THE SCHOOL BOARD OF THE CITY OF PETERSBURG

(A Component Unit of the City of Petersburg, Virginia)

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA

(A Component Unit of the City of Petersburg, Virginia)

Financial Report
For the Year Ended June 30, 2019

TABLE OF CONTENTS

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA

(A Component Unit of the City of Petersburg, Virginia)

Financial Report
Year Ended June 30, 2019

TABLE OF CONTENTS

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA

(A Component Unit of the City of Petersburg, Virginia)

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

Independent Auditors' Report

To the Honorable Members of the School Board
City of Petersburg, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding progress on pages 75 and 76-88, 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 schedules of funding progress 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 schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board of City of Petersburg, Virginia's financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

Supplementary Information: (Continued)

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2020, on our consideration of the School Board of City of Petersburg, Virginia'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 School Board of City of Petersburg, Virginia'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 of the City of Petersburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
July 17, 2020

- Basic Financial Statements -

Government-wide Financial Statements

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA **Exhibit 1**
(A Component Unit of the City of Petersburg, Virginia)

Statement of Net Position
At June 30, 2019

		Governmental Activities
ASSETS		
Current Assets:		
Cash and cash equivalents	$	3,371,206
Receivables (net of allowance for uncollectibles):		
Accounts receivable		74,745
Due from primary government - Capital Projects		3,070,486
Due from other governments		2,301,889
Prepaid items		116,406
Inventory		81,375
Total Current Assets	$	9,016,107
Noncurrent Assets:		
Net pension asset	$	119,618
Capital assets (net of accumulated depreciation):		
Land		5,000
Land improvements		68,160
Buildings and improvements		5,420,927
Vehicles		1,074,274
Equipment		513,465
Total Noncurrent Assets	$	7,201,444
Total Assets	$	16,217,551
Deferred Outflows of Resources:		
Pension deferrals	$	4,517,951
OPEB deferrals		523,273
Total Deferred Outflows of Resources	$	5,041,224
Total Assets and Deferred Outflows of Resources	$	21,258,775
LIABILITIES		
Current Liabilities:		
Accounts payable	$	222,978
Accrued liabilities		4,470,683
Due to primary government - General Fund		648,538
Unearned revenues		499,092
Long-term obligations - current portion		67,704
Total Current Liabilities	$	5,908,995
Noncurrent Liabilities:		
Long-term obligations - net of current portion	$	40,594,334
Total Liabilities	$	46,503,329
Deferred Inflows of Resources:		
Pension deferrals	$	6,824,977
OPEB deferrals		809,000
Total Deferred Inflows of Resources	$	7,633,977
NET POSITION		
Investment in capital assets	$	7,201,444
Unrestricted		(40,079,975)
Total Net Position	$	(32,878,531)
Total Liabilities, Deferred Inflows of Resources and Net Position	$	21,258,775

The accompanying notes to financial statements are an integral part of this statement.

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA **Exhibit 2**
(A Component Unit of the City of Petersburg, Virginia)

Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Governmental activities:					
Education:					
Instructional	$ 37,254,019	$ 73,426	$ 12,901,826	$ -	$ (24,278,767)
Administration, attendance, and health	2,779,467	-	2,779,467	-	-
Operation and maintenance	4,645,779	-	4,645,779	-	-
Pupil transportation	1,739,323	-	1,739,323	-	-
Technology	1,291,637	-	1,291,637	-	-
Food service	2,655,245	170,073	2,819,463	-	334,291
Total Governmental Activities	$ 50,365,470	$ 243,499	$ 26,177,495	$ -	$ (23,944,476)

General revenues:	
City contribution to the school board	$ 9,185,386
Unrestricted revenues from use of money and property	43,367
Grants and contributions not restricted to specific programs	17,511,742
Miscellaneous - Other	416,119
Total general revenues	$ 27,156,614
Change in net position	$ 3,212,138
Net position - beginning	(36,090,669)
Net position - ending	$ (32,878,531)

The accompanying notes to financial statements are an integral part of this statement.

- Basic Financial Statements -

Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2019

	Governmental Funds			
		Nonmajor		
	General	Special Revenue	Capital Projects	Total
ASSETS:				
Cash and cash equivalents	$ 2,868,456	$ 395,074	$ 107,676	$ 3,371,206
Receivables (net of allowance for uncollectibles):				
Accounts receivable	74,745	-	-	74,745
Due from other governmental units	2,179,996	121,893	-	2,301,889
Due from other funds	-	1,745,889	255,538	2,001,427
Due from primary government - Capital Projects	3,070,486	-	-	3,070,486
Prepaid items	116,406	-	-	116,406
Inventory	36,658	44,717	-	81,375
Total assets	$ 8,346,747	$ 2,307,573	$ 363,214	$ 11,017,534
LIABILITIES:				
Accounts payable	$ 200,988	$ 21,990	$ -	$ 222,978
Accrued liabilities	4,470,683	-	-	4,470,683
Due to primary government - General Fund	648,538	-	-	648,538
Due to other funds	2,001,427	-	-	2,001,427
Unearned revenue	499,092	-	-	499,092
Total liabilities	$ 7,820,728	$ 21,990	$ -	$ 7,842,718
FUND BALANCES:				
Nonspendable:				
Inventory and prepaid items	$ 153,064	$ 44,717	$ -	$ 197,781
Committed:				
Instruction	372,955	-	-	372,955
Capital projects	-	-	363,214	363,214
Assigned:				
School lunch program	-	2,240,867	-	2,240,867
Total fund balances	$ 526,019	$ 2,285,584	$ 363,214	$ 3,174,817
Total liabilities and fund balances	$ 8,346,747	$ 2,307,574	$ 363,214	$ 11,017,535

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:

Fund balances above	$ 3,174,817
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the School Board as a whole.	7,081,826
Net pension asset	119,618
Items related to the measurement of the net pension, group life insurance OPEB, and health insurance OPEB liabilities are considered deferred outflows and will be amortized and recognized as expenses in future periods	
Deferred outflows related to:	
Pension items	4,517,951
OPEB items	523,273
Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:	
Compensated absences	(677,039)
Net pension liability	(33,194,000)
Net OPEB obligation	(6,791,000)
Items related to the measurement of the net pension, group life insurance OPEB, and health insurance OPEB liabilities are considered deferred outflows and will be amortized and recognized as expenses in future periods	
Deferred inflows related to:	
Pension items	(6,824,977)
OPEB items	(809,000)
Net position of general government activities	$ (32,878,531)

The accompanying notes to financial statements are an integral part of this statement.

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA **Exhibit 4**
(A Component Unit of the City of Petersburg, Virginia)

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2019

	Governmental Funds			
		Nonmajor		
	General	Special Revenue	Capital Projects	Total
Revenues:				
Revenue from use of money and property	$ 43,311	$ 56	$ -	$ 43,367
Charges for services	73,426	170,073	-	243,499
Miscellaneous	415,219	900	-	416,119
Intergovernmental:				
Local government	9,185,386	-	-	9,185,386
Commonwealth	33,317,250	71,977	-	33,389,227
Federal	7,552,524	2,747,486	-	10,300,010
Total revenues	$ 50,587,116	$ 2,990,492	$ -	$ 53,577,608
Expenditures:				
Current:				
Instructional	$ 38,937,892	$ -	$ -	$ 38,937,892
Administration, attendance, and health	2,903,191	-	-	2,903,191
Pupil transportation	1,816,747	-	-	1,816,747
Operation and maintenance	5,143,791	-	-	5,143,791
Food service	-	2,825,630	-	2,825,630
Technology	1,349,134	-	-	1,349,134
Total expenditures	$ 50,150,755	$ 2,825,630	$ -	$ 52,976,385
Net change in fund balances	$ 436,361	$ 164,862	$ -	$ 601,223
Fund balances at beginning of year	89,658	2,120,722	363,214	2,573,594
Fund balances at end of year	$ 526,019	$ 2,285,584	$ 363,214	$ 3,174,817

The accompanying notes to financial statements are an integral part of this statement.

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA **Exhibit 5**

(A Component Unit of the City of Petersburg, Virginia)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2019

			Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:			
Net change in fund balances - total governmental funds		$	601,223
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 the depreciation exceeded capital outlays in the current period.			
Capital outlay	$ 353,248		
Depreciation expense	(718,890)		(365,642)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
Change in deferred inflows related to:			
Pension items			938,140
OPEB items			(117,000)
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.			
Change in deferred outflows related to:			
Pension items	$ (434,992)		
OPEB items	109,389		
Change in compensated absences	22,474		
Change in net pension liability/asset	2,345,546		
Change in Net OPEB liabilities	113,000		2,155,417
Change in net position of governmental activities		$	3,212,138

The accompanying notes to financial statements are an integral part of this statement.

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA **Exhibit 6**
(A Component Unit of the City of Petersburg, Virginia)

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2019

	Scholarship Private-Purpose Trust Fund	Agency Fund
ASSETS:		
Cash and cash equivalents	$ 975,593	$ 57,541
Total assets	$ 975,593	$ 57,541
LIABILITIES:		
Amounts held for others	$ -	$ 57,541
Total liabilities	$ -	$ 57,541
NET POSITION:		
Held in trust for scholarships	$ 975,593	$ -
Total net position	$ 975,593	$ -
Total liabilities and net position	$ 975,593	$ 57,541

The accompanying notes to financial statements are an integral part of this statement.

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA **Exhibit 7**
(A Component Unit of the City of Petersburg, Virginia)

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2019

		Scholarship Private-Purpose Trust Fund
Additions:		
Contributions	$	10,701
Interest Income		8,209
Total additions	$	18,910
Deductions:		
Scholarships awarded	$	29,674
Total deductions	$	29,674
Change in net position	$	(10,764)
Net position - beginning of the year		986,357
Net position - end of the year	$	975,593

The accompanying notes to financial statements are an integral part of this statement.

Note 1—Summary of Significant Accounting Policies:

The School Board of the City of Petersburg, Virginia (the "School Board") was established in 1868 to provide educational opportunities to the residents of the City of Petersburg (the "City"). The accounting principles of the School Board conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

A. Financial Reporting Entity

The School Board is a component unit of the City of Petersburg, Virginia and, accordingly, the financial position and results of operations of the School Board are presented in the financial statements included in the Comprehensive Annual Financial Report of the City. All members of the School Board were elected. The majority of the School Board's funding is provided by annual appropriations from the Commonwealth of Virginia with the City being the second major source of funding. The City Council approves the School Board's operating budget but is prohibited from exercising any control over specific expenditures.

B. Individual Component Unit Disclosures

Blended Component Unit - The School Board has no blended component units to be included for the fiscal year ended June 30, 2019.

Discretely Presented Component Unit - The School Board has no discretely presented component units to be included for the fiscal year ended June 30, 2019.

C. Other Related Organizations

Included in the School Board's Financial Report

None

Excluded from the School Board's Financial Report

None

D. Financial Statement Presentation

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Financial Statement Presentation: (Continued)

Government-wide and Fund Financial Statements: (Continued)

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital assets, in the government-wide Statement of Net Position and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget, and a comparison of final budget and actual results.

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The School Board’s fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

In the fund financial statements, financial transactions and accounts of the School Board are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

The School Board reports the following major governmental fund:

General Fund - The General Fund is the primary operating fund of the School Board. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from state and federal distributions and contributions from the City of Petersburg, Virginia.

The School Board reports the following nonmajor funds:

Special Revenue Fund – The Special Revenue Fund accounts for and reports the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Fund consists of the School Food Service Fund.

Capital Projects Fund – The Capital Projects Fund accounts for and reports financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds (Trust and Agency) - Fiduciary Funds are used to account for assets held by the School Board in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units and/or other funds. These funds include the Scholarship Private-Purpose Trust Fund, and the Vocational Work Experience Fund. These funds are accounted for on the accrual basis of accounting. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations (no measurement focus).

F. Budgets and Budgetary Accounting

The budgetary data reflected in the financial statements was established by the School Board using the following procedures, which comply with legal requirements:

i. On or before April 1, the School Board submits to the City Council of the City of Petersburg proposed operating budgets for the General Fund. The operating budgets include proposed expenditures and the means of financing them.

ii. A public hearing on the budget 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 prior to May 1 or as soon thereafter as is practicable.

Note 1—Summary of Significant Accounting Policies: (Continued)

F. Budgets and Budgetary Accounting: (Continued)

The School Board and Superintendent are authorized to make transfers between functions and budgetary line items, respectively. However, City Council must approve any budget revisions at the fund level once the appropriation ordinance has been adopted. The legal level of budgetary control for the General Fund is the fund level or the level at which management cannot make transfers or over-expenditures in excess of appropriations without the approval of the School Board. However, management control is exercised over the budget at the individual revenue and expenditure budgetary line item level. Adopted budgets may be amended or superseded by actions of City Council. Appropriations, except for encumbrances and committed fund balances, lapse at year end. Encumbrances and reserved fund balances outstanding at year end are reappropriated in the succeeding year.

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

H. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans).

I. Inventory

Inventory in the General Fund and Special Revenue Funds (School Food Service Fund) is stated at cost (which is determined using the first-in first-out method). The inventory consists of expendable items held for consumption and is recorded as an expenditure when used (consumption method). Donated inventory is valued at prices determined by the United States Department of Agriculture.

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the School Board as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	20-40
Vehicles	3-5
Office and computer equipment	5
Buses	12

K. Accrued Liabilities

Teachers may elect to have their salaries paid over twelve months although they are earned during the ten-month school year. Salaries that are earned but unpaid at June 30 are included in accrued liabilities.

L. Unearned Revenue

Revenue from grants is recognized when the related expenditure is made. Amounts received for various grant programs for which expenditures have not been made are recorded as unearned revenue.

M. Compensated Absences

School Board employees are granted vacation and sick pay in varying amounts. In the event of termination, other than retirement, School Board employees are reimbursed for accumulated vacation days based on years of service and are not reimbursed for accumulated sick leave. Upon retirement, School Board employees are reimbursed for accumulated vacation days and accumulated sick leave.

Note 1—Summary of Significant Accounting Policies: (Continued)

M. Compensated Absences: (Continued)

For Governmental Funds, the cost of accumulated vacation and sick leave expected to be paid in the next twelve months is recorded as a fund liability and amounts expected to be paid after twelve months are recorded in the Government-wide Financial Statements.

N. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that 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 quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers to equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Reversion of Unused Appropriation to City of Petersburg

Since General Fund appropriations, except for encumbrances and restrictions of fund balance, lapse at year-end, any unused appropriation reverts to the City of Petersburg in the following year.

Q. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

Note 1—Summary of Significant Accounting Policies: (Continued)

R. Deferred Outflows/Inflows of Resources: (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension asset/liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

S. Pensions

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

T. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI 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.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher 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 HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the 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.

Note 1—Summary of Significant Accounting Policies: (Continued)

U. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

V. Net Position Flow Assumption

Sometimes the School Board will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School Board's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

W. Fund Equity

The School Board reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

Note 1—Summary of Significant Accounting Policies: (Continued)

W. Fund Equity: (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the School Board policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

Held in Trust for Scholarships - The equity balances have been classified to reflect the limitations and restrictions placed on the respective funds as the following represents the detail of amounts held for scholarships and restricted for trust corpus by individual scholarship:

	Held in Trust for Scholarships
PHS Scholarship Fund	$ 916,441
Other Funds	59,152
Total cash, cash equivalents and investments	$ 975,593

Note 2—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

State statutes require that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. The School Board's rated debt investments as of June 30, 2019 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

Rated Debt Investment Values

	Fair Quality Ratings		
	AAAm	AA+	A-
Governmental Activities:			
LGIP	$ 107,674	$ -	$ -
Fiduciary Funds:			
LGIP	$ 57,541	$ -	$ -
Total Fiduciary Funds	$ 57,541	$ -	$ -
Total	$ 165,215	$ -	$ -

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2019, there is no portion of the School Board's portfolio, excluding the LGIP that exceed 5% of the total portfolio. At present the School Board does not have a policy related to custodial credit risk.

External Investment Pools

The value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk

The School Board does not have a policy regarding interest rate risk.

	Investment Maturities (in years)		
Investment Type	Fair Value	<1 Year	1-5 Years
Governmental Activities:			
LGIP	$ 107,674	$ 107,674	$ -
Fiduciary Funds:			
LGIP	57,541	57,541	-
Total Fiduciary Funds	$ 165,215	$ 165,215	$ -

Note 3—Due from Other Governmental Units:

Amounts due from other governments consist principally of cost reimbursements due from the Commonwealth of Virginia and from federal and state grants. Such amounts are generally received in the succeeding month. The following is a summary of amounts due from other governments at June 30, 2019:

	Federal	State	Total
General Fund:			
Head Start	$ 300,930	$ -	$ 300,930
Title I	667,429	-	667,429
Preschool development grant	151,037	-	151,037
Other federal funds	357,916	-	357,916
Other state funds	-	151,208	151,208
Sales Tax	-	551,476	551,476
General Fund Total	$ 1,477,312	$ 702,684	$ 2,179,996
Special Revenue Fund-School Food Service	121,893	-	121,893
Total	$ 1,599,205	$ 702,684	$ 2,301,889

Note 4—Capital Assets:

The following is a summary of changes in capital assets during the fiscal year.

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
School Board:				
Capital assets, not being depreciated:				
Land	$ 5,000	$ -	$ -	$ 5,000
Total capital assets not being depreciated	$ 5,000	$ -	$ -	$ 5,000
Capital assets being depreciated:				
Land improvements	$ 218,848	$ -	$ -	$ 218,848
Buildings and improvements	12,619,533	54,520	-	12,674,053
Vehicles	4,271,123	111,829	282,811	4,100,141
Equipment	2,950,512	186,899	-	3,137,411
Total capital assets being depreciated	$ 20,060,016	$ 353,248	$ 282,811	$ 20,130,453
Accumulated depreciation:				
Land improvements	$ 139,746	$ 10,942	$ -	$ 150,688
Buildings and improvements	6,892,071	361,055	-	7,253,126
Vehicles	3,111,982	196,696	282,811	3,025,867
Equipment	2,473,748	150,198	-	2,623,946
Total accumulated depreciation	$ 12,617,547	$ 718,891	$ 282,811	$ 13,053,627
Total capital assets being depreciated, net	$ 7,442,469	$ (365,643)	$ -	$ 7,076,826
School Board capital assets, net	$ 7,447,469	$ (365,643)	$ -	$ 7,081,826

Per Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, the City has a “tenancy in common” with the School Board for any school property purchased with a financial obligation payable over more than one fiscal year. For financial reporting purposes, the legislation permits the City to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt.

Note 5—Long-term Obligations:

The following is a summary of changes in long-term obligations transactions for fiscal year ending June 30, 2019:

	Balance July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2019	Amounts Payable Within One Year
Compensated absences	$ 699,512	$ 47,478	$ 69,952	$ 677,038	$ 67,704
Net pension liability - professional	35,072,000	9,242,000	11,120,000	33,194,000	-
Net OPEB liability:					-
Net VRS HIC OPEB liability	3,624,000	560,000	590,000	3,594,000	-
Net group life insurance OPEB liability	2,041,000	459,000	481,000	2,019,000	-
Net medical insurance OPEB liability	1,239,000	121,000	182,000	1,178,000	-
Total	$ 42,675,512	$ 10,429,478	$ 12,442,952	$ 40,662,038	$ 67,704

Note 6—Due From/To Other Funds/Primary Government:

The following is a summary of due from the Primary Government at June 30, 2019:

Fund	Due from Primary Government
Due to/from Primary Government:	
Capital Projects	$ 3,070,486
Total	$ 3,070,486

Interfund receivable and payable balances related to working capital loans at June 30, 2019 are presented below:

	Due from other funds	Due to other funds
Due to/from other funds:		
General	$ -	$ 2,001,427
Special Revenue	1,745,889	-
Capital Projects	255,538	-
Total	$ 2,001,427	$ 2,001,427

Note 7—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the City of Petersburg School Board are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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.

Benefit Structures

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, as detailed below.

a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 7—Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

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

	School Board (nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	113
Inactive members:	
Vested inactive members	11
Non-vested inactive members	31
Inactive members active elsewhere in VRS	25
Total inactive members	67
Active members	100
Total covered employees	280

Note 7—Pension Plan: (Continued)

Contributions

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

The School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 5.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board's nonprofessional employees were $107,458 and $165,668 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The School Board's (nonprofessional) net pension asset was measured as of June 30, 2018. The total pension liabilities used to calculate the net pension assset were determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

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

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

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

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

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

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

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

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – General Employees

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

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

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

Note 7—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 7—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions 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.

Changes in Net Pension Liability

	School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	$ 13,110,289	$ 12,762,361	$ 347,928
Changes for the year:			
Service cost	$ 233,311	$ -	$ 233,311
Interest	886,211	-	886,211
Differences between expected and actual experience	(397,640)	-	(397,640)
Contributions - employer	-	165,668	(165,668)
Contributions - employee	-	110,054	(110,054)
Net investment income	-	922,842	(922,842)
Benefit payments, including refunds	(900,274)	(900,274)	-
Administrative expenses	-	(8,326)	8,326
Other changes	-	(810)	810
Net changes	$ (178,392)	$ 289,154	$ (467,546)
Balances at June 30, 2018	$ 12,931,897	$ 13,051,515	$ (119,618)

Note 7—Pension Plan: (Continued)

Changes in Net Pension Liability

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School Board (nonprofessional) Net Pension Liability (Asset)	$ 1,267,005	$ (119,618)	$ (1,298,561)

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

For the year ended June 30, 2019, the School Board (nonprofessional) recognized pension expense of $(507,020). At June 30, 2019, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 385,270
Change in assumptions	-	17,322
Net difference between projected and actual earnings on pension plan investments	-	93,385
Employer contributions subsequent to the measurement date	107,458	-
Total	$ 107,458	$ 495,977

Note 7—Pension Plan: (Continued)

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

$107,458 reported as deferred outflows of resources related to pensions resulting from the School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	School Board (nonprofessional)
2020	$ (298,951)
2021	(54,402)
2022	(132,292)
2023	(10,332)
2024	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $3,640,493 and $3,645,274 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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

At June 30, 2019, the school division reported a liability of $33,194,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.28226% as compared to 0.28518% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of $1,410,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division 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	$ -	$ 2,838,000
Change in assumptions	396,000	-
Net difference between projected and actual earnings on pension plan investments	-	704,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	374,000	2,787,000
Employer contributions subsequent to the measurement date	3,640,493	-
Total	$ 4,410,493	$ 6,329,000

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

$3,640,493 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30		
2020	$	(983,000)
2021		(1,389,000)
2022		(2,177,000)
2023		(850,000)
2024		(160,000)

Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

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

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

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

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

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

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

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	$	11,759,992
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.81%

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 50,704,000	$ 33,194,000	$ 18,700,000

Note 7—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Pension Plan Fiduciary Net Position

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

Primary Government and Component Unit School Board

Aggregate Pension Information

	School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Nonprofessional	$ 107,458	$ 495,977	$ (119,618)	$ (507,020)
School Board Professional	4,410,493	6,329,000	33,194,000	1,410,000
Totals	$ 4,517,951	$ 6,824,977	$ 33,074,382	$ 902,980

Note 8—Commitments and Contingencies:

Federal programs in which the School Board participates were audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 9—Risk Management:

The School Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Board reports all of its risk management activities in its General Fund and pays all premiums from General Fund resources. The School Board maintains comprehensive property and casualty policies, commercial general liability policies, comprehensive liability vehicle fleet policies and coverages for errors and omissions, workers' compensation, employer's liability, health care and certain other risks with commercial insurance companies. All premiums are budgeted for and paid with General Fund resources. All unemployment and health care claims are paid through a third-party administrator through resources from the General Fund. There have been no reductions in insurance coverages from the prior year and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10—Litigation:

At June 30, 2019, there were no matters of litigation involving the School Board which would materially affect the School Board's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11–Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. 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 is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

Note 11−Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were $12,123 and $12,219 for the years ended June 30, 2019 and June 30, 2018, respectively, for the School Board (nonprofessional); and $124,971 and $120,138 for the years ended June 30, 2019 and June 30, 2018, respectively, for the School Board (professional).

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

At June 30, 2019, liabilities of $188,000 and $1,831,000 were reported for School Board (nonprofessional) and School Board (professional), respectively, for the proportionate shares of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .01236% and .11295% as compared to .01295% and .12264% at June 30, 2017, for School Board (nonprofessional) and School Board (professional), respectively.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of $(2,000) and $(19,000) for School Board (nonprofessional) and School Board (professional), 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.

Note 11−Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB: (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
School Board (nonprofessional)		
Differences between expected and actual experience	$ 9,000	$ 3,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	6,000
Change in assumptions	-	8,000
Changes in proportion	-	14,000
Employer contributions subsequent to the measurement date	12,123	-
Total	$ 21,123	$ 31,000
School Board (professional)		
Differences between expected and actual experience	$ 90,000	$ 33,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	60,000
Change in assumptions	-	76,000
Changes in proportion	-	150,000
Employer contributions subsequent to the measurement date	124,971	-
Total	$ 214,971	$ 319,000

Note 11−Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB: (Continued)

$12,123 and $124,971, for School Board (nonprofessional) and School Board (professional), respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	School Board (nonprofessional)	School Board (professional)
2020	$ (6,000)	$ (59,000)
2021	(6,000)	(59,000)
2022	(6,000)	(59,000)
2023	(4,000)	(42,000)
2024	(1,000)	(11,000)
Thereafter	1,000	1,000

This space intentionally left blank.

Note 11–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

Note 11–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

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

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

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

Note 11–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

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

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

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

Note 11–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees: (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

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

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

Note 11–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue 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.

Note 11—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

		Rate	
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School Board (nonprofessional) proportionate share of the GLI Program Net OPEB Liability	245,000	188,000	141,000
School Board (professional) proportionate share of the GLI Program Net OPEB Liability	2,393,000	1,831,000	1,375,000

GLI Program Fiduciary Net Position

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

Note 12—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing multiple-employer plan 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.

Note 12—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

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 include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

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 Teacher 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. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: $4.00 per month, multiplied by twice the amount of service credit, or $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

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 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were $287,179 and $281,257 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 12–Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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

At June 30, 2019, the school division reported a liability of $3,594,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was .28532% as compared to .28568% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of $249,000. 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.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 18,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	3,000
Change in assumptions	-	31,000
Change in proportion	-	257,000
Employer contributions subsequent to the measurement date	287,179	-
Total	$ 287,179	$ 309,000

Note 12−Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

$287,179 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30		
2020	$	(53,000)
2021		(53,000)
2022		(53,000)
2023		(52,000)
2024		(52,000)
Thereafter		(46,000)

Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Note 12–Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Mortality Rates – Teachers; (Continued)

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

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

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

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

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 GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

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

Note 12−Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

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 GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

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

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

Note 12−Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue 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.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	4,014,000	3,594,000	3,236,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

Note 13−Health Insurance (Single-employer Defined Benefit Plan)

Plan Description

The School Board provides postemployment medical coverage for retired employees through a single-employer defined benefit plan. The School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

Benefits Provided

Employees who retire from the School Board with service eligible for VRS benefits (Plan 1 – Age 50 and 10 years of service or Age 55 and 5 years of service; Plan 2 – age 60 and 5 years of service; Hazardous duty – age 50 and 5 years of service) and who are participating in the medical coverage are eligible to elect post-retirement coverage. Retirees are eligible to remain on the medical plan with 100% of the premium paid by the retiree. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree. Retirees' coverage ceases at eligibility for Medicare.

Plan Membership

At July 1, 2018 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	499
Total retirees and spouses with coverage	9
Total	508

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2019 was $4,000.

Total OPEB Liability

The School Board's total OPEB liabilities were measured as of July 1, 2018. The total OPEB liabilities were determined by an actuarial valuation as of July 1, 2018.

Note 13–Health Insurance (Single-employer Defined Benefit Plan): (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2019
Healthcare Cost Trend Rates	3.00% for FY2019, then 6.75% for FY2020, decreasing
	0.25% per year to an ultimate rate of 5.00%
Salary Increases	2.50%
Discount Rate	3.62%

Discount Rate

The discount rate has been set equal to 3.62% and represents the Municipal GO AA 20-year yield curve rate as of June 29, 2018.

Changes in Total OPEB Liability

Changes in Net OPEB Liability

		School Board Total OPEB Liability
Balances at June 30, 2018	$	1,239,000
Changes for the year:		
Service cost		74,000
Interest		47,000
Differences between expected and actual experience		(122,000)
Benefit payments		(4,000)
Other changes		(56,000)
Net changes		(61,000)
Balances at June 30, 2019	$	1,178,000

Note 13—Health Insurance (Single-employer Defined Benefit Plan): (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Rate		
1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
$ 1,273,000	$ 1,178,000	$ 1,091,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liabilities of the School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate used of 3.00%:

Rates		
1% Decrease (2.00%)	Healthcare Cost Trend (3.00%)	1% Increase (4.00%)
$ 1,058,000	$ 1,178,000	$ 1,318,000

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of $99,000. At June 30, 2019, the school Board reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	$ 103,000
Changes in assumptions	47,000
Total	$ 150,000

Note 13–Health Insurance (Single-employer Defined Benefit Plan): (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Amounts reported as deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30		
2020	$	(28,000)
2021		(28,000)
2022		(28,000)
2023		(28,000)
2024		(28,000)
Thereafter		(10,000)

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 14–Aggregate OPEB Information:

	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program (Note 11)				
School Board Nonprofessional	$ 21,123	$ 31,000	$ 188,000	$ (2,000)
School Board Professional	214,971	319,000	1,831,000	(19,000)
Health Insurance Credit Program (Note 12)	287,179	309,000	3,594,000	249,000
School Stand-Alone Plan (Note 13)	-	150,000	1,178,000	99,000
Totals	$ 523,273	$ 809,000	$ 6,791,000	$ 327,000

Note 15−Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

- Required Supplementary Information -

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	$ 29,192	$ 43,311	$ 43,311	$ -
Charges for services	58,850	73,426	73,426	-
Miscellaneous	270,650	407,221	415,219	7,998
Intergovernmental:				
Local government	9,745,976	9,745,976	9,185,386	(560,590)
Commonwealth	31,658,326	34,226,467	33,317,250	(909,217)
Federal	7,252,506	8,893,015	7,552,524	(1,340,491)
Total revenues	$ 49,015,500	$ 53,389,416	$ 50,587,116	$ (2,802,300)
Expenditures:				
Current:				
Instructional - operating	$ 28,461,679	$ 27,821,538	$ 29,283,323	$ (1,461,785)
Instructional - grants	9,009,528	11,275,214	9,654,569	1,620,645
Total instructional	$ 37,471,207	$ 39,096,752	$ 38,937,892	$ 158,860
Administration, attendance, and health	3,110,515	3,162,061	2,903,191	258,870
Pupil transportation	1,746,430	1,653,890	1,816,747	(162,857)
Operation and maintenance	5,017,898	4,932,655	5,143,791	(211,136)
Technology	1,194,493	1,279,457	1,349,134	(69,677)
Total expenditures	$ 48,540,543	$ 50,124,815	$ 50,150,755	$ (25,940)
Changes in fund balance	$ 474,957	$ 3,264,601	$ 436,361	$ (2,828,240)
Fund balance at beginning of year	(474,957)	(3,264,601)	89,658	3,354,259
Fund balance at end of year	$ -	$ -	$ 526,019	$ 526,019

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 233,311	$ 249,890	$ 255,045	$ 249,377	$ 261,048
Interest	886,211	922,296	912,184	923,677	891,079
Differences between expected and actual experience	(397,640)	(737,240)	(97,645)	(485,111)	-
Changes in assumptions	-	(79,186)	-	-	-
Benefit payments, including refunds of employee contributions	(900,274)	(842,262)	(1,007,983)	(696,279)	(676,610)
Net change in total pension liability	$ (178,392)	$ (486,502)	$ 61,601	$ (8,336)	$ 475,517
Total pension liability - beginning	13,110,289	13,596,791	13,535,190	13,543,526	13,068,009
Total pension liability - ending (a)	$ 12,931,897	$ 13,110,289	$ 13,596,791	$ 13,535,190	$ 13,543,526
Plan fiduciary net position					
Contributions - employer	$ 165,668	$ 174,066	$ 293,038	$ 320,447	$ 241,417
Contributions - employee	110,054	114,458	114,949	127,092	116,401
Net investment income	922,842	1,423,260	199,295	545,900	1,658,880
Benefit payments, including refunds of employee contributions	(900,274)	(842,262)	(1,007,983)	(696,279)	(676,610)
Administrative expense	(8,326)	(8,600)	(7,841)	(7,604)	(9,126)
Other	(810)	(1,247)	(87)	(113)	87
Net change in plan fiduciary net position	$ 289,154	$ 859,675	$ (408,629)	$ 289,443	$ 1,331,049
Plan fiduciary net position - beginning	12,762,361	11,902,686	12,311,315	12,021,872	10,690,823
Plan fiduciary net position - ending (b)	$ 13,051,515	$ 12,762,361	$ 11,902,686	$ 12,311,315	$ 12,021,872
School Board's net pension liability (asset) - ending (a) - (b)	$ (119,618)	$ 347,928	$ 1,694,105	$ 1,223,875	$ 1,521,654
Plan fiduciary net position as a percentage of the total pension liability	100.92%	97.35%	87.54%	90.96%	88.76%
Covered payroll	$ 2,349,850	$ 2,388,726	$ 2,406,152	$ 2,588,124	$ 2,334,546
School Board's net pension liability (asset) as a percentage of covered payroll	-5.09%	14.57%	70.41%	47.29%	65.18%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer's Proportionate Share of Net Pension Liability VRS Teacher Retirement Plan
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.28226%	0.28518%	0.30989%	0.31348%	0.30341%
Employer's Proportionate Share of the Net Pension Liability	$ 33,194,000	$ 35,072,000	$ 43,429,000	$ 39,455,000	$ 36,667,000
Employer's Covered Payroll	$ 22,928,780	$ 25,759,417	$ 23,715,289	$ 24,767,178	$ 19,099,631
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	144.77%	136.15%	183.13%	159.30%	191.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - Pension
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Component Unit School Board (nonprofessional)					
2019	$ 107,458	$ 107,458	$ -	$ 2,309,044	4.65%
2018	165,667	165,667	-	2,349,850	7.05%
2017	186,557	186,557	-	2,388,726	7.52%
2016	298,363	298,363	-	2,406,152	12.40%
2015	320,927	320,927	-	2,588,124	12.40%
2014	241,392	279,912	(38,520)	2,334,546	11.99%
2013	234,788	272,254	(37,466)	2,270,675	11.99%
2012	248,102	248,102	-	2,399,437	10.34%
2011	253,596	253,596	-	2,452,571	10.34%
2010	268,012	268,012	-	2,591,988	10.34%
Component Unit School Board (professional)					
2019	$ 3,640,493	$ 3,640,493	$ -	$ 23,931,578	15.21%
2018	3,645,274	3,645,274	-	22,928,780	15.90%
2017	3,621,774	3,621,774	-	25,759,417	14.06%
2016	4,246,282	4,246,282	-	23,715,289	17.91%
2015	3,355,420	3,355,420	-	24,767,178	13.55%
2014	2,588,000	2,588,000	-	19,099,631	11.66%
2013	2,538,468	2,538,468	-	18,734,081	11.66%
2012	1,387,658	1,387,658	-	10,241,018	6.33%
2011	903,120	903,120	-	6,665,092	3.93%
2010	1,474,444	1,474,444	-	10,881,506	8.81%

Current year contributions are from School Board records and prior year contributions are from the VRS actuarial valuation performed each year.

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

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

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

Schedule of School Board's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Component Unit School Board (nonprofessional)					
2018	0.01236%	$ 188,000	$ 2,349,850	8.00%	51.22%
2017	0.01295%	195,000	2,388,726	8.16%	48.86%
Component Unit School Board (professional)					
2018	0.12055%	$ 1,831,000	$ 22,922,418	7.99%	51.22%
2017	0.12264%	1,846,000	22,620,832	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit School Board (nonprofessional)					
2019	$ 12,123	$ 12,123	$ -	$ 2,331,415	0.52%
2018	12,219	12,219	-	2,349,850	0.52%
2017	12,421	12,421	-	2,388,726	0.52%
2016	12,797	12,797	-	2,414,455	0.53%
2015	13,791	13,791	-	2,602,026	0.53%
2014	12,388	12,388	-	2,337,388	0.53%
2013	12,312	12,312	-	2,322,930	0.53%
2012	10,558	10,558	-	2,399,437	0.44%
2011	10,791	10,791	-	2,452,571	0.44%
2010	9,331	9,331	-	1,900,534	0.49%
Component Unit School Board (professional)					
2019	$ 124,971	$ 124,971	$ -	$ 24,032,933	0.52%
2018	120,138	120,138	-	22,922,418	0.52%
2017	117,628	117,628	-	22,620,832	0.52%
2016	126,261	126,261	-	23,822,835	0.53%
2015	123,801	123,801	-	23,358,694	0.53%
2014	118,084	118,084	-	22,279,940	0.53%
2013	118,353	118,353	-	22,330,681	0.53%
2012	98,753	98,753	-	22,443,801	0.44%
2011	103,260	103,260	-	23,468,218	0.44%
2010	87,022	87,022	-	17,258,786	0.50%

Schedule is intended to show information for 10 years. Information prior to the 2017 is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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

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

Teachers

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

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
For the Year Ended June 30, 2019

		2018	2019
Total OPEB liability			
Service cost	$	72,000	74,000
Interest		44,000	47,000
Differences between expected and actual experience		-	(122,000)
Changes in assumptions		-	(56,000)
Benefit payments		(58,000)	(4,000)
Net change in total OPEB liability	$	58,000	(61,000)
Total OPEB liability - beginning		1,181,000	1,239,000
Total OPEB liability - ending	$	1,239,000	1,178,000
Covered payroll	$	23,406,000	21,824,000
School's total OPEB liability (asset) as a percentage of covered payroll		5.29%	5.40%

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

Notes to Required Supplementary Information - School OPEB Plan
For the Year Ended June 30, 2019

School Board:

Valuation Date: 7/1/2018
Measurement Date: 7/1/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.62%
Inflation	2.50% per year as of June 30, 2019
Healthcare Trend Rate	3.00% for FY2019, then 6.75% for FY2020, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	Mortality rates for Active employees and healthy retirees were based on a RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for Public Safety employees) and Females set back 3 years. Mortality rates for Disabled employees were based on a RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement.

Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.28532%	$ 3,594,000	$ 22,889,385	15.70%	8.08%
2017	0.28568%	3,624,000	22,545,605	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Program
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	$ 287,179	$ 287,179	$ -	$ 23,931,578	1.20%
2018	281,527	281,527	-	22,889,385	1.23%
2017	250,256	250,256	-	22,545,605	1.11%
2016	278,814	250,460	28,354	23,628,282	1.06%
2015	275,021	247,053	27,968	23,306,886	1.06%
2014	259,608	246,295	13,313	22,188,727	1.11%
2013	259,104	245,816	13,287	22,145,607	1.11%
2012	240,371	133,539	106,832	22,256,564	0.60%
2011	252,451	140,251	112,200	23,375,084	0.60%
2010	269,461	178,352	91,109	17,149,194	1.04%

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

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

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

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

- Other Supplementary Information -

THE SCHOOL BOARD OF THE CITY OF PETERSBURG, VIRGINIA **Exhibit 21**

(A Component Unit of the City of Petersburg, Virginia)

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from local sources				
Revenue from use of money	$ -	$ 56	$ 56	$ -
Charges for services	171,650	167,104	170,073	2,969
Miscellaneous	5,802	900	900	-
Intergovernmental:				
Commonwealth	75,588	67,607	71,977	4,370
Federal	2,546,310	2,563,681	2,747,486	183,805
Total revenues	$ 2,799,350	$ 2,799,348	$ 2,990,492	$ 191,144
Expenditures:				
Current:				
Food service	$ 2,799,350	$ 2,999,350	$ 2,825,630	$ 173,720
Total expenditures	$ 2,799,350	$ 2,999,350	$ 2,825,630	$ 173,720
Changes in fund balance	$ -	$ (200,002)	$ 164,862	$ 364,864
Fund balance at beginning of year	-	200,002	2,120,722	1,920,720
Fund balance at end of year	$ -	$ -	$ 2,285,584	$ 2,285,584

Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2019

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Vocational Work Experience Fund:				
Assets:				
Cash and cash equivalents	$ 57,541	$ -	$ -	$ 57,541
Liabilities:				
Amounts held for others	$ 57,541	$ -	$ -	$ 57,541

Supporting Schedule

Governmental Funds
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
General Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	$ 29,192	$ 43,311	$ 43,311	$ -
Charges for services:				
Other fees	58,850	73,426	73,426	-
Miscellaneous:				
Other miscellaneous revenue	270,650	407,221	415,219	7,998
Total revenue from local sources	$ 358,692	$ 523,958	$ 531,956	$ 7,998
Intergovernmental:				
Revenue from local governments:				
Contribution from City of Petersburg, Virginia	$ 9,745,976	$ 9,745,976	$ 9,185,386	$ (560,590)
Revenue from the Commonwealth:				
Categorical aid:				
Basic aid	$ 12,834,126	$ 12,960,955	$ 12,960,955	$ -
Special education	1,519,136	1,610,023	1,533,647	(76,376)
Sales tax	4,490,536	4,484,694	4,550,787	66,093
Remedial education	1,405,556	1,378,796	1,418,982	40,186
Fringe benefits social security	868,889	877,034	877,189	155
Fringe benefits retirement	1,919,507	2,014,036	1,937,842	(76,194)
Fringe benefits group life	59,630	59,993	60,199	206
At risk	1,644,509	1,157,934	1,851,020	693,086
K-3 primary class size	1,775,683	1,775,494	1,778,683	3,189
Other state categorical aid	5,140,754	7,907,508	6,347,946	(1,559,562)
Total categorical aid	$ 31,658,326	$ 34,226,467	$ 33,317,250	$ (909,217)
Total revenue from the Commonwealth	$ 31,658,326	$ 34,226,467	$ 33,317,250	$ (909,217)
Revenue from the federal government:				
Categorical aid:				
Special education	$ 935,000	$ 1,126,394	$ 938,959	$ (187,435)
ROTC	70,000	46,449	46,449	-
Title I	3,108,530	3,348,851	3,348,851	-
Head start grant	1,013,388	1,039,421	1,062,424	23,003
Other categorical aid	2,125,588	3,331,900	2,155,841	(1,176,059)
Total categorical aid	$ 7,252,506	$ 8,893,015	$ 7,552,524	$ (1,340,491)
Total revenue from the federal government	$ 7,252,506	$ 8,893,015	$ 7,552,524	$ (1,340,491)
Total General Fund	$ 49,015,500	$ 53,389,416	$ 50,587,116	$ (2,802,300)

Governmental Funds
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Special Revenue Fund:				
School Food Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ 56	$ 56	$ -
Charges for services:				
Charges for meals	171,650	167,104	170,073	2,969
Miscellaneous:				
Miscellaneous	5,802	900	900	-
Total revenue from local sources	$ 177,452	$ 168,060	$ 171,029	$ 2,969
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	$ 75,588	$ 67,607	$ 71,977	$ 4,370
Revenue from the federal government:				
Categorical aid:				
Lunch and breakfast reimbursement	$ 2,134,660	$ 2,183,075	$ 2,350,936	$ 167,861
Fresh fruits and vegetables	161,650	153,425	153,425	-
USDA summer food program	85,000	63,017	78,961	15,944
USDA commodities	165,000	164,164	164,164	-
Total revenue from the federal government	$ 2,546,310	$ 2,563,681	$ 2,747,486	$ 183,805
Total School Food Service Fund	$ 2,799,350	$ 2,799,348	$ 2,990,492	$ 191,144
Total Revenues	$ 51,814,850	$ 56,188,764	$ 53,577,608	$ (2,611,156)

- Compliance -

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

To the Honorable Members of the School Board
City of Petersburg, 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, the major fund, and the aggregate remaining fund information of the School Board of the City of Petersburg, Virginia, a component unit of the City of Petersburg, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School Board of the City of Petersburg, Virginia's basic financial statements, and have issued our report dated July 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School Board of the City of Petersburg, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board of the City of Petersburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board of the City of Petersburg, Virginia'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 of the City of Petersburg, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity'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 of the City of Petersburg, Virginia's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
July 17, 2020