student Council Association and the Heritage High Chapter of SADD or Students Against Destructive Decisions. Martin also served on the Principal's Advisory Group on Education and the Superintendent's Student Advisory Group on Education.

Newport News Public Schools earned six 2020 Virginia Board of Education Exemplar Performance School Awards for innovative practices, high student achievement and continuous improvement. NNPS was recognized for division-wide innovative practices in its STEM instruction delivered through student Engineering Design

Challenges, team-based collaborations that solve real-world problems. Deer Park and General Stanford elementary schools received the Highest Achievement Award for the second year in a row. Denbigh High, Discovery STEM Academy and John Marshall Early Childhood Center earned the Continuous Improvement Award for increases in their assessment scores and graduation or completion rates.

The NNPS Child Nutrition Services Department earned a 2019 Dorothy S. McAuliffe School Nutrition Award for expanding meal service to students. The award celebrates Virginia school divisions that have gone above and beyond by operating all available federal child nutrition programs and achieving exceptional participation in the school breakfast program. The award, presented by No Kid Hungry Virginia, is named in honor of former First Lady of Virginia Dorothy McAuliffe in recognition of her efforts to end childhood hunger in the Commonwealth.

Newport News Public Schools is recognized as one of the 2020 Best Communities for Music Education by the National Association of Music Merchants Foundation. NNPS is one of 764 school districts across the country recognized for its music education program, and one of only 21 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.

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.

The Teens in Driving Seatbelt Club at Woodside High School was awarded the John T. Hanna Award. Each year, Drive Safe Hampton Roads gives this honor to individuals and groups who have promoted safe driving practices. The award is named for the state's first director of highway safety.

Newport News Public Schools has earned an award for financial management practices and transparency from the Association of School Business Officials International (ASBO). ASBO awarded the school division a Certificate of Excellence in Financial Reporting for its CAFR for fiscal year 2019. The Certificate of Excellence in Financial Reporting is the highest recognition for school district financial operations offered by ASBO and is only awarded to school districts that have met or exceeded program standards.

Newport News Public Schools earned its seventeenth consecutive *Certificate of Achievement for Excellence in Financial Reporting* from the Government Finance Officers Association (GFAO) for our CAFR for the 2019 fiscal year. This award is the highest form of recognition in governmental accounting and financial reporting.

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

**The School Board of the City
of Newport News, Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



**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, 2019.**

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



A handwritten signature in black ink, reading 'Claire Hertz'.

Claire Hertz, SFO
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director

FINANCIAL SECTION

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, 2020, 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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2020, an outbreak of a novel coronavirus emerged globally. As a result of the global pandemic, economic uncertainties have arisen that could impact the School Board's operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 3, 2020, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

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

Richmond, Virginia
December 3, 2020

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Management's Discussion and Analysis (Unaudited)

June 30, 2020

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, 2020. 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) 2020

The School Board, on a government-wide basis, had an increase in Net Position of \$22.4 million. The increase during FY2020 resulted in Net Position going from negative \$299.5 million to negative \$277.1 million. This is the sixth consecutive year we have improved our Net Position. We 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, by \$18.2 million in FY2019, and now by \$22.4 million in FY2020 for a total increase of \$92.9 million over the past six years.

Net investment in capital assets increased by \$17.4 million to \$103.2 million primarily due to receiving back from the City of Newport News, Virginia (the City) the \$13.3 million in book value (cost less accumulated depreciation) for the Heritage High School building. Under the provisions of *Code of Virginia* 15.2-1800 (Assets Held Tenancy in Common) (AHTIC), the City recorded Heritage on their books as an asset until the general obligation bonds used to finance the construction of the school were repaid (the School Board is not permitted to issue General Obligation Bonds). Restricted Net Position increased by \$1.1 million primarily due to an increase in funds restricted for Textbooks. Math textbooks for some grades were the only substantial purchases during the year. The restricted balance from all sources is now \$17.6 million. Unrestricted Net Position increased by \$3.9 million and is now at negative \$397.9 million.

The General Fund utilized all available resources to meet the School Board's 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 (including the notes to 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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Management's Discussion and Analysis (Unaudited)

June 30, 2020

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 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 of Virginia 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.

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.

Financial Analysis of the School Board as a Whole

The School Board presents its financial statements in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Management's Discussion and Analysis (Unaudited)

June 30, 2020

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

Table 1
Net Position
(In millions)

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Change</u>
Current and other assets	\$ 90.6	\$ 81.9	\$ 8.7
Capital assets, net	<u>118.9</u>	<u>102.5</u>	<u>16.4</u>
Total assets	<u>209.5</u>	<u>184.4</u>	<u>25.1</u>
Deferred outflows of resources	<u>78.0</u>	<u>50.9</u>	<u>27.1</u>
Other liabilities	34.9	32.0	2.9
Long-term liabilities	<u>480.7</u>	<u>438.2</u>	<u>42.5</u>
Total liabilities	<u>515.6</u>	<u>470.2</u>	<u>45.4</u>
Deferred inflows of resources	<u>49.0</u>	<u>64.6</u>	<u>(15.6)</u>
Net Position:			
Net investment in capital assets	103.2	85.8	17.4
Restricted	17.6	16.5	1.1
Unrestricted	<u>(397.9)</u>	<u>(401.8)</u>	<u>3.9</u>
Total Net Position	<u><u>\$ (277.1)</u></u>	<u><u>\$ (299.5)</u></u>	<u><u>\$ 22.4</u></u>

The School Board's total Net Position shows an increase of \$22.4 million increasing from a negative \$299.5 million to a negative \$277.1 million. Much of the increase (\$13.3 million or 59%) resulted from the City returning the book value of Heritage High School to the School Board under the provisions of AHTIC.

Current and other assets increased by \$8.7 million (10.6%). This was attributed to the City owing the School Board funds for General Obligation Bond Fund projects. A total of \$12.8 million was owed at June 30, 2020, which will be used complete HVAC projects at Woodside High, Jenkins Elementary, Hilton Elementary, and Deer Park Elementary (the City owes money to the School Board at the time the contractor purchase order is issued).

Capital assets increased by \$16.4 million (16.0%). This increase was due to the City transferring Heritage High School back to the School Board under the provisions of AHTIC, since the bonded debt had been repaid, which added \$13.3 million (accounting for 81% of the increase).

Deferred outflows of resources increased by \$27.1 million (53.2%) due to adjustments associated with actuarial calculations related to changes in experience data of the Virginia Retirement System (VRS) and the Newport News Employee Retirement Fund (NNERF) pension and Other Post Employment Benefit (OPEB) plans.

Other liabilities increased by \$2.9 million (9.1%), primarily due to accounts payable in the General Obligation Bond Fund for construction projects underway at June 30, 2020 as mentioned above.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Management's Discussion and Analysis (Unaudited)

June 30, 2020

Long-term liabilities increased by \$42.5 million (9.7%). This was entirely the result of an increase in allocated pension liabilities and OPEB related liabilities. Allocated pension liabilities increased by \$37.4 million (\$24.7 million for VRS and \$12.7 million for NNERF). OPEB liabilities increased by \$5.6 million, to account for the remainder of the increase. Much of the increases were the result of actuarial calculations.

Deferred inflows of resources decreased by \$15.6 million (24.1%). The largest component of the change came from actuarial computations associated with expected versus actual experience with the NNPS OPEB Trust Fund. A total of \$6.7 million (43% of the total change) is due to a decrease in this OPEB plan. Another component was a \$3.1 million (19.9% of the total change) decrease in deferred contributions to the City for AHTIC to account for the annual change in accounts payable of the General Obligation Bond Fund (capital projects). The change is relevant as the City records contributions on the cash basis, whereas the School Board records capital project expenditures (transferred to the City) on the accrual basis.

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**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Management's Discussion and Analysis (Unaudited)

June 30, 2020

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

Table 2
Changes in Net Position
(In millions)

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4.3	\$ 6.1	\$ (1.8)
Operating grants and contributions	82.3	77.1	5.2
Capital grants and contributions	1.6	1.6	-
General revenues:			
Local	136.5	113.9	22.6
State	159.0	158.0	1.0
Federal	1.6	2.5	(0.9)
Interest	0.2	0.2	-
Total revenues	<u>385.5</u>	<u>359.4</u>	<u>26.1</u>
Expenses:			
Academic services	251.8	237.1	14.7
Attendance and health	5.9	5.8	0.1
Transportation services	22.3	20.4	1.9
Operations and facilities	33.4	32.6	0.8
Child nutrition services	19.4	17.9	1.5
Technology services	19.0	17.3	1.7
Administration	10.8	9.6	1.2
Interest on capital debt	0.5	0.5	-
Total expenses	<u>363.1</u>	<u>341.2</u>	<u>21.9</u>
Change in net position	<u>22.4</u>	<u>18.2</u>	<u>4.2</u>
Beginning net position	<u>(299.5)</u>	<u>(317.7)</u>	<u>18.2</u>
Ending net position	<u>\$ (277.1)</u>	<u>\$ (299.5)</u>	<u>\$ 22.4</u>

For the Fiscal Year, ended June 30, 2020, revenues from governmental activities (excluding charges for services and interest) totaled \$381.0 million, \$27.9 million (7.9%) more than in FY2019. Charges for services and interest were \$4.5 million to bring the total to \$385.5 million.

Charges for services was \$4.3 million (1.1% of the total) and decreased by \$1.8 million (29.5%) from FY2019. Child Nutrition Services saw a decrease of \$0.8 million in charges for meals as all students now qualify for reimbursement under the Community Eligibility Program of the National School Lunch Program.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Management's Discussion and Analysis (Unaudited)

June 30, 2020

Operating grants, which were comprised of approximately 55% from Virginia sources, 44% from federal sources and 1% from local sources, totaled \$82.3 million (21.3% of the total). This was an increase of \$5.2 million (6.7%). Several operating grants increased in the Academic Services category. Title VIB (Special education) increased by \$2.0 million, Title I Part A increased by \$1.4 million, Department of Defense grant promoting K-12 student achievement in Military Connected Schools grant increased by \$0.5 million, and Title IVA (Student Support and Academic Enrichment Grant) increased by \$0.4 million. These four grants combine for \$4.3 million (82.7%) of the total increase.

Capital grants, which was primarily for technology, was \$1.6 million (0.4% of the total) and showed no change.

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 (budget basis)	\$ 110,889,307
Less debt service returned to the City	(344,297)
Add Revenue General Obligation Bonds	14,814,996
Add Revenue General Capital Fund	4,400,000
Add net capital assets transferred tenancy-in-common	<u>6,689,297</u>
Net amount from City - Entity-wide statements	<u><u>\$ 136,449,303</u></u>
Plus the City provided an operating grant of \$38,850.	

Revenue from the City in FY2020 was \$136.5 million (35.4% of the total), an increase of \$22.6 million (19.8%). This increase was due to \$11.5 million in additional funds for the General Obligation Bond Fund for HVAC projects at Woodside High, Jenkins Elementary, Hilton Elementary, and Deer Park Elementary. The return of Heritage High under the provisions of AHTIC accounted for the remainder of the increase.

Commonwealth Standards of Quality (SOQ) Funds accounted for \$159.0 million (41.3%) of the School Board's resources. These funds are based on student membership counts. These funds increased by \$1.0 million (0.6%).

Federal revenue decreased by \$0.9 million to \$1.6 million (0.4% of the total) in FY2020 due to lowered Impact Aid funding.

Interest income of \$0.2 million (0.1% of the total) did not change.

Expenses for FY2020 totaled \$363.1 million, an increase of \$21.9 million (6.4%). Seventy nine percent of this increase (\$17.2 million) was because FY2019 expenses were artificially lowered due to actuarial calculations concerning the pension and OPEB plans. A general across-the-board pay increase of 2.0% was the primary factor that compensation increased by \$2.3 million. (11% of the total). Increased employee benefits accounted for \$3.6 million or 12%. Health insurance accounted for about three -fourths of the increase and pension costs for most of the remainder. Offsetting these increases was a decrease in utilities of \$0.5 million, as school buildings were closed for over three months due to a novel strain of coronavirus ("COVID-19"). Also decreased was vehicle fuel and parts by \$0.4 million due to virtually no school buses on the road after March 13, 2020 due to COVID-19 school closures.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Management's Discussion and Analysis (Unaudited)

June 30, 2020

Academic services accounted for \$251.8 million (69.3%) of the School Board's total expenses. A significant portion of this amount is for the salaries and benefits of teachers, teacher assistants, and instructional administrators. This category increased by \$14.7 million (6.2%). The aforementioned artificial decrease in the prior year created by actuarial calculations caused \$12.0 million (81.6%) of the increase. Compensation increases added \$1.0 million (6.8% of the increase). Employee benefits, primarily for health insurance, accounted for \$2.9 million (19.7% of the increase).

Operations and facilities were the next highest cost category with a total of \$33.4 million (9.2% 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 increased by \$0.8 million (2.5%) from last year. All of the increase is attributed to compensation increases. A total of \$0.5 million of compensation was specifically attributed to increases for custodial services, as this employee group received scale adjustments beyond that of the 2.0% general pay increase.

Transportation services are the third largest cost category, with expenses of \$22.3 million (6.1% of the total). This category increased by \$1.9 million (9.3%). Forty seven percent of this increase is due to the aforementioned FY2019 decline in actuarial calculations for pensions and OPEB. Capital outlay accounted for \$2.0 million increase. This was partially offset by a decrease of \$0.4 million in compensation due to fewer bus drivers needed after the March 13 school shutdown, and the related \$0.4 million decrease in vehicle fuel and parts for the same reason.

Child nutrition services is the fourth largest cost category, with expenses of \$19.4 million (5.3% of the total). This category showed an increase of \$1.5 million (8.4%). Sixty percent of this increase (\$0.9 million) was due to the aforementioned artificial decrease in the prior created by actuarial calculations. The other forty percent of the increase was due to cafeteria renovations at ten schools including furniture and serving lines.

Technology services is the fifth largest cost category, with expenses of \$19.0 million (5.2% of the total). This category showed an increase of \$1.7 million (9.8%). Chromebooks and teacher laptops accounted for \$1.0 million (59%) of the increase.

Capital Assets

At the end of 2020, the School Board had invested \$118.9 million in capital assets, which reflects historical cost of \$258.6 million and accumulated depreciation of \$139.7 million. In addition, the School Board and the City have, under the provisions of AHTIC, a net of \$166.9 million of capital assets, which are reflected in the financial statements of the City (historical cost of \$240.3 million net of accumulated depreciation of \$73.4 million). Most school buildings and improvements undertaken in the past 20 years, for which City bonded debt has been issued, are included therein.

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**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Management's Discussion and Analysis (Unaudited)

June 30, 2020

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

Table 3
Capital Assets, Net
(In millions)

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Change</u>
Nondepreciable assets:			
Land	\$ 2.3	\$ 2.3	\$ -
Construction in progress	0.3	1.1	(0.8)
Other capital assets:			
Buildings	100.5	77.9	22.6
Building improvements	85.9	81.6	4.3
Equipment and vehicles	69.6	69.8	(0.2)
Accumulated depreciation	<u>(139.7)</u>	<u>(130.2)</u>	<u>(9.5)</u>
Total	<u>\$ 118.9</u>	<u>\$ 102.5</u>	<u>\$ 16.4</u>

Construction in progress decreased by \$0.8 million due primarily to the completion of work on a backup technology network operations center at the relocated Service Center for Operations and Transportation (SCOT) facility and the Saunders Elementary office and library renovation project. Buildings increased by \$22.6 million (29.0%) due primarily to the transfer of Heritage High 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 \$4.3 million (5.3%). Accumulated depreciation increased \$9.5 million due primarily to \$7.8 million (82% of the increase) 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 \$480.7 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 FY2020, long-term liabilities had a net increase of \$42.5 million (9.7%) primarily due to an increase in allocated pension obligations of \$37.4 million and an OPEB liability increase of \$5.6 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, 2020, the governmental funds had a combined fund balance of \$52.2 million. This is an increase of \$5.4 million as compared to June 30, 2019. The General Obligation Bond Fund accounted for \$5.1 million (94%) of the total increase. The City is required to provide full funding to the School Board at the time contractors are issued a purchase order to undertake the project, even though funds might not all be

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Management's Discussion and Analysis (Unaudited)

June 30, 2020

expended until the next fiscal year. These Woodside High HVAC project was the most significant factor in this increase.

General Fund Budgetary Highlights

Table 4
General Fund Budget to Actual Summary (non-GAAP basis)
Year ended June 30, 2020
(In millions)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State	\$ 197.4	\$ 197.4	\$ 196.7	\$ (0.7)
City	110.9	110.9	110.9	-
Federal	3.0	3.0	2.4	(0.6)
Other	1.9	2.2	2.3	0.1
Total revenues	<u>313.2</u>	<u>313.5</u>	<u>312.3</u>	<u>(1.2)</u>
Expenditures and transfers:				
Expenditures	312.9	313.2	312.1	1.1
Transfers	0.3	0.3	0.3	-
Total expenditures and transfers	<u>313.2</u>	<u>313.5</u>	<u>312.4</u>	<u>1.1</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.1)</u>	<u>\$ (0.1)</u>

Revenues from the Commonwealth was \$0.7 million less than the budget due to lower student enrollment. Federal revenue was \$0.6 million less than the budget due to less Impact Aid. Other revenue was \$0.1 million more than the budget due to higher amounts received for indirect costs on grants. The net revenue deficit was \$1.2 million.

Expenditures were \$1.1 million less than budgeted due to instructional materials, fuel for buses, and utilities when schools were shut down for the remainder of the school year to in-person student instruction starting on March 16, 2020.

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 be stagnant in the near term. The City is dependent upon property tax revenues, which are expected to be flat in the near term. The FY2021 General Fund is facing an \$8 million revenue shortfall due to lower enrollment and decreased sales tax. The lower enrollment of approximately 1,100 students appears to be primarily related to parents choosing their very youngest children to not participate in instruction provided via remote learning. Lower enrollment is 85% of the reason for the revenue shortfall. The projections for FY2022 as regards enrollment, State and City revenue remains uncertain at this time.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Management's Discussion and Analysis (Unaudited)

June 30, 2020

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, 2020

Assets

Cash and temporary investments	\$ 60,491,418
Cash with agent	5,050,000
Accounts receivable, net	242,846
Receivables from other governments:	
City of Newport News, Virginia	12,839,482
Federal:	
Department of Agriculture	533,674
Department of Defense	32,417
Commonwealth of Virginia:	
Department of Treasury – sales tax	2,364,092
Department of Education	5,664,266
Inventories, at cost	1,985,447
Pension asset (VRS stand-alone plan)	1,409,044
Capital assets, non-depreciable	2,616,816
Capital assets, depreciable, net	<u>116,356,788</u>
Total assets	<u>209,586,290</u>

Deferred Outflows of Resources

Deferred pension (NNERF)	9,208,012
Deferred pension (VRS teacher pool plan)	51,016,956
Deferred pension (VRS stand-alone plan)	620,681
Deferred OPEB (NNPS Trust Fund)	10,043,908
Deferred OPEB (VRS health income credit)	2,604,801
Deferred OPEB (VRS group life insurance)	<u>4,487,357</u>
Total deferred outflows of resources	<u>77,981,715</u>

Liabilities

Accounts payable	7,440,664
Accrued liabilities	1,017,775
Payroll withholdings and accrued fringe benefits	26,424,122
Unearned revenues	25,875
Long-term liabilities:	
Due within one year	5,189,873
Due in more than one year	<u>475,538,128</u>
Total liabilities	<u>515,636,437</u>

Deferred Inflows of Resources

Deferred pension (VRS teacher pool plan)	29,700,484
Deferred pension (VRS stand-alone plan)	143,428
Deferred OPEB (NNPS Trust Fund)	13,393,265
Deferred OPEB (VRS health care credit)	1,063,282
Deferred OPEB (VRS group life insurance)	1,250,173
Deferred contribution to City – AHTIC	1,676,516
Deferred grant proceeds	<u>1,798,225</u>
Total deferred inflows	<u>49,025,373</u>

Net Position

Net investment in capital assets	103,225,846
Restricted for:	
Adult Education	125,643
Capital Projects	1,136,550
Child Nutrition Services	3,836,930
Textbooks	6,185,298
Workers' Compensation	5,324,862
Unrestricted (deficit)	<u>(396,928,934)</u>
Total net position	<u>\$(277,093,805)</u>

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, 2020

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Grants and Contributions</u>	<u>Changes in Net Position</u>
Governmental activities:					
Academic services	\$ 251,796,113	\$ 1,257,017	\$ 66,274,232	\$ -	\$ (184,264,864)
Attendance and health services	5,840,823	-	-	-	(5,840,823)
Transportation services	22,340,038	-	-	337,374	(22,002,664)
Operations and facilities	33,407,917	612,132	4,549	-	(32,791,236)
Child nutrition services	19,389,589	479,983	15,718,616	-	(3,190,990)
Technology services	19,015,003	252,776	300,282	1,325,294	(17,136,651)
Administration	10,830,253	1,704,338	-	-	(9,125,915)
Interest on capital debt	445,834	-	-	-	(445,834)
Total governmental activities	<u>\$ 363,065,570</u>	<u>\$ 4,306,246</u>	<u>\$ 82,297,679</u>	<u>\$ 1,662,668</u>	<u>(274,798,977)</u>
General revenues:					
City of Newport News, Virginia					136,449,303
Commonwealth of Virginia					158,975,313
Federal government					1,623,208
Interest					168,344
Total general revenues					<u>297,216,168</u>
Change in net position					22,417,191
Net position at beginning of year					<u>(299,510,996)</u>
Net position at end of year					<u>\$ (277,093,805)</u>

See accompanying notes to basic financial statements.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Grant Fund	General Obligation Bond Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 40,271,077	\$ 592,014	\$ -	\$ 19,628,327	\$ 60,491,418
Cash with agent	4,800,000	-	-	250,000	5,050,000
Accounts receivable, net	140,650	38,770	-	63,426	242,846
Receivables from other governments:					
City of Newport News	-	-	12,839,482	-	12,839,482
Federal:					
Department of Agriculture	-	-	-	533,674	533,674
Department of Defense	-	32,417	-	-	32,417
Commonwealth of Virginia:					
Department of Treasury – sales tax	2,364,092	-	-	-	2,364,092
Department of Education	300,282	5,363,984	-	-	5,664,266
Inventories, at cost	1,030,076	-	-	955,371	1,985,447
Due from other funds	3,980,000	-	-	-	3,980,000
Total assets	<u>\$ 52,886,177</u>	<u>\$ 6,027,185</u>	<u>\$ 12,839,482</u>	<u>\$ 21,430,798</u>	<u>\$ 93,183,642</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 3,531,436	\$ 248,478	\$ 3,433,136	\$ 227,614	\$ 7,440,664
Accrued liabilities	1,005,720	482	-	11,573	1,017,775
Payroll withholdings and accrued employee benefits	26,424,122	-	-	-	26,424,122
Due to other funds	-	3,980,000	-	-	3,980,000
Unearned revenues	25,875	-	-	-	25,875
Total liabilities	<u>30,987,153</u>	<u>4,228,960</u>	<u>3,433,136</u>	<u>239,187</u>	<u>38,888,436</u>
Deferred inflows of resources:					
Deferred grant proceeds	300,282	1,798,225	-	-	2,098,507
Total deferred inflows of resources	<u>300,282</u>	<u>1,798,225</u>	<u>-</u>	<u>-</u>	<u>2,098,507</u>
Fund balances:					
Nonspendable:					
Imprest funds	2,125	-	-	-	2,125
Inventories	1,030,076	-	-	-	1,030,076
Restricted:					
Adult education services	-	-	-	125,643	125,643
Capital projects	-	-	-	1,136,550	1,136,550
Child nutrition services	-	-	-	4,792,301	4,792,301
Textbooks	-	-	-	6,185,298	6,185,298
Workers' compensation	-	-	-	5,324,862	5,324,862
Assigned to:					
Adult education services	-	-	-	188,465	188,465
Contractual obligations	15,766,541	-	9,406,346	3,438,492	28,611,379
Health insurance	4,800,000	-	-	-	4,800,000
Unassigned	-	-	-	-	-
Total fund balances	<u>21,598,742</u>	<u>-</u>	<u>9,406,346</u>	<u>21,191,611</u>	<u>52,196,699</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 52,886,177</u>	<u>\$ 6,027,185</u>	<u>\$ 12,839,482</u>	<u>\$ 21,430,798</u>	<u>\$ 93,183,642</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:					
Total fund balances reported in governmental funds					\$ 52,196,699
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					118,973,604
Pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					1,409,044
Deferred retirement outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the funds					77,981,715
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds					(480,728,001)
Deferred grant inflows of resources are not recognized in the current period and, therefore, are not reported in the funds					300,282
Deferred inflows from City tenancy-in-common are not recognized in the current period and, therefore, are reported in the funds					(1,676,516)
Deferred retirement inflows of resources are not recognized in the current period and, therefore, are not reported in the funds					(45,550,632)
Net position of governmental activities					<u>\$ (277,093,805)</u>

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, 2020

	General Fund	Grant Fund	General Obligation Bond Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental:					
City of Newport News, Virginia	\$ 110,545,010	\$ 38,850	\$ 14,814,996	\$ 4,400,000	\$ 129,798,856
Commonwealth of Virginia	196,710,838	5,968,229	-	2,732,967	205,412,034
Federal government	2,377,069	20,788,554	-	15,097,002	38,262,625
Charges for services	1,978,053	-	-	2,328,193	4,306,246
Investment income	-	-	-	168,344	168,344
Miscellaneous	-	545,077	-	-	545,077
Total revenues	<u>311,610,970</u>	<u>27,340,710</u>	<u>14,814,996</u>	<u>24,726,506</u>	<u>378,493,182</u>
Expenditures:					
Current:					
Academic services	222,034,001	24,585,152	-	1,845,354	248,464,507
Attendance and health services	5,760,836	82,005	-	-	5,842,841
Transportation services	20,752,509	-	-	-	20,752,509
Operations and facilities	31,628,253	645,086	-	86,576	32,359,915
Child nutrition services	-	-	-	19,572,622	19,572,622
Technology services	17,599,491	1,532,404	-	-	19,131,895
Administration	8,895,902	158,689	-	1,702,393	10,756,984
Debt service:					
Principal	1,291,896	-	-	-	1,291,896
Interest and other charges	445,834	-	-	-	445,834
Capital outlay	3,055,142	337,374	9,736,359	2,397,516	15,526,391
Total expenditures	<u>311,463,864</u>	<u>27,340,710</u>	<u>9,736,359</u>	<u>25,604,461</u>	<u>374,145,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>147,106</u>	<u>-</u>	<u>5,078,637</u>	<u>(877,955)</u>	<u>4,347,788</u>
Other financial sources:					
Proceeds of capital lease	382,981	-	-	-	382,981
Total other financing sources	<u>382,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,981</u>
Net change in fund balances	<u>530,087</u>	<u>-</u>	<u>5,078,637</u>	<u>(877,955)</u>	<u>4,730,769</u>
Fund balances at beginning of year	20,898,666	-	4,327,709	21,598,429	46,824,804
Increase in nonspendable inventory	169,989	-	-	471,137	641,126
Fund balances at end of year	<u>\$ 21,598,742</u>	<u>\$ -</u>	<u>\$ 9,406,346</u>	<u>\$ 21,191,611</u>	<u>\$ 52,196,699</u>

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, 2020

Net change in fund balances – total governmental funds \$ 4,730,769

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	\$ 15,526,391	
Items capitalized, but shown as expended	5,264,597	
Deferred inflow - contribution to City for tenancy-in-common	(3,090,041)	
Transfer from City, tenancy-in-common	13,335,615	
Transfer to City, tenancy-in-common	<u>(6,646,318)</u>	
Capital outlay, net	24,390,244	
Loss on disposal of capital assets	(81,268)	
Depreciation expense	<u>(7,809,522)</u>	16,499,454

Repayment of debt principal is an expenditure in the governmental funds, but does not affect the Statement of Activities. 1,291,896

Issuance of capital leases is a financing source in the governmental funds, but does not affect the Statement of Activities. (382,981)

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 \$401,419, workers' compensation claims incurred were less than the amount paid by \$169,920, health insurance claims incurred were more than the amount paid by \$186,000, other postemployment benefits incurred for all plans were more than the amount paid by \$5,593,767, VRS teacher pool pension costs incurred were more than the amount paid by \$24,649,134 and City of Newport News pension costs incurred were more than the amount paid by \$12,788,602. (43,449,002)

Statement of Activities, pension asset decreased, thus decreasing net position (239,430)

Statement of Activities, deferred outflows of resources associated with pension and OPEB plans increased, but are not included in governmental funds 27,067,736

Statement of Activities, change in deferred inflows of resources associated with pension and OPEB plans decreased, but are not included in governmental funds 12,867,300

Statement of Activities, change in deferred inflows of resources associated with grants not recorded within the recognition period, and thus not included in the governmental funds 300,282

Statement of Activities, change in deferred inflows of resources associated with City contribution related to tenancy-in-common 3,090,041

Change in nonspendable inventory from governmental funds is included in expenses in the Statement of Activities. 641,126

Change in net position of governmental activities \$ 22,417,191

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, 2020

	<u>OPEB Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Cash and cash equivalents	\$ -	\$ 1,673,097
Investments, at fair value:		
Money market trust	<u>27,205,309</u>	<u>-</u>
Total assets	<u>27,205,309</u>	<u>\$ 1,673,097</u>
Liabilities:		
Due to students	<u>-</u>	<u>\$ 1,673,097</u>
Total liabilities	<u>-</u>	<u>\$ 1,673,097</u>
Net Position:		
Net position restricted for other postemployment benefits	<u>\$ 27,205,309</u>	

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, 2020

	<u>OPEB Trust Fund</u>
Additions	
Contributions:	
Employer contributions	\$ 4,842,479
Plan member (retiree) contributions	<u>1,361,282</u>
Total contributions	<u>6,203,761</u>
Net investment income:	
Net appreciation in the fair value of investments	798,024
Interest and dividends	<u>9,818</u>
Total investment gain	<u>807,842</u>
Total additions	<u>7,011,603</u>
 Deductions	
Benefits	6,203,761
Administrative expenses	<u>27,197</u>
Total deductions	<u>6,230,958</u>
 Change in fiduciary net position	 780,645
 Fiduciary net position at beginning of year	 <u>26,424,664</u>
 Fiduciary net position at end of year	 <u><u>\$ 27,205,309</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

(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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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 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).

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

Under the accrual basis of accounting, revenues are recognized when earned. Unearned revenues arise 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. 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 \$5,050,000 represents \$4,800,000 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 9 (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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

(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, 2020, the City holds capital assets related to school property with a net book value of \$166,878,413.

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:

<u>Description</u>	<u>Estimated Useful Lives</u>
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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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 \$5,324,862, 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 \$6,185,298, 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 \$125,643 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 General Cash Capital Projects Fund has a fund balance of \$1,136,550 restricted by the City for capital outlay.
- The Child Nutrition Services special revenue fund has a restricted fund balance of \$4,792,301 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.

- \$188,465 is assigned to provide adult education services in the community as represented in the Adult Education special revenue fund.
- \$28,611,379 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 \$15,766,541 in the General Fund, \$9,406,346 in the General Obligation Bond Fund, \$28,075 in the Worker Compensation special revenue fund, \$473,445 in the Textbook special revenue fund and \$2,936,972 in the General Cash capital projects fund.
- \$4,800,000 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 cash with agent in the asset section of the Balance Sheet.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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

Net Investment in Capital Assets

Capital assets:	
Capital assets, non-depreciable	\$ 2,616,816
Capital assets, depreciable, net	<u>116,356,788</u>
Total capital assets	<u>118,973,604</u>
Less related debt:	
Capital leases payable	979,470
Capital facility notes payable	<u>14,768,288</u>
Total related debt	<u>15,747,758</u>
Net Investment in capital assets	<u>\$ 103,225,846</u>

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. Contributions made subsequent will be recognized in the subsequent year.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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 and OPEB

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) pension/OPEB 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 \$60,491,418 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 as of June 30, 2020 are as follows:

Funds	Due from Other Funds	Due to Other Funds
General Fund	\$ 3,980,000	\$ -
Grant Fund	-	3,980,000
Total all funds	<u>\$ 3,980,000</u>	<u>\$ 3,980,000</u>

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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

(4) Capital Assets, Net

A summary of changes in capital assets follows:

	Balance July 1, 2019	Increases	Decreases	Assets Held Tenancy- in-Common	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 2,263,424	\$ -	\$ -	\$ -	\$ 2,263,424
Construction in progress	1,097,191	1,344,242	2,088,041	-	353,392
Total capital assets not being depreciated	3,360,615	1,344,242	2,088,041	-	2,616,816
Other capital assets:					
Buildings	77,934,806	611,486	-	21,920,165	100,466,457
Improvements	81,626,662	4,312,652	-	-	85,939,314
Machinery and equipment	69,805,797	6,874,289	7,100,996	-	69,579,090
Total other capital assets	229,367,265	11,798,427	7,100,996	21,920,165	255,984,861
Less accumulated depreciation for:					
Buildings	48,032,576	1,180,752	-	8,584,550	57,797,878
Improvements	32,393,506	2,885,425	-	-	35,278,931
Machinery and equipment	49,827,647	3,743,345	7,019,728	-	46,551,264
Total accumulated depreciation	130,253,729	7,809,522	7,019,728	8,584,550	139,628,073
Other capital assets, net	99,113,536	3,988,905	81,268	13,335,615	116,356,788
Totals	\$ 102,474,151	\$ 5,333,147	\$ 2,169,309	\$ 13,335,615	\$ 118,973,604

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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**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

Depreciation was charged to governmental functions as follows:

Academic services	\$ 4,549,261
Attendance and health services	26,616
Transportation services	1,521,484
Operations and facilities	1,089,239
Child nutrition services	296,399
Technology services	200,536
Administration	125,987
Total governmental activities depreciation expense	<u>\$ 7,809,522</u>

Loss on disposal of assets of \$81,268 was charged to the following functions: Transportation services \$46,006 Child Nutrition Services \$7,815 and Operations and facilities \$27,447.

Construction in progress commitments are composed of the following at June 30, 2020:

	Project	Expended Through	Balance of	Future
	Authorization	June 30, 2020	Authorization	Requirements
Total school projects	<u>\$ 24,380,849</u>	<u>\$ 14,595,803</u>	<u>\$ 9,785,046</u>	<u>\$ -</u>

Of the amount expended through June 30, 2020, all \$14,595,803 relates to assets transferred to the City under the AHTIC provisions. The balance of authorization of \$9,785,046 will be transferred to the City as AHTIC once completed. There are purchase orders totaling \$9,450,876 at June 30, 2020, leaving \$334,170 balance of authorization available for project procurement.

(5) Leases

(a) Operating Leases

The School Board had three ongoing-leased buildings in FY2020. Part of the leased space expires on June 30, 2028 and other leased space in that same building expires on June 30, 2030. In FY2020, the School Board also signed a five-year lease with the Peninsula Airport Commission for airport hangar space. We also lease space for high school graduation ceremonies on a year-to-year basis. Total costs for such leases were approximately \$688,100 for the year ended June 30, 2020.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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

<u>Year ending June 30:</u>	
2021	\$ 673,805
2022	718,257
2023	723,703
2024	729,262
2025	734,935
2026-2030	<u>2,791,966</u>
	<u><u>\$ 6,371,928</u></u>

(b) Capital Leases

The School Board has four lease agreements at June 30, 2020 for financing the acquisition of property and equipment.

The net book value of assets acquired through the four capital leases as of June 30, 2020 is as follows:

Machinery and equipment	\$ 1,736,103
Less accumulated depreciation	<u>(886,577)</u>
	<u><u>\$ 849,526</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

<u>Year ending June 30:</u>	
2021	\$ 401,901
2022	441,619
2023	102,259
2024	84,638
2025	<u>7,053</u>
Total minimum lease payments	1,037,470
Less amounts representing interest	<u>(58,000)</u>
Present value of minimum capital lease payments	<u><u>\$ 979,470</u></u>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2020 follows:

	Balance			Balance	Due Within
	July 1, 2019	Additions	Reductions	June 30, 2020	One Year
Compensated absences	\$ 5,067,505	\$ 2,547,285	\$ 2,145,866	\$ 5,468,924	\$ 820,339
Workers' compensation claims	5,001,661	1,651,138	1,821,058	4,831,741	966,348
Incurred but not reported health claims	2,690,000	33,641,050	33,455,050	2,876,000	2,876,000
Capital leases payable	983,623	382,981	387,134	979,470	369,516
Capital facility notes payable	15,673,050	-	904,762	14,768,288	157,670
OPEB NNPS Trust Fund	63,169,701	16,051,426	11,854,082	67,367,045	-
OPEB VRS health insurance credit	25,286,000	3,475,487	3,041,653	25,719,834	-
OPEB VRS group life insurance	13,723,000	4,002,475	3,039,886	14,685,589	-
VRS teacher pool pension	234,314,000	82,382,652	57,733,518	258,963,134	-
City of Newport News pension (NNERF)	72,279,374	21,386,869	8,598,267	85,067,976	-
Totals	\$ 438,187,914	\$ 165,521,363	\$ 122,981,276	\$ 480,728,001	\$ 5,189,873

Incurred but not reported health claims represent an estimate of healthcare claims incurred by our employees as of June 30, 2020, 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
FY2021	\$ 157,880	\$ 46,227	\$ 204,107
FY2022	977,662	374,441	1,352,103
FY2023	1,044,359	349,546	1,393,905
FY2024	1,114,019	322,942	1,436,961
FY2025	1,186,754	294,553	1,481,307
FY2026 - FY2030	7,097,397	980,059	8,077,456
FY2031 - FY2032	3,190,217	122,965	3,313,182
Totals	\$ 14,768,288	\$ 2,490,733	\$ 17,259,021

The interest rate on \$12,502,250 of debt is 2.651% and an annual payment is due each July 15. The interest rate is 2.04% on \$2,266,038 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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

(7) Defined Benefit Retirement Plans

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

1. Plan Description

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 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, 2020 and 2019, the total payroll of the School Board was approximately \$205.3 million and \$203.0 million, respectively, with approximately \$98.8 million and \$103.8 million covered by NNERF.

At June 30, 2020, NNERF membership consisted of:

	Retirees and Beneficiaries	Vested Terminated or Frozen Employees	Active Employees Vested	Total
City general	1,532	662	628	2,822
City police and fire	1,012	254	519	1,785
Public utilities	315	84	164	563
School VRS	2,783	2,790	-	5,573
School Non-VRS	938	232	352	1,522
Total	<u>6,580</u>	<u>4,022</u>	<u>1,663</u>	<u>12,265</u>

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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

(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 \$8,773,351 and \$596,815 were made by the employer and employees, respectively, to NNERF during the year ended June 30, 2020. The percentage of contributions to covered payroll for fiscal year 2020 was 8.88% and 8.28% for fiscal year 2019. The percentage of normal costs to covered payroll was 8.13% for fiscal year ended June 30, 2020 and 8.18% for fiscal year ended June 30, 2019.

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

At June 30, 2020, the School Board reported a liability of \$85,067,976 for its proportionate share of the Net Pension Liability, which was measured as of June 30, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board's proportion was 21.0465% as compared to 18.7011% at June 30, 2018.

For the year ended June 30, 2020, the School Board recognized pension expense of \$17,561,879.

At June 30, 2020, the School Board reported deferred outflows of resources related to NNERF pensions from the following sources:

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 434,661
Contributions to the plan subsequent to the measurement date	<u>8,773,351</u>
Total	<u>\$ 9,208,012</u>

\$8,773,351 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, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows
2020	\$ 896,012
2021	(2,061,043)
2022	260,612
2023	<u>1,339,080</u>
	<u>\$ 434,661</u>

4. Actuarial Assumptions

The City's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2019, using an updated actuarial assumption, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Closed, 30 years level dollar from July 1, 2011
Asset valuation method	Five-year smoothed market

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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-2014 Total Dataset Headcount-Weighted Healthy Annuitant Mortality Table, projected from 2006 base rates using MP2016

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, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Large Cap Equities	4.9%	24.0%
Mid Cap Equities	5.2%	14.0%
Small Cap Equities	5.4%	12.0%
International Equities	5.6%	12.0%
Emerging Markets	6.6%	4.0%
Real Estate	4.8%	4.0%
Private Equities	6.9%	6.0%
Timberland	3.8%	8.0%
Fixed Income (Bonds)	-0.5%	15.0%
Cash	-0.9%	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:

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

	1.00% Lower 6.35%	Current Discount Rate 7.35%	1.00% Higher 8.35%
Proportionate share of the NNERF Net Pension Liability	<u>\$116,833,234</u>	<u>\$85,067,976</u>	<u>\$58,329,879</u>

6. Pension Plan Fiduciary Net Position

NNERF is a separate pension trust fund and is considered part of the City's financial reporting entity. NNERF 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 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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Plan 1 is a defined benefit plan. The retirement benefit is based upon a member's age, service credit, and average final compensation at retirement using a formula.</p>	<p>Plan 2 is a defined benefit plan. The retirement benefit is based upon a member's age, service credit, and average final compensation at retirement using a formula.</p>	<p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based upon a member's age, service credit, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p><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.</p>	<p><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.</p>	<p><u>Eligible Members</u> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014.</p>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p><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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>This includes:</p> <ul style="list-style-type: none"> • 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. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><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</p>	<p><u>Retirement Contributions</u> Same as VRS Plan 1.</p>	<p><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</p>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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.
<p><u>Service Credit</u> Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><u>Service Credit</u> Same as Plan 1.</p>	<p><u>Service Credit</u> Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p>Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Vesting</u> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p><u>Vesting</u> Same as Plan 1.</p>	<p><u>Vesting</u> Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p>Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p><u>Calculating the Benefit</u> The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p><u>Calculating the Benefit</u> See definition under Plan 1.</p>	<p><u>Calculating the Benefit</u> Defined Benefit Component: See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><u>Average Final Compensation</u> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><u>Average Final Compensation</u> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><u>Average Final Compensation</u> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p>	<p><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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><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 service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement, and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><u>Purchase of Prior Service</u> Same as Plan 1.</p>	<p><u>Purchase of Prior Service</u> <u>Defined Benefit Component:</u> Same as VRS Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • Normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

2. Employees Covered by Benefit Terms – Nonprofessional

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Members receiving benefits	14
Inactive members:	
Vested inactive members	25
Non-vested inactive members	370
Inactive members active elsewhere in VRS	<u>53</u>
Total inactive members	448
Active Members	<u>527</u>
Total covered employees	<u><u>989</u></u>

3. Contributions

The contribution requirement for active employees is governed by Section 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, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The 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 \$25,367,460 and \$25,197,255 for the years ended June 30, 2020 and 2019, respectively.

Nonprofessional

The political subdivision's contractually required contribution rate for the year ended June 30, 2020 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. Contributions to the pension plan from the School Board were \$287,482 and \$289,226 for the years ended June 30, 2020 and 2019, respectively.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

4. Net Pension Liability (Asset)

Professional

At June 30, 2020, the School Board reported a liability of \$258,963,134 for its proportionate share of the Net Pension Liability, which was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board's proportion was 1.96772% as compared to 1.99247% at June 30, 2018.

Nonprofessional

The School Board Net Pension Asset was measured as of June 30, 2019. The total pension liability used to calculate the Net Pension Asset was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

5. Actuarial Assumptions

The total pension liability for the Professional and Nonprofessional Plans were based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including Inflation	3.5% – 5.35%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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:

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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
- Decreased the Discount rate from 7.00% to 6.75%

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:

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**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

Asset Class	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	88.00%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Estate	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS-Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP-Private Investment Partnership	3.00%	6.29%	0.19%
	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		* Expected arithmetic nominal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

7. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2019, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate.

	1.00% Lower 5.75%	Current Discount Rate 6.75%	1.00% Higher 7.75%
Professional Net Pension Liability	\$ 389,852,018	\$ 258,963,134	\$ 150,742,268
Nonprofessional Net Pension (Asset)	(791,934)	(1,409,044)	(1,885,553)

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**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

Changes in Net Pension Asset – Nonprofessional Plan

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
Balance at July 1, 2018	\$ 3,404,029	\$ 5,052,503	\$ (1,648,474)
Changes for the Year:			
Service cost	754,780	-	754,780
Interest	235,956	-	235,956
Change of assumptions	163,847	-	163,847
Difference between expected and actual experience	219,381	-	219,381
Contributions -- employer	-	289,226	(289,226)
Contributions -- employee	-	472,079	(472,079)
Net investment income	-	376,257	(376,257)
employee contributions	(66,469)	(66,469)	-
Administrative expense	-	(2,784)	2,784
Other changes	-	(244)	244
Net Changes	1,307,495	1,068,065	239,430
Balances at June 30, 2019	\$ 4,711,524	\$ 6,120,568	\$ (1,409,044)

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

Professional

For the year ended June 30, 2020, the School Board recognized pension expense of \$24,495,380. 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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**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

At June 30, 2020, 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	\$ -	\$ 5,686,216
Change in assumptions	25,643,421	-
Change in proportion and differences between employer contributions and proportionate share of contributions	6,075	7,431,765
Change in expected versus actual experience	-	16,582,503
Contributions to the plan subsequent to the measurement date	25,367,460	-
Total	<u>\$ 51,016,956</u>	<u>\$ 29,700,484</u>

\$25,367,460 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed on page 54.

Nonprofessional

For the year ended June 30, 2020, the School Board recognized pension expense of \$177,729. At June 30, 2020, 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	\$ 186,100	\$ 26,634
Change in assumptions	118,710	39,253
Net difference between projected and actual earnings on pension plan investments	28,389	77,541
Contributions to the plan subsequent to the measurement date	287,482	-
Total	<u>\$ 620,681</u>	<u>\$ 143,428</u>

\$287,482 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, 2021. Other amounts

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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
2021	\$ (2,536,706)	\$ 46,354
2022	(7,177,632)	77,857
2023	580,752	65,233
2024	3,274,777	327
2025	1,807,821	-
	\$ (4,050,988)	\$ 189,771

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 2019 CAFR. A copy of the 2019 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.

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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

Approximately 185 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 School 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 School 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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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 \$4,842,479 and \$4,710,799 for the years ended June 30, 2020 and 2019, respectively.

3. Net NNPS OPEB liability

The school division's net NNPS OPEB liability was measured as of June 30, 2020. The total NNPS OPEB liability was determined by an actuarial valuation performed as of July 1, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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, 2020, and the final investment return assumption, are summarized in the following table:

Asset Class	Long-Term Expected Real Return- Portfolio	Weight
Domestic Equity	5.85%	36.00%
International Funds	6.15%	18.00%
U.S. Fixed Income	1.65%	21.00%
Hedge Funds	2.60%	10.00%
Real Estate	3.00%	7.00%
Private Equity	8.60%	5.00%
Commodities	5.40%	3.00%
		<u>100.00%</u>
Total Weighted Average Expected Real Return	4.62%	
Plus Inflation	<u>2.75%</u>	
Total Return without Adjustment	7.37%	
Risk Adjustment	<u>(0.37%)</u>	
Total Geometric Expected Return	<u>7.00%</u>	

6. Discount Rate

The discount rate used to measure the total NNPS OPEB liability is 5.35%. 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 2.45%. (Source: Fidelity general obligation municipal bond index).

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

7. Changes in Net NNPS OPEB Liability

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2019	\$ 89,594,365	\$ 26,424,664	\$63,169,701
Changes for the Year:			
Service cost	190,014	-	190,014
Interest	5,173,959	-	5,173,959
Change in assumptions	4,456,495	-	4,456,495
Contributions -- employer	-	4,842,479	(4,842,479)
Contributions -- employee	-	1,361,282	(1,361,282)
Net investment income	-	807,842	(807,842)
Benefit payments	(4,842,479)	(6,203,761)	1,361,282
Administrative expense	-	(27,197)	27,197
Net Changes	4,977,989	780,645	4,197,344
Balances at June 30, 2020	\$ 94,572,354	\$ 27,205,309	\$67,367,045

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 5.35%, 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 4.35%	Current Discount Rate 5.35%	1.00% Higher 6.35%
Net OPEB Liability	\$ 76,364,465	\$ 67,367,045	\$ 59,688,143
Ratio of Plan Net Position to Total OPEB Liability	26.3%	28.8%	31.3%

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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	\$ 50,296,763	\$ 67,367,045	\$ 88,011,779
Ratio of Plan Net Position to Total OPEB Liability	35.1%	28.8%	23.6%

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

For the year ended June 30, 2020, the school division recognized NNPS OPEB expense of \$1,041,642. At June 30, 2020, 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	\$ 1,196,839	\$ 248,888
Change in assumptions	8,847,069	3,532,656
Net difference between projected and actual earnings	-	9,611,721
Total	<u>\$ 10,043,908</u>	<u>\$ 13,393,265</u>

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)
2021	\$ (2,500,619)
2022	(2,500,618)
2023	1,443,665
2024	208,215
Thereafter	-
	<u>\$ (3,349,357)</u>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

(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 Section 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 teachers and 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 SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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, 2020 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 \$2,004,557 and \$1,976,811 for the years ended June 30, 2020 and 2019, 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, 2020, the School Board reported a liability of \$25,719,834 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, 2019 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 performed as of June 30, 2018, rolled forward to the measurement date of June, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board's proportion of the VRS Teacher Employee HIC Program was 1.96470% as compared to 1.99148% at June 30, 2018.

For the year ended June 30, 2020, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of \$1,985,000. 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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

At June 30, 2020, 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	\$ 1,624	\$ -
Change in assumptions	598,620	178,717
Change in proportionate share	-	738,884
Difference between expected and actual experience	-	145,681
Contributions to the plan subsequent to the measurement date	2,004,557	-
Total	\$ 2,604,801	\$ 1,063,282

\$2,004,557 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, 2021. Other 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
2021	\$ (106,161)
2022	(106,187)
2023	(94,916)
2024	(98,689)
2025	(75,979)
Thereafter	18,894
	\$ (463,038)

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, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation – Teacher Employees	3.5% – 5.95%
Investment rate of return	6.75%, net of plan investment expenses, including inflation*

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

- * 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 6.75%. 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 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates – Teachers

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

Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar 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, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Except for the change in discount rate, which was based on VRS board action effective as of July 1, 2019, 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
- Decreased discount rate from 7.00% to 6.75%

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**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

5. 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, 2019, 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	\$ 1,438,114
Plan Fiduciary Net Position	129,016
Employers' Net HIC OPEB Liability	<u>\$ 1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.97%

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

6. Long-Term Expected Rate of Return

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

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**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

Asset Class	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equities	14.00%	8.77%	1.23%
MAPS-Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP-Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

- * The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

7. Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. 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, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Lower 5.75%	Current Discount Rate 6.75%	1.00% Higher 7.75%
Proportionate share of the VRS Teacher HIC OPEB Plan Net OPEB Liability	\$ 28,784,867	\$ 25,719,834	\$23,116,092

9. Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2019 CAFR. A copy of the 2019 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 Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Plan Description

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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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 service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute. This amount will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit was increased to \$8,463 effective July 1, 2020.

11. Contributions

The contribution requirements for the GLI Program are governed by Section 51.1-506 and Section 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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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, 2020 was .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 \$2,201,493 and \$2,171,373 for Professionals and were \$157,077 and \$146,138 for Non-professionals for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020, the School Board reported a liability of \$13,758,698 and \$926,891 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, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. 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, 2019, the School Board's proportion was 0.84551% as compared to 0.85173% for Professionals and 0.05696% as compared to 0.05185% for Non-professionals for the years ended June 30, 2019 and 2018, respectively.

For the year ended June 30, 2020, the School Board recognized GLI OPEB expense of \$249,209 and \$73,479 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, 2020, 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	\$ -	\$ 282,614
Change in assumptions	868,644	414,885
Change in proportionate share	-	315,199
Difference between expected and actual experience	915,036	178,464
Contributions to the plan subsequent to the measurement date	2,201,493	-
	<u>\$ 3,985,173</u>	<u>\$ 1,191,162</u>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

Non-professional

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings		
on VRS Group Life Insurance OPEB plan investment \$	-	\$ 19,039
Change in assumptions	58,518	27,950
Change in proportionate share	224,945	-
Difference between expected and actual experience	61,644	12,022
Contributions to the plan subsequent to the measurement date	157,077	-
	<u><u>\$ 502,184</u></u>	<u><u>\$ 59,011</u></u>

\$2,201,493 for Professionals and \$157,077 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, 2021.

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

<u>Year Ended June 30</u>	<u>Deferred Inflows and Outflows</u>
2021	\$ (20,061)
2022	(20,050)
2023	99,648
2024	210,870
2025	248,458
Thereafter	73,653
	<u><u>\$ 592,518</u></u>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

Non-professional

Year Ended June 30	Deferred Inflows and Outflows
2021	\$ 55,339
2022	55,339
2023	63,403
2024	61,862
2025	40,622
Thereafter	9,531
	\$ 286,096

13. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation –	
Professional	3.5%– 5.95%
Non-Professional	3.5%– 5.35%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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 SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Except for the change in discount rate, which was based on VRS board action effective as of July 1, 2019, 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
- Decrease in rate from 7.00% to 6.75%

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except for the change in discount rate, which was based on VRS board action effective as of July 1, 2019, 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
- Decrease in rate from 7.00% to 6.75%

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

14. 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	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
Employers' Net GLI OPEB Liability	<u><u>\$ 1,627,266</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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.

15. Long-Term Expected Rate of Return

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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

Asset Class	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equities	14.00%	8.77%	1.23%
MAPS-Multi-Asset	6.00%	3.52%	0.21%
Public Strategies			
PIP-Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

16. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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 ended June 30, 2019, the rate contributed by the school division for the GLI OPEB will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

Professional

	1.00% Lower 5.75%	Current Discount Rate 6.75%	1.00% Higher 7.75%
Proportionate share of the VRS Group Life Insurance OPEB Plan Net OPEB Liability	\$ 18,075,120	\$ 13,758,698	\$ 10,258,199

Non-professional

	1.00% Lower 5.75%	Current Discount Rate 6.75%	1.00% Higher 7.75%
Proportionate share of the VRS Group Life Insurance OPEB Plan Net OPEB Liability	\$ 1,217,678	\$ 926,891	\$ 691,071

18. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2019 CAFR. A copy of the 2019 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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

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, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Claims payable at beginning of year	\$ 2,690,000	\$ 2,594,000
Claims and changes in estimates	33,641,050	28,904,270
Claim payments	<u>(33,455,050)</u>	<u>(28,808,270)</u>
Claims payable at end of year	<u>\$ 2,876,000</u>	<u>\$ 2,690,000</u>

(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, 2020 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Claims payable at beginning of year	\$ 5,001,661	\$ 5,332,395
Claims and changes in estimates	1,651,138	1,128,380
Claim payments	<u>(1,821,058)</u>	<u>(1,459,114)</u>
Claims payable at end of year	<u>\$ 4,831,741</u>	<u>\$ 5,001,661</u>

(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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

(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, 2020 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.

(c) *COVID-19*

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the School Board's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time. Enrollment for the school year starting September 2020 was lower than expected, likely due in part to COVID-19. Our state revenue for FY2021 is largely driven by enrollment, and will see a corresponding decline.

(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, Police Department security at School Board athletic events, 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, 2020 was \$559,279. The School Board provides fiber WAN services, fiber WAN installation, buses for certain City

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2020

field trips, and shared costs of a School Board building that houses City programs to the City during the year ended June 30, 2020 at charges of \$350,646. 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, 2020, the City owed the School Board \$12,839,482 for capital projects funding.

The School Board has agreed to provide the City with annual payments of \$455,000 for the next six 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, 2020 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, 2020

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

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Commonwealth of Virginia:				
Standards of Quality funds	\$ 160,136,088	\$ 160,136,088	\$ 158,975,313	\$ (1,160,775)
Incentive funds	9,336,245	9,336,245	9,476,025	139,780
Categorical funds	123,537	123,537	136,505	12,968
Lottery funded programs	27,782,782	27,782,782	28,121,261	338,479
Other state agencies	5,000	5,000	1,734.00	(3,266)
City of Newport News	110,889,307	110,889,307	110,889,307	-
Federal government	3,044,802	3,044,802	2,377,069	(667,733)
Charges for services	1,838,455	2,171,649	2,311,247	139,598
Total revenues	<u>313,156,216</u>	<u>313,489,410</u>	<u>312,288,461</u>	<u>(1,200,949)</u>
Expenditures:				
Instructional services:				
Classroom instruction	126,541,260	120,420,882	120,101,514	319,368
Office of the principal	19,334,965	19,317,773	19,386,136	(68,363)
Special education	38,555,175	37,601,424	37,558,074	43,350
Career and technical	8,713,833	8,685,497	8,759,357	(73,860)
Talented and gifted	5,006,981	4,391,998	4,227,903	164,095
Summer school	1,079,458	889,348	883,352	5,996
Adult Education	159,962	159,962	160,508	(546)
Athletics/Drivers' Education	2,609,173	2,307,648	2,310,164	(2,516)
Pre school	6,314,043	5,580,682	5,426,687	153,995
Guidance and counseling	8,105,541	8,040,199	8,143,571	(103,372)
Improvement of instruction - staff	6,077,395	6,324,905	6,154,374	170,531
Media services	5,453,175	5,235,591	5,220,555	15,036
School social workers	1,200,878	1,373,025	1,415,892	(42,867)
Homebound	245,463	175,463	169,302	6,161
Instructional support-student leadership	1,211,587	1,053,826	1,002,212	51,614
Total academic services	<u>230,608,889</u>	<u>221,558,223</u>	<u>220,919,601</u>	<u>638,622</u>
Attendance and health services:				
Psychological services	1,677,188	1,371,321	1,314,516	56,805
Attendance	1,012,806	897,575	900,406	(2,831)
Health services	3,733,850	3,559,074	3,551,905	7,169
Total attendance and health services	<u>6,423,844</u>	<u>5,827,970</u>	<u>5,766,827</u>	<u>61,143</u>
Transportation services:				
Transportation administration	2,220,300	2,237,899	2,245,493	(7,594)
Vehicle operation services	14,116,048	12,601,151	12,762,829	(161,678)
Monitoring services	2,288,678	2,118,418	2,106,145	12,273
Vehicle maintenance services	2,457,227	2,385,827	2,341,953	43,874
Total transportation services	<u>21,082,253</u>	<u>19,343,295</u>	<u>19,456,420</u>	<u>(113,125)</u>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Required Supplementary Information (Unaudited)

General Fund Year Ended June 30, 2020

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	\$ 3,403,605	\$ 3,377,022	\$ 3,403,398	\$ (26,376)
Warehouse	233,057	232,479	250,034	(17,555)
Operations	1,439,873	1,273,933	1,205,970	67,963
Grounds services	1,030,786	1,101,372	1,428,640	(327,268)
Building services	26,103,070	27,322,393	26,458,971	863,422
Equipment services	3,500.00	3,500	-	3,500
Vehicle operation services	261,381	235,537	212,892	22,645
Facilities	-	2,873,725	2,669,633	204,092
Total operations and facilities	32,475,272	36,419,961	35,629,538	790,423
Technology services:				
Technology - classroom instruction	238,540	304,677	286,100	18,577
Technology - instructional support	7,632,383	14,233,132	14,263,488	(30,356)
Information technology	4,811,735	4,551,338	4,525,428	25,910
Technology - operations & maintenance	856,287	2,293,022	2,388,217	(95,195)
Total technology services	13,538,945	21,382,169	21,463,233	(81,064)
Administration:				
Information services	1,554,403	1,604,705	1,562,187	42,518
School Board	245,794	245,794	244,159	1,635
Superintendent's office	1,561,884	1,567,884	1,620,557	(52,673)
Human resources	2,792,766	2,717,403	2,757,650	(40,247)
Accountability	288,937	288,937	342,813	(53,876)
Business	1,812,918	1,832,013	1,880,218	(48,205)
Purchasing	543,991	474,736	445,946	28,790
Print shop	(373)	(373)	26,241	(26,614)
Total administration	8,800,320	8,731,099	8,879,771	(148,672)
Total expenditures	312,929,523	313,262,717	312,115,390	1,147,327
Other financing uses:				
Transfer to City of Newport News – debt service	226,693	226,693	226,693	-
Total other financing uses	226,693	226,693	226,693	-
Total expenditures and other financing uses	313,156,216	313,489,410	312,342,083	1,147,327
Net change in fund balances	-	-	(53,622)	(53,622)
Fund balance at beginning of year	20,898,666	20,898,666	20,898,666	-
Less encumbrances outstanding at June 30, 2019 expended or canceled at June 30, 2020	(13,578,296)	(13,578,296)	(13,524,674)	53,622
Add encumbrances outstanding at June 30, 2020	15,766,541	15,766,541	15,766,541	-
Decrease in fund balance appropriated by the City	(333,194)	(333,914)	(333,194)	-
Decrease in assigned for health self-insurance	(1,324,964)	(1,324,964)	(1,324,964)	-
Increase in nonspendable inventories	169,989	169,989	169,989	-
Fund balance at end of year	\$ 21,598,742	\$ 21,598,022	\$ 21,598,742	\$ -

**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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Pension Liability						
Service cost	\$ 422,992	\$ 487,107	\$ 571,242	\$ 589,528	\$ 622,391	\$ 754,780
Interest	45,008	76,377	109,773	156,742	182,205	235,956
Benefit payments, including refunds of employee contributions	(13,178)	(26,584)	(19,080)	(46,216)	(110,743)	(66,469)
Change in assumptions	-	-	-	(181,126)	-	163,847
Difference between expected and actual experience	-	(63,569)	22,631	(122,907)	51,870	219,381
Net change in total pension liability	454,822	473,331	684,566	396,021	745,723	1,307,495
Total pension liability -- beginning	649,566	1,104,388	1,577,719	2,262,285	2,658,306	3,404,029
Total pension liability -- ending	<u>\$ 1,104,388</u>	<u>\$ 1,577,719</u>	<u>\$ 2,262,285</u>	<u>\$ 2,658,306</u>	<u>\$ 3,404,029</u>	<u>\$ 4,711,524</u>
Plan fiduciary net position						
Contributions -- employer	\$ 375,675	\$ 261,980	\$ 261,217	\$ 231,378	\$ 276,857	\$ 289,226
Contributions -- employee	226,048	284,255	296,130	345,945	422,842	472,079
Net investment income	221,774	104,055	64,857	423,954	318,845	376,257
Benefit payments, including refunds of employee contributions	(13,178)	(26,584)	(19,080)	(46,216)	(110,743)	(66,469)
Administrative expense	(698)	(876)	(1,265)	(1,869)	(2,215)	(2,784)
Other	12	(24)	(23)	(405)	(314)	(244)
Net change in plan fiduciary net position	809,633	622,806	601,836	952,787	905,272	1,068,065
Plan fiduciary net position -- beginning	1,160,169	1,969,802	2,592,608	3,194,444	4,147,231	5,052,503
Plan fiduciary net position -- ending	<u>\$ 1,969,802</u>	<u>\$ 2,592,608</u>	<u>\$ 3,194,444</u>	<u>\$ 4,147,231</u>	<u>\$ 5,052,503</u>	<u>\$ 6,120,568</u>
 Total net pension asset -- beginning	<u>\$ (510,603)</u>	<u>\$ (865,414)</u>	<u>\$ (1,014,889)</u>	<u>\$ (932,159)</u>	<u>\$ (1,488,925)</u>	<u>\$ (1,648,474)</u>
Total net pension asset -- ending	<u>\$ (865,414)</u>	<u>\$ (1,014,889)</u>	<u>\$ (932,159)</u>	<u>\$ (1,488,925)</u>	<u>\$ (1,648,474)</u>	<u>\$ (1,409,044)</u>
Plan net position as a percentage of total pension asset	227.6%	255.5%	342.7%	278.5%	306.5%	434.4%
Covered Payroll	\$ 3,917,266	\$ 4,012,012	\$ 6,499,789	\$ 7,793,308	\$ 9,712,181	\$ 10,920,615
Net pension asset as a percentage of covered payroll	22.1%	25.3%	14.3%	19.1%	17.0%	12.9%

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	VRS 2019	NNERF 2019
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%	1.96772%	21.04650%
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	\$ 258,963,134	\$ 85,067,976
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	\$ 164,776,215	\$ 103,823,307
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%	157.16%	81.94%
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%	73.51%	70.03%

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	Contribution 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%
2020	287,482	287,482	-	11,707,429	2.46%
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%
2020	25,367,460	25,367,460	-	166,991,982	15.19%
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%
2020	8,773,351	8,773,351	-	98,821,339	8.88%

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability				
Service cost	\$ 346,158	\$ 356,543	\$ 367,239	\$ 190,014
Interest	6,228,890	6,134,980	5,576,757	5,173,959
Difference between expected and actual experience	-	-	(19,223,441)	-
Change in assumptions	-	13,762,045	(7,065,612)	4,456,495
Benefit payments	(6,171,067)	(5,120,869)	(4,710,799)	(4,842,479)
Net change in total OPEB liability	403,981	15,132,699	(25,055,856)	4,977,989
Total OPEB liability -- beginning	99,113,541	99,517,522	114,650,221	89,594,365
Total OPEB liability -- ending	<u>\$ 99,517,522</u>	<u>\$ 114,650,221</u>	<u>\$ 89,594,365</u>	<u>\$ 94,572,354</u>
 Plan fiduciary net position				
Contributions -- employer	\$ 6,745,919	\$ 5,120,869	\$ 4,710,799	\$ 4,842,479
Contributions -- members	1,525,148	1,506,699	1,413,703	1,361,282
Net investment income	2,489,541	2,238,661	1,162,759	807,842
Benefit payments	(6,171,067)	(6,627,568)	(6,124,502)	(6,203,761)
Administrative expense	(23,168)	(26,340)	(26,688)	(27,197)
Other changes	-	-	(27,000)	-
Net change in plan fiduciary net position	4,566,373	2,212,321	1,109,071	780,645
Plan fiduciary net position -- beginning	18,536,899	23,103,272	25,315,593	26,424,664
Plan fiduciary net position -- ending	<u>\$ 23,103,272</u>	<u>\$ 25,315,593</u>	<u>\$ 26,424,664</u>	<u>\$ 27,205,309</u>
 Net OPEB Liability -- Beginning of Year	<u>\$ 80,576,642</u>	<u>\$ 76,414,250</u>	<u>\$ 89,334,628</u>	<u>\$ 63,169,701</u>
Net OPEB Liability -- End of Year	<u>\$ 76,414,250</u>	<u>\$ 89,334,628</u>	<u>\$ 63,169,701</u>	<u>\$ 67,367,045</u>
Plan Fiduciary Net Position as a percentage of Total				
OPEB Liability	23.2%	22.1%	29.5%	28.8%
Covered Payroll	\$ 111,269,858	\$ 102,181,521	\$ 96,501,902	\$ 92,110,467
Net OPEB Liability as a percentage of Covered Payroll	72.3%	87.4%	65.5%	73.1%

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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**
Required Supplementary Information (Unaudited)
Schedule of Investment Returns

Year Ended June 30

<u>Year</u>	<u>Annual Money- Weighted Rate of Return, net of Investment Expenses</u>
2016	12.8%
2017	9.7%
2018	4.6%
2019	3.1%

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
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%
2020	4,842,479	4,842,479	100.00%	-	92,110,467	5.26%

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	VRS 2019
Employer's proportion of the net Teacher HIC OPEB plan liability	2.02361%	1.99148%	1.96470%
Employer's proportionate share of the net Teacher HIC OPEB plan liability	\$ 25,671,000	\$ 25,286,000	\$ 25,719,834
Employer's covered payroll	\$ 159,703,318	\$ 161,058,323	\$ 164,792,500
Employer's proportionate share of the net Teacher HIC OPEB plan liability as a percentage of its covered payroll	16.07%	15.70%	15.61%
Plan fiduciary net position as a percentage of the total Teacher HIC OPEB liability	7.04%	8.08%	8.97%

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	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
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%
2020	2,004,557	2,004,557	-	167,020,303	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	VRS PROFESSIONAL 2019	VRS NON-PROFESSIONAL 2019
Employer's proportion of the net GLI OPEB liability	0.87085%	0.04305%	0.85173%	0.05185%	0.84551%	0.05696%
Employer's proportionate share of the net GLI OPEB liability	\$ 13,105,000	\$ 648,000	\$ 12,936,000	\$ 787,000	\$ 13,758,698	\$ 926,891
Employer's covered payroll	\$ 160,630,602	\$ 7,941,396	\$ 161,954,625	\$ 9,859,090	\$ 165,748,568	\$ 11,166,678
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%	8.30%	8.30%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	48.86%	51.22%	51.22%	52.00%	52.00%

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	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
VRS Professional Plan:					
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%
2020	873,869	873,869	-	168,051,675	0.52%
VRS Non-Professional Plan:					
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%
2020	62,540	62,540	-	12,027,008	0.52%

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes To Required Supplementary Information

June 30, 2020

(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.

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**
Notes To Required Supplementary Information
June 30, 2020

(2) Intergovernmental Revenue – City of Newport News

A reconciliation of intergovernmental revenue follows:

City budget appropriations	\$ 110,889,307
Less amounts recorded by City	<u>(344,297)</u>
City revenue - GAAP basis	<u><u>\$ 110,545,010</u></u>

(3) Miscellaneous Revenue

A reconciliation of miscellaneous revenue from budget basis to GAAP fund accounting is as follows:

Miscellaneous revenue	\$ 333,194
Less amounts from prior year fund balance	<u>(333,194)</u>
Miscellaneous revenue - GAAP basis	<u><u>\$ -</u></u>

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, 2020

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Asset:				
Cash and cash equivalents	<u>\$1,664,105</u>	<u>\$2,502,706</u>	<u>\$2,493,714</u>	<u>\$1,673,097</u>
Liabilities:				
Due to students	<u>\$1,664,105</u>	<u>\$2,502,706</u>	<u>\$2,493,714</u>	<u>\$1,673,097</u>
Total liabilities	<u>\$1,664,105</u>	<u>\$2,502,706</u>	<u>\$2,493,714</u>	<u>\$1,673,097</u>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2020

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 and all resources were used up as of June 30, 2020.

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, 2020

	Special Revenue Funds				Capital Projects Funds		Total Other Nonmajor Governmental Funds
	Workers' Compensation	Textbooks	Child Nutrition	Adult Education	State Construction	General Cash	
Assets							
Cash and cash equivalents	\$ 5,189,038	\$ 6,658,743	\$ 3,456,342	\$ 250,682	\$ -	\$ 4,073,522	\$ 19,628,327
Cash with agent	250,000	-	-	-	-	-	250,000
Accounts receivable	-	-	-	63,426	-	-	63,426
Due from other governments:							
Federal - Department of Agriculture	-	-	533,674	-	-	-	533,674
Inventories, at cost	-	-	955,371	-	-	-	955,371
Total assets	<u>\$ 5,439,038</u>	<u>\$ 6,658,743</u>	<u>\$ 4,945,387</u>	<u>\$ 314,108</u>	<u>\$ -</u>	<u>\$ 4,073,522</u>	<u>\$ 21,430,798</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 86,101	\$ -	\$ 141,513	\$ -	\$ -	\$ -	\$ 227,614
Accrued liabilities	-	-	11,573	-	-	-	11,573
Total liabilities	<u>86,101</u>	<u>-</u>	<u>153,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,187</u>
Fund balances:							
Restricted:							
Adult education services	-	-	-	125,643	-	-	125,643
Capital projects	-	-	-	-	-	1,136,550	1,136,550
Child nutrition services	-	-	4,792,301	-	-	-	4,792,301
Textbooks	-	6,185,298	-	-	-	-	6,185,298
Workers' compensation	5,324,862	-	-	-	-	-	5,324,862
Assigned to:							
Adult education services	-	-	-	188,465	-	-	188,465
Contractual obligations	28,075	473,445	-	-	-	2,936,972	3,438,492
Total fund balances	<u>5,352,937</u>	<u>6,658,743</u>	<u>4,792,301</u>	<u>314,108</u>	<u>-</u>	<u>4,073,522</u>	<u>21,191,611</u>
Total liabilities and fund balance	<u>\$ 5,439,038</u>	<u>\$ 6,658,743</u>	<u>\$ 4,945,387</u>	<u>\$ 314,108</u>	<u>\$ -</u>	<u>\$ 4,073,522</u>	<u>\$ 21,430,798</u>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

Other Nonmajor Governmental Funds

Year Ended June 30, 2020

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,400,000	\$ 4,400,000
Commonwealth of Virginia	-	1,950,551	621,614	160,802	-	-	2,732,967
Federal government	-	-	15,097,002	-	-	-	15,097,002
Charges for services	1,603,625	-	479,983	244,585	-	-	2,328,193
Investment income	85,824	-	82,520	-	-	-	168,344
Total revenues	<u>1,689,449</u>	<u>1,950,551</u>	<u>16,281,119</u>	<u>405,387</u>	<u>-</u>	<u>4,400,000</u>	<u>24,726,506</u>
Current expenditures:							
Academic services	-	1,355,044	-	490,310	-	-	1,845,354
Operations and facilities	-	-	86,576	-	-	-	86,576
Child nutrition services	-	-	19,572,622	-	-	-	19,572,622
Administration	1,702,393	-	-	-	-	-	1,702,393
Capital outlay	-	-	-	-	70,709	2,326,807	2,397,516
Total expenditures	<u>1,702,393</u>	<u>1,355,044</u>	<u>19,659,198</u>	<u>490,310</u>	<u>70,709</u>	<u>2,326,807</u>	<u>25,604,461</u>
Net change in fund balances	<u>(12,944)</u>	<u>595,507</u>	<u>(3,378,079)</u>	<u>(84,923)</u>	<u>(70,709)</u>	<u>2,073,193</u>	<u>(877,955)</u>
Fund balances at beginning of year	5,365,881	6,063,236	7,699,243	399,031	70,709	2,000,329	21,598,429
Increase in nonspendable inventory	-	-	471,137	-	-	-	471,137
Fund balances at end of year	<u>\$ 5,352,937</u>	<u>\$ 6,658,743</u>	<u>\$ 4,792,301</u>	<u>\$ 314,108</u>	<u>\$ -</u>	<u>\$ 4,073,522</u>	<u>\$ 21,191,611</u>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Workers' Compensation Fund

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

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Charges for services	\$ 1,865,000	\$ 1,865,000	\$ 1,603,625	\$ (261,375)
Investment income	60,000	60,000	85,824	25,824
Total revenues	<u>1,925,000</u>	<u>1,925,000</u>	<u>1,689,449</u>	<u>(235,551)</u>
Expenditures:				
Administration				
Claims	2,094,000	2,094,000	1,508,873	585,127
Administrative	229,500	229,500	212,675	16,825
Total Administration	<u>2,323,500</u>	<u>2,323,500</u>	<u>1,721,548</u>	<u>601,952</u>
Total expenditures	<u>2,323,500</u>	<u>2,323,500</u>	<u>1,721,548</u>	<u>601,952</u>
Net change in fund balances	(398,500)	(398,500)	(32,099)	366,401
Fund balance at beginning of year	5,365,881	5,365,881	5,365,881	-
Less encumbrances outstanding at June 30, 2019				
expended or canceled at June 30, 2020	(8,920)	(8,920)	(8,920)	-
Add encumbrances outstanding at June 30, 2020	28,075	28,075	28,075	-
Fund balance at end of year	<u>\$ 4,967,381</u>	<u>\$ 4,967,381</u>	<u>\$ 5,352,937</u>	<u>\$ 366,401</u>

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Textbook Fund

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

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Total revenues	\$ 1,959,962	\$ 1,959,962	\$ 1,950,551	\$ (9,411)
Expenditures:				
Academic services	1,959,962	1,959,962	245,415	1,714,547
Total expenditures	1,959,962	1,959,962	245,415	1,714,547
Net change in fund balances	-	-	1,705,136	(1,705,136)
Fund balance at beginning of year	6,063,236	6,063,236	6,063,236	-
Less encumbrances outstanding at June 30, 2019				
expended or canceled at June 30, 2020	(1,583,074)	(1,583,074)	(1,583,074)	-
Add encumbrances outstanding at June 30, 2020	473,445	473,445	473,445	-
Fund balance at end of year	<u>\$ 4,953,607</u>	<u>\$ 4,953,607</u>	<u>\$ 6,658,743</u>	<u>\$ (1,705,136)</u>

STATISTICAL SECTION

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**
STATISTICAL SECTION
(Unaudited)

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

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

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

<u>Contents</u>	<u>Page</u>
Financial Trends	S-1
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	S-3
<i>The School Board does not have the ability to generate its own revenue, but instead receives revenue generated by the City of Newport News, the Commonwealth of Virginia and the Federal government.</i>	
Debt Capacity	S-7
<i>The School Board cannot issue general obligation bonded debt. The debt for capital leases and facility notes payable is provided.</i>	
Demographic and Economic Information	S-8
<i>The schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	S-10
<i>These schedules contain service and capital asset data to help the reader understand how the information of the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

Table I

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Net Position by Component (Unaudited)

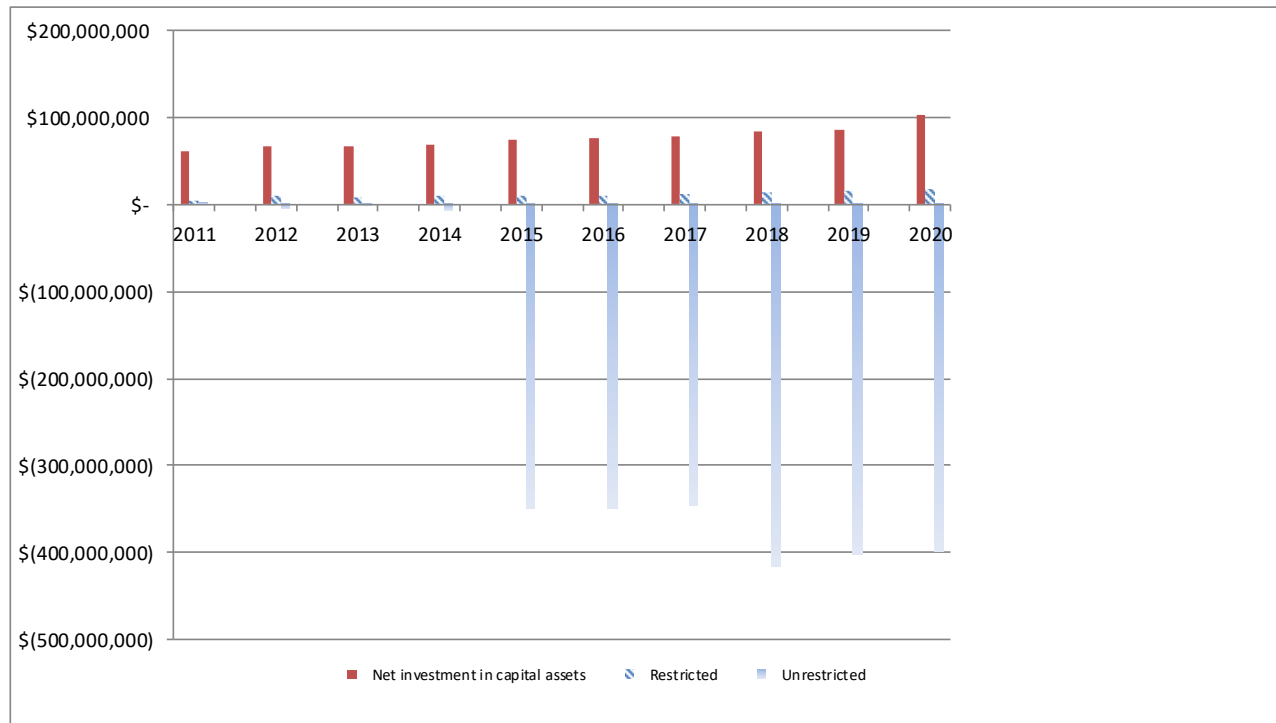
Last Ten Fiscal Years

(Accrual Basis of Accounting)

Fiscal Year

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 103,225,846
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	17,564,654
Unrestricted	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)	(397,884,305)
Total net position	<u>\$ 70,326,179</u>	<u>\$ 73,482,689</u>	<u>\$ 74,420,298</u>	<u>\$ 72,539,045</u>	<u>\$ (264,982,116)</u>	<u>\$ (262,199,108)</u>	<u>\$ (252,723,904)</u>	<u>\$ (317,723,407)</u>	<u>\$ (299,510,996)</u>	<u>\$ (277,093,805)</u>

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
Academic services	\$ 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	\$ 251,796,113
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	5,840,823
Transportation services	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	22,340,038
Operations and facilities	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	33,407,917
Child nutrition services	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	19,389,589
Technology services	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	19,015,003
Administration	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	10,830,253
Interest on capital debt	639,293	503,181	387,257	282,261	258,111	40,858	861,885	502,197	470,071	445,834
Total expenses	<u>318,675,759</u>	<u>315,716,709</u>	<u>315,148,360</u>	<u>312,709,478</u>	<u>322,234,339</u>	<u>317,605,731</u>	<u>340,798,513</u>	<u>333,005,865</u>	<u>341,214,134</u>	<u>363,065,570</u>
Program Revenues										
Charges for services:										
Academic services	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	1,257,017
Operations and facilities	1,066,629	597,360	480,397	258,467	417,127	443,071	425,862	456,180	369,970	612,132
Child nutrition services	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	479,983
Technology services	265,388	192,388	180,020	169,063	106,760	526,503	878,545	118,209	298,250	252,776
Administration	-	-	1,007,426	857,254	2,446,135	2,095,897	2,094,329	1,543,042	3,094,401	1,704,338
Operating grants and contributions	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	82,297,679
Capital grants and contributions	5,687,811	2,537,511	867,746	858,967	1,308,589	885,030	1,931,173	1,371,676	1,632,915	1,662,668
Total program revenues	<u>81,740,940</u>	<u>78,896,595</u>	<u>75,796,643</u>	<u>69,874,224</u>	<u>71,757,587</u>	<u>70,846,457</u>	<u>77,810,829</u>	<u>80,402,351</u>	<u>84,912,811</u>	<u>88,266,593</u>
Net Expense	<u>\$ 236,934,819</u>	<u>\$ 236,820,114</u>	<u>\$ 239,351,717</u>	<u>\$ 242,835,254</u>	<u>\$ 250,476,752</u>	<u>\$ 246,759,274</u>	<u>\$ 262,987,684</u>	<u>\$ 252,603,514</u>	<u>\$ 256,301,323</u>	<u>\$ 274,798,977</u>

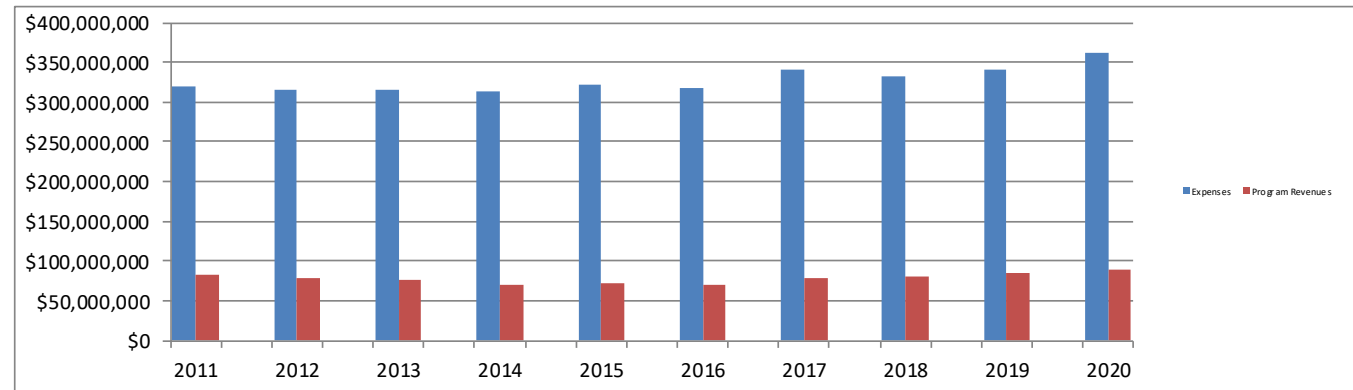


Table III

**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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Expense										
Total net expense	\$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	\$ 274,798,977
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Grants not restricted to specific programs										
City of Newport News, Virginia	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	136,449,303
Commonwealth of Virginia	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	158,975,313
Federal government	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	1,623,208
Interest	16,099	18,784	19,275	17,347	15,432	28,693	59,166	110,753	188,822	168,344
Miscellaneous	-	-	-	-	-	-	-	39,418	-	-
Total general revenues	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	297,216,168
Change in Net Position	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	22,417,191
Net position at beginning of year	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)
Prior period adjustment	-	-	-	-	(361,196,264)	-	-	(81,256,651)	-	-
Net position at end of year	\$ 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)	\$ (277,093,805)

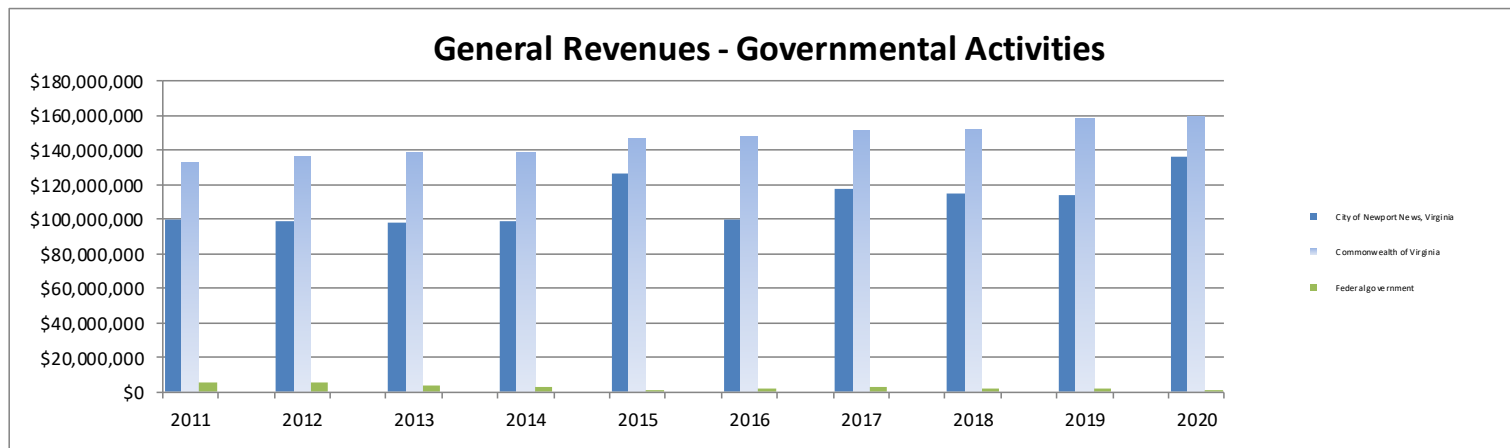


Table IV

**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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 656,720	\$ 708,477	\$ 1,416,350	\$ 1,812,575	\$ 1,748,790	\$ 1,295,585	\$ 1,114,494	\$ 1,169,262	\$ 862,212	\$ 1,032,201
Assigned to	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	20,566,541
Unassigned	-	-	619,750	-	-	-	-	-	333,194	-
Total General Fund	<u>\$ 31,703,293</u>	<u>\$ 24,297,808</u>	<u>\$ 29,545,953</u>	<u>\$ 29,737,835</u>	<u>\$ 25,397,703</u>	<u>\$ 25,364,411</u>	<u>\$ 23,457,385</u>	<u>\$ 22,669,891</u>	<u>\$ 20,898,666</u>	<u>\$ 21,598,742</u>
All Other Governmental Funds										
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	17,564,654
Assigned	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	13,033,303
Total all other governmental funds	<u>\$ 9,449,640</u>	<u>\$ 13,045,649</u>	<u>\$ 15,427,667</u>	<u>\$ 12,784,877</u>	<u>\$ 30,421,001</u>	<u>\$ 15,506,056</u>	<u>\$ 20,062,772</u>	<u>\$ 25,636,824</u>	<u>\$ 25,926,138</u>	<u>\$ 30,597,957</u>

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

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Governmental Funds' Revenues and Other Financing Sources (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
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
2020	129,798,856	205,412,034	38,258,465	5,023,827	382,981	378,876,163

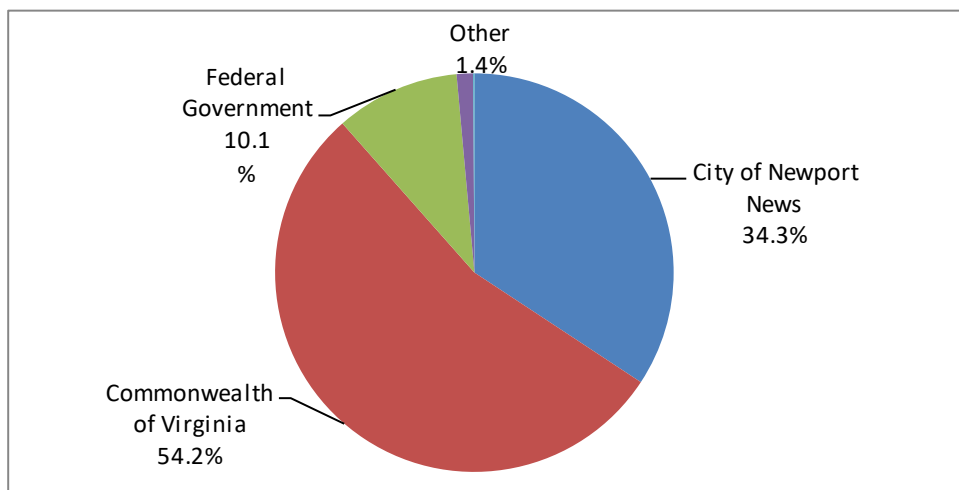


Table VI

**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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues and other financing sources (Table V)	\$ 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	\$ 378,876,163
Academic services	\$ 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	\$ 248,464,507
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	5,842,841
Transportation services	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	20,752,509
Operations and facilities	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	32,359,915
Child nutrition services	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	19,572,622
Technology services	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	19,131,895
Administration	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	10,756,984
Capital outlay	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	15,526,391
Debt service										
Principal	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	1,291,896
Interest	503,181	503,181	387,257	282,261	258,111	40,858	456,872	907,210	470,071	445,834
Other financing uses	-	-	-	18,165	-	19,821	1,282,834	-	24,895	-
Total expenditures and other financing uses	\$ 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	\$ 374,145,394
Change in fund balance	\$ (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)	\$ 4,730,769
Debt service as a percentage of noncapital expenditures	1.2%	1.2%	1.0%	1.0%	1.3%	0.1%	0.3%	0.8%	0.5%	0.5%

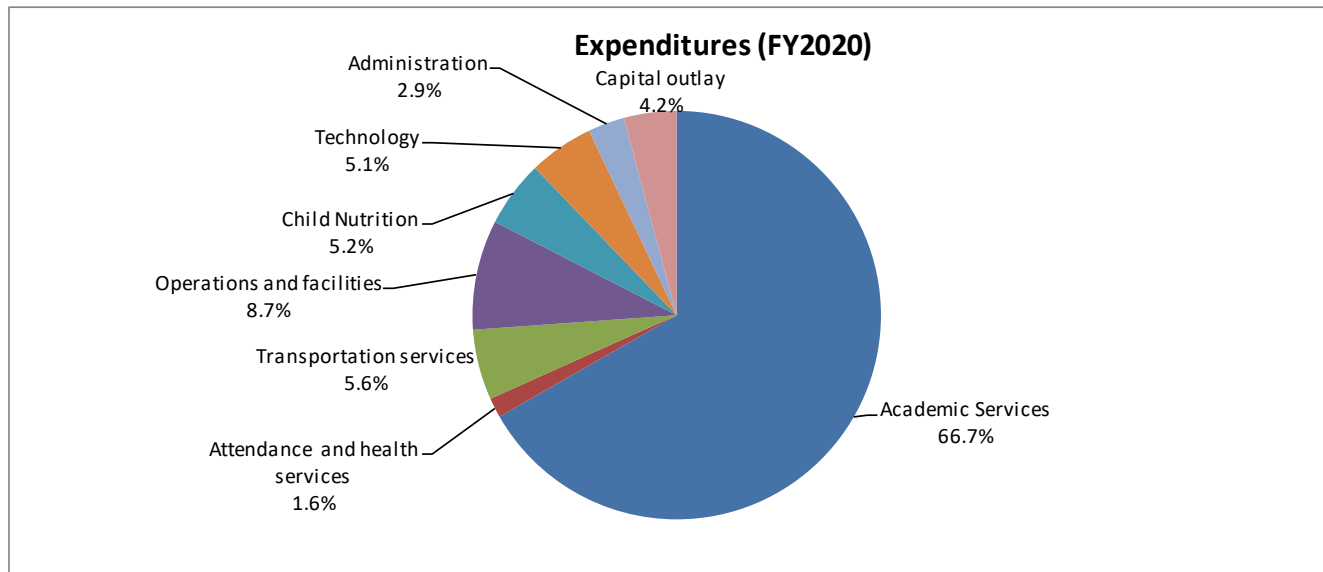


Table VII

**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
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	7,770,354	17,920	0.10%	100	0.23%
2019	178,626	18,056,404	Not Available	16,657	0.09%	93	Not Available
2020	179,225	18,712,760	Not Available	15,748	0.08%	88	Not Available

Notes: (1) Source: 2011-2015 – Bureau of Economic Analysis; 2016-2020, U. S. Bureau of Census

(2) Source - City of Newport News Office of the Treasurer and Commissioner of the Revenue

(3) Source: 2011-2018 Bureau of Economic Analysis, 2019-2020 data not yet available

NOTE - The School Board is not permitted to issue general obligation bonded debt

Table VIII

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

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

Last Four Fiscal Years

No tests were administered in 2020 due to COVID-19

Grade 3												
Test	School Board					State						
	2016	2017	2018	2019	Change	2016	2017	2018	2019	Change		
	66	65	63	56	(7)	76	75	72	71	(1)		
English: Reading	66	63	59	70	11	77	75	73	82	9		
Mathematics												
Grade 4												
Test	School Board					State						
	2016	2017	2018	2019	Change	2016	2017	2018	2019	Change		
	69	69	64	60	(4)	77	79	76	75	(1)		
English:Reading	74	72	67	69	2	83	81	79	83	4		
Mathematics	78	78	73	64	(9)	87	87	85	81	(4)		
Virginia Studies												
Grade 5												
Test	School Board					State						
	2016	2017	2018	2019	Change	2016	2017	2018	2019	Change		
	73	74	71	65	(6)	81	81	80	78	(2)		
English: Reading,	70	74	67	70	3	79	79	77	81	4		
Mathematics	74	69	71	70	(1)	81	79	79	79	-		
Science												
Grade 6												
Test	School Board					State						
	2016	2017	2018	2019	Change	2016	2017	2018	2019	Change		
	64	66	68	62	(6)	77	78	80	77	(3)		
English:Reading	76	77	71	69	(2)	82	82	79	78	(1)		
Mathematics												
Grade 7												
Test	School Board					State						
	2016	2017	2018	2019	Change	2016	2017	2018	2019	Change		
	69	71	68	66	(2)	82	82	81	79	(2)		
English:Reading	47	51	58	69	11	72	71	69	78	9		
Mathematics												
Grade 8												
Test	School Board					State						
	2016	2017	2018	2019	Change	2016	2017	2018	2019	Change		
	60	56	58	53	(5)	71	73	73	70	(3)		
English: Writing	61	61	64	62	(2)	75	76	77	76	(1)		
English: Reading,	49	46	40	43	3	73	74	71	77	6		
Mathematics	65	64	66	65	(1)	79	79	78	78	-		
Science	78	77	70	68	(2)	87	87	86	82	(4)		
Civics/Economics												
End of Course												
Test	School Board					State						
	2016	2017	2018	2019	Change	2016	2017	2018	2019	Change		
	80	78	78	76	(2)	83	84	84	81	(3)		
English: Writing	85	82	82	81	(1)	89	87	87	86	(1)		
English: Reading	81	74	70	81	11	83	82	81	86	5		
Algebra I	91	93	88	92	4	89	90	89	91	2		
Algebra II	75	72	70	77	7	80	78	77	83	6		
Geometry	78	82	72	72	-	84	82	81	81	-		
Earth science	83	80	74	69	(5)	84	82	82	83	1		
Biology	78	84	83	78	(5)	88	89	89	88	(1)		
Chemistry	86	89	82	79	(3)	84	85	82	80	(2)		
World History I	89	50	33	25	(8)	86	87	84	81	(3)		
World History II	82	80	78	51	(27)	86	86	84	68	(16)		
VA & U. S. History	80	75	72	68	(4)	86	83	82	80	(2)		
World Geography												

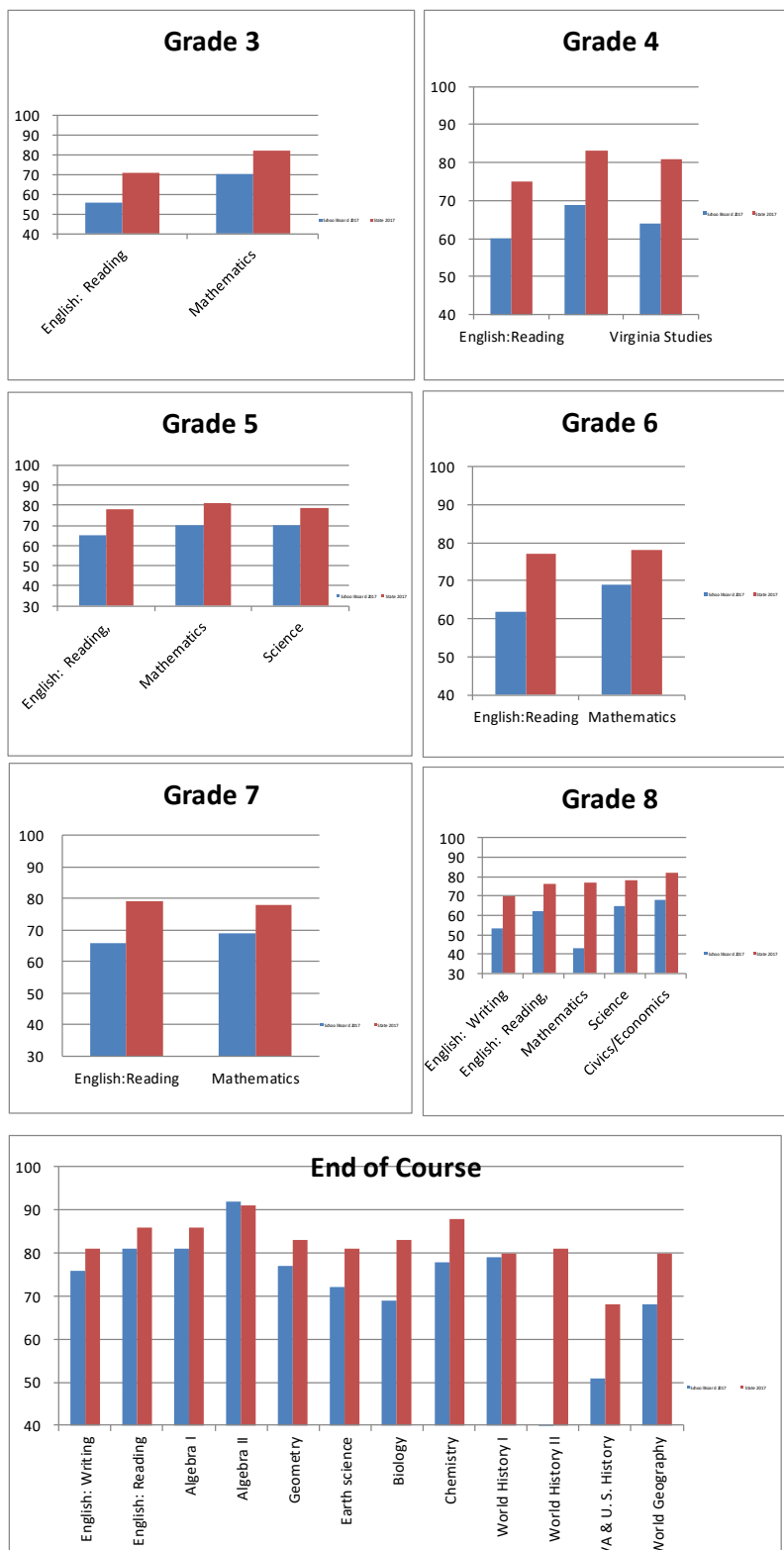
Source - Virginia Department of Education Division Report Card

**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

No tests were administered in 2020 due to COVID-19



THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Miscellaneous Statistics (Unaudited)

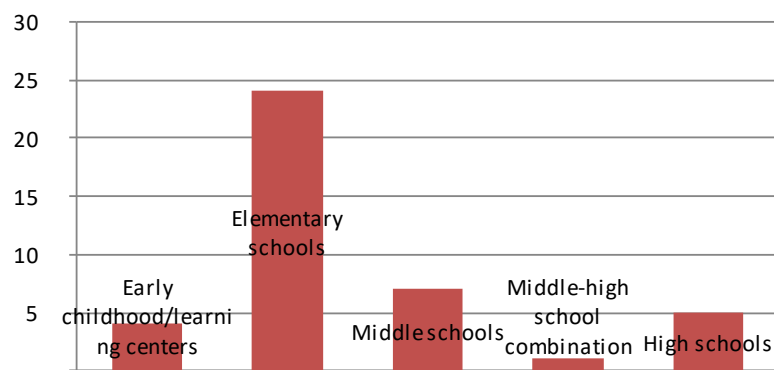
June 30, 2020

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

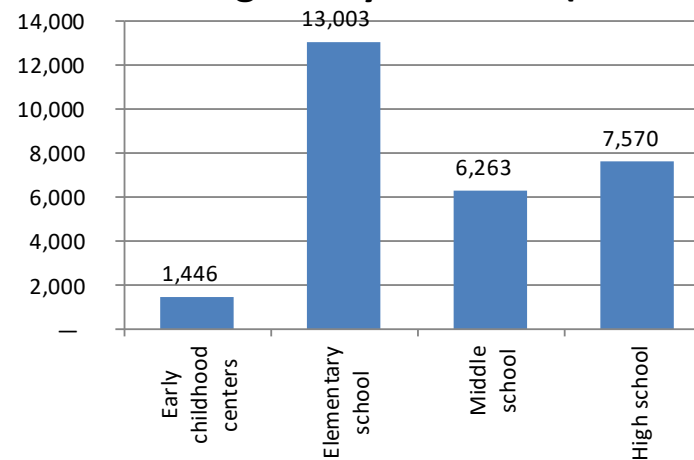
The School Board of the City of Newport News

Number of schools:		Average daily students (FY2020):	
Early childhood/learning centers	4	Early childhood centers	1,446
Elementary schools	24	Elementary school	13,003
Middle schools	7	Middle school	6,263
Middle-high school combination	1	High school	7,570
High schools	5		
Total	<u>41</u>	Total	<u>28,282</u>

Number of Schools



Average Daily Students (FY2020)



**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 (%)
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	41,646	26,993	4.9%
2018	179,388	7,770,354	43,501	26,873	4.2%
2019	178,626	Not Available	Not Available	26,916	3.5%
2020	179,225	Not Available	Not Available	26,836	5.8%

Notes:

(1) Source: 2011-2015 – Bureau of Economic Analysis; 2016-2020, U. S. Bureau of Census

(2) Source: 2011-2018 Bureau of Economic Analysis; 2019-2020 data not yet available

(3) Source: 2011-2018 Bureau of Economic Analysis; 2019-2020 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) 2011-2014 Virginia Workforce Connection, 2015-2020 Virginia Labor Market Information

Table XI

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA

Capital Asset Information (Unaudited)

Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Schools</u>										
Elementary										
Buildings (Note 1)	25	24	24	24	24	24	24	24	24	24
Average age of buildings (Note 2)	47 years	48 years	49 years	50 years	51 years	52 years	50 years	51 years	52 years	53 years
Modular learning cottages	71	71	71	71	71	71	71	71	71	71
Square feet	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	1,563,147
Capacity (based on current program)	15,800	15,600	15,600	15,600	15,600	15,600	15,750	15,750	15,750	15,750
Enrollment (as of September 30)	13,728	13,686	13,597	13,664	13,664	13,519	13,418	13,205	13,239	13,003
Percent of capacity used	87%	88%	87%	88%	88%	87%	85%	84%	84%	83%
Middle										
Buildings (Note 1)	8	8	8	8	8	8	8	8	8	8
Average age of buildings (Note 2)	39 years	40 years	41 years	42 years	43 years	44 years	45 years	46 years	47 years	48 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)	6,074	6,191	6,138	6,152	6,152	6,162	5,911	5,912	6,243	6,263
Percent of capacity used	81%	83%	82%	82%	82%	82%	79%	79%	83%	84%
High										
Buildings	6	6	6	6	6	6	6	6	6	6
Average age of buildings (Note 2)	27 years	28 years	29 years	30 years	31 years	32 years	33 years	34 years	35 years	36 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)	8,621	8,139	7,963	7,963	7,963	7,540	7,757	7,756	7,705	7,570
Percent of capacity used	101%	95%	93%	93%	93%	88%	91%	91%	90%	88%
Early Childhood Centers										
Buildings	4	4	4	4	4	4	4	4	4	4
Average age of buildings (Note 2)	28 years	37 years	38 years	39 years	40 years	41 years	42 years	43 years	44 years	45 years
Square feet	181,000	206,403	206,403	206,403	206,403	206,403	206,403	206,403	206,403	206,403
Capacity (based on current program)	1,850	2,050	2,050	2,050	2,050	1,919	1,919	1,919	1,919	1,919
Enrollment (as of September 30)	1,607	1,637	1,632	1,456	1,456	1,504	1,428	1,528	1,465	1,446
Percent of capacity used	87%	80%	80%	71%	71%	78%	74%	80%	76%	75%
<u>Administrative and Operations</u>										
Buildings	6	6	6	6	6	6	6	6	5	5
Average age of buildings	36 years	37 years	38 years	39 years	40 years	41 years	42 years	43 years	35 years	36 years
Square feet	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000
<u>Transportation</u>										
Buildings	1	1	1	1	1	1	1	1	1	1
Age of building	34 years	35 years	36 years	37 years	38 years	39 years	40 years	41 years	1 year	2 year
Square feet	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Buses	361	375	386	365	356	335	336	335	338	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

	(1)	(2)	(2)	(3)
Fiscal Year	Cost per Student	Elementary Student/ Teacher Ratio	Secondary Student/ Teacher Ratio	Percentage of Students on Free/Reduced Lunch
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	14.4	12.7	75.6%
2020	12,596	14.3	12.8	76.4%

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. (FY2020 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 2020 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

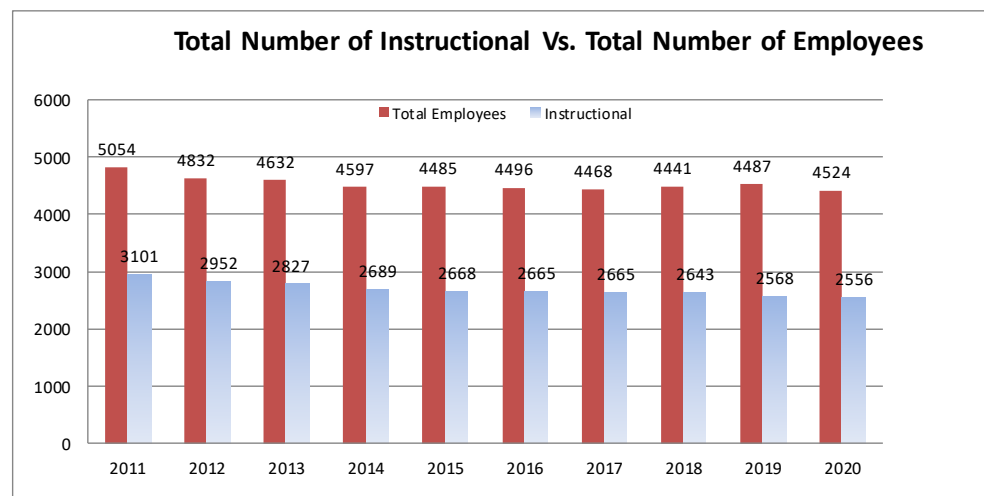
**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Full Time Equivalent District Employees by Type (Unaudited)

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Supervisory:										
Principals	41	41	41	42	39	40	39	38	41	39
Assistant principals	68	72	72	76	77	77	72	75	73	71
Instructional administrative	59	59	58	56	59	60	60	54	76	86
Other administrative and professional	55	55	57	57	57	55	55	72	71	64
Instructional:										
Elementary classroom teachers	1,310	1,251	1,248	1,223	1,139	1,227	1,236	1,245	1,209	1,203
Secondary classroom teachers	795	771	738	693	801	734	702	707	713	714
Guidance counselors	91	91	95	95	95	95	93	90	93	94
Librarians	47	46	44	39	40	42	42	45	43	45
Technology	32	31	29	28	28	27	27	30	28	26
Other instructional	138	121	141	145	121	112	117	117	95	112
Social workers	18	16	16	14	13	13	14	13	15	16
Teacher assistants	521	500	478	452	431	415	413	396	372	366
Support Services:										
Psychologists	21	17	17	17	17	17	17	17	17	17
Instructional technical	40	36	40	38	41	40	41	47	25	40
Instructional clerical	219	192	186	180	180	179	171	169	203	189
Non-instructional technical	102	108	99	98	104	89	89	81	93	109
Non-instruction clerical	38	27	33	34	35	34	36	37	40	32
Nurses	52	51	53	52	52	56	55	55	58	60
Bus drivers	326	315	318	310	308	309	312	340	348	320
Bus assistants	91	90	97	96	113	99	106	102	104	100
Custodians	244	243	242	233	240	238	238	250	281	240
Child nutrition services	366	346	344	346	344	344	347	341	374	351
Security officers	65	63	64	62	61	64	65	70	63	66
Skilled trades	91	88	85	85	85	86	81	82	86	91
Other	2	2	2	14	16	16	13	14	3	3
Total	4,832	4,632	4,597	4,485	4,496	4,468	4,441	4,487	4,524	4,454

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



**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
2011	\$ 38,000	\$ 58,766	\$ 46,882	\$ 51,887
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	59,301
2020	45,000	66,398	55,740	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 FY2020 is from our submission to the State but not yet verified. FY2020 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, 2020 and Nine Years Prior
(Amounts in Thousands)

Taxpayer	2011 Taxes (1)	Percentage of Total Assessments	2020 Taxes (1)	Percentage of Total Assessments
Huntington Ingalls Incorporated	\$ 15,060	8.30%	\$ 26,874	9.41%
Canon Virginia, Inc.	2,784	1.53%	5,596	1.96%
The Mariners' Museum	1,582	0.87%	3,695	1.29%
Virginia Electric & Power Co.	2,004	1.10%	3,323	1.16%
Vitesco Technologies USA LLC	-	0.00%	2,461	0.86%
PR Patrick Henry, LLC	1,453	0.80%	1,858	0.65%
Virginia Natural Gas Inc.	638	0.35%	1,330	0.47%
Dominion Terminal Associates	1,001	0.55%	1,274	0.45%
Verizon Virginia LLC	1,511	0.83%	1,081	0.38%
Kinder Morgan Operating LP	1,065	0.59%	1,046	0.37%
Ferguson Enterprises Corp	470	0.26%	971	0.34%
Pointe Hope LLC	-	0.00%	965	0.34%
IREIT Newport News Tech Center LLC	-	0.00%	906	0.32%
RPAI US Management LLC	-	0.00%	672	0.24%
Oyster Point Residential LLC	457	0.25%	637	0.22%
Patrick Henry Hospital	496	0.27%	610	0.21%
Wal-Mart Real Estate Business Trust	-	0.00%	581	0.20%
Venture Newport News LLC	-	0.00%	579	0.20%
BRG Meridian Parkside LLC	-	0.00%	558	0.20%
Bottling Group LLC	551	0.30%	534	0.19%
Continental Automotive Systems US, Inc.	1,927	1.06%	-	0.00%
Inland Western Newport News	754	0.42%	-	0.00%
Cox Communications Hampton Roads Inc	478	0.26%	-	0.00%
Meridian Parkside Appartments LLC	415	0.23%	-	0.00%
CSX Transportation	354	0.20%	-	0.00%
Harbours LLC	345	0.19%	-	0.00%
The Daily Press Inc.	318	0.18%	-	0.00%
	<u>\$ 33,663</u>	<u>18.54%</u>	<u>\$ 55,551</u>	<u>19.46%</u>

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, 2020 and Nine Years Prior

Employer	2011 Employees	Percentage of Total City Employment	2020 Employees	Percentage of Total City Employment
Huntington Ingalls Industries, Inc.	10,000 - 20,000	18.08%	10,000 - 25,000	19.57%
Riverside Regional Medical Center	1,000 - 5,000	3.10%	5,000 - 10,000	8.39%
Newport News Public Schools	1,000 - 5,000	3.10%	1,000 - 5,000	3.36%
City of Newport News	1,000 - 5,000	3.10%	1,000 - 5,000	3.36%
U.S. Department of Defense	1,000 - 5,000	3.10%	1,000 - 5,000	3.36%
Ferguson Enterprises Inc.	500 - 1,000	0.77%	1,000 - 5,000	3.36%
Christopher Newport University	1,000 - 5,000	3.10%	1,000 - 5,000	3.36%
U.S. Department of the Army and Air Force	1,000 - 5,000	3.10%	1,000 - 5,000	3.36%
Canon	1,000 - 5,000	3.10%	1,000 - 5,000	3.36%
WalMart	-	-	500 - 1,000	0.84%
Hampton Newport News Community Services Board	500 - 1,000	0.77%	-	-
	17,500 - 56,000	41.32%	22,500 - 71,000	52.32%

Source: Virginia Employment Commission

COMPLIANCE SECTION

**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, 2020, 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 3, 2020. 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") as a basis for designing 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 financial statements. 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.

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

Richmond, Virginia
December 3, 2020

**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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2020.

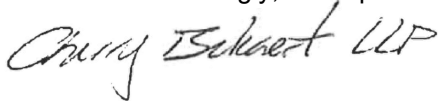
Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Cherry B. Stewart LLP".

Richmond, Virginia
December 3, 2020

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture</u>		
<u>Pass-through payments -</u>		
<u>Virginia Department of Agriculture:</u>		
School Lunch Program - Food Commodities	10.555	\$ 1,223,561
<u>Virginia Department of Education:</u>		
School Breakfast Program (10.553/2019, 10.553/2020)	10.553	3,126,178
COVID-19 School Breakfast Program (10.553/2019, 10.553/2020)	10.553	419,646
National School Lunch Program (10.555/2019, 10.555/2020)	10.555	6,344,836
COVID-19 National School Lunch Program (10.555/2019, 10.555/2020)	10.555	813,731
Summer Food Service Program (10.559/2019)	10.559	403,321
COVID-19 Summer Food Service Program (10.559/2019)	10.559	1,588,292
Total Child Nutrition Cluster		13,919,565
Fresh Fruits and Vegetables (10.582/2018, 10.582/2019)	10.582	439,258
Child Nutrition Discretionary Grants (10.579/2018)	10.579	100,000
<u>Virginia Department of Health:</u>		
Child and Adult Care Food Program (10.558/2019, 10.558/2020)	10.558	585,978
COVID-19 Child and Adult Care Food Program (10.558/2019, 10.558/2020)	10.558	51,521
Total Child and Adult Care Food Program		637,499
<u>Department of Defense</u>		
Competitive Grants: Promoting k-12 Student Achievement at Military Connected Schools (HE1254-18-1-0025)	12.556	473,515
ROTC	12.357	307,637
<u>Department of Treasury</u>		
<u>Pass-through Payments -</u>		
<u>Virginia Department of Education:</u>		
COVID-19 Coronavirus Relief Fund (21.019/2020)	21.019	300,282
<u>Environmental Protection Agency</u>		
Clean School Bus Rebate Program	66.XXX	321,980
<u>Department of Education</u>		
Impact Aid	84.041	1,623,208
<u>Pass-through payments -</u>		
<u>Virginia Department of Education:</u>		
Adult Education - Basic Grants (V002A180047, V002A190047)	84.002	406,980
Total Adult Education		406,980
Title I Part A Grants to Local Educational Agencies (S010A180046, S010A190046)	84.010	9,384,167
Title I Part A School Improvement (S010A180046)	84.010	2,112,240
Total Title I, Part A Cluster		11,496,407
IDEA Part B Section 611 Special Education (H027A180107)	84.027	4,790,121
IDEA Part B Section 611 - Interpreter Training (H027A170107, H027A180107)	84.027	17,096
IDEA Part B Section 619 Special Education Preschool (H173A170112, H173A180112)	84.173	193,588
Total Special Education Cluster (IDEA)		5,000,805
Vocational Education - Perkins Secondary (V048A180046, V048A190046)	84.048	678,624
Title X McKinney-Vento Homeless	84.196	22,171
Title IV Part B 21 Century Community Learning (S287C180047)	84.287	352,243
Title IV Part A GEAR-UP	84.334	95,474
Title III Part A Language Acquisition Immigrant and Youth (S365A170046, S365A180046)	84.365	195,014
Title III Part A Language Acquisition State Grant (S365A170046)	84.365	12,444
Total English Language Acquisition Grant		207,458
Title I Part D (S013A160046, S013A170046)	84.013	4,131
Title II Part A Improving Teacher Quality (S367A170044, S367A180044)	84.367	1,166,013
ESEA Section 1003(G) School Improvement Grants (S377A170047)	84.377	5,941
Title IV Part A-Student Support and Academic Enrichment (S424A170048, S424A180048)	84.424	556,812

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>Pass-through Payments -</u>		
<u>Virginia Department of Social Services</u>		
Medicaid Assistance Program	93.778	441,675
<u>Department of Homeland Security</u>		
<u>Pass-through Payments -</u>		
<u>Virginia Department of Emergency Management</u>		
Disaster Grants-Public Assistance (DR-4401)	97.036	<u>5,229</u>
		<u>\$ 38,562,907</u>

Note: The total for CFDA 10.555 is \$7,158,567 and for 84.027 is \$4,807,217

**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

(1) Basis of Presentation

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

(2) Relationship to Basic Financial Statements

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

	Federal Expenditures
General Fund	\$ 2,377,069
General Fund - deferred grant inflows not yet recognized	300,282
Grants Fund	20,788,554
Other Non-Major Special Revenue Funds	15,097,002
Total expenditures as shown on Schedule of Federal Awards	<u>\$ 38,562,907</u>

(3) Indirect Cost

The School Board did not use the 10% indirect cost rate, but rather used 3.0 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, 2020

Section I – Summary of Auditor’s Results

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster (IDEA)
84.041	Impact Aid
84.367	Improving Teacher Quality State Grants
10. Dollar Threshold used to distinguish between Type A Programs and Type B Programs: **\$1,156,887**
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

None reported

**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

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) – Not repeated