PORTSMOUTH
PUBLIC SCHOOLS

Comprehensive Annual Financial Report

City of Portsmouth, Virginia School Board
A Component Unit of the City of Portsmouth, Virginia
For the Fiscal Year Ended June 30, 2020

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Portsmouth, Virginia School Board
Component Unit of the City of Portsmouth, Virginia

For the Fiscal Year Ended June 30, 2020

Prepared by the Department of Finance

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2020

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COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2020

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INTRODUCTORY SECTION

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December 18, 2020

The Honorable Members of the School Board
and the Citizens of the City of Portsmouth, Virginia

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") for the City of Portsmouth, Virginia School Board ("School Board" or "PPS"), as of and for the fiscal year ended June 30, 2020. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the School Board. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Governmental Activities and various funds of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board's financial activities have been included.

For financial reporting, the School Board is a component unit of the City of Portsmouth, Virginia ("City"), and accordingly, the financial position and results of operations of the School Board are also reflected in the financial statements included in the City's CAFR. An annual audit of the books of accounts, financial records, and transactions of all the departments of the school division has been performed by Cherry Bekaert LLP, Certified Public Accountants. The auditor's report of independent auditor, which include their unmodified opinion on the basic financial statements of the school division, are included herein.

Accounting principles generally accepted in the United States of America ("GAAP") requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis ("MD&A"). This Transmittal Letter is designed to complement the MD&A and should be read in conjunction with it.

The School Board is required to undergo an annual compliance or "single" audit in conformity with the provisions of the uniform guidance. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, if any, and auditors' report on internal control over financial reporting and on compliance and other matters, are included in the City's CAFR.

The Reporting Entity and Organization

Founded in 1752 and incorporated by the Virginia General Assembly in 1858, the City of Portsmouth, Virginia is an urban core city situated at the center of Hampton Roads, the country's 33rd largest Metropolitan Statistical Area with over 1.5 million residents. The City encompasses 29.9 square miles of real property of which 54% is tax exempt due in large part to military installations. Over 250 years old, the City is the home to one of the world's greatest natural harbors, situated on the James and Elizabeth Rivers, which empty into the Chesapeake Bay. It is bordered by the cities of Chesapeake, Suffolk, and Norfolk to the South, West, and East, respectively.

In accordance with the requirements of GAAP as promulgated by the Governmental Accounting Standards Board ("GASB"), the financial reporting entity consists of a Primary Government (City of Portsmouth), and its component units, which are legally separate organizations. The School Board is considered a component unit of the City and the financial position and results of operations of the School Board are also presented in the City's CAFR. The School Board has no component units for financial reporting purposes. The School Board is fiscally dependent, i.e., it does not have taxing and borrowing authority. It derives most of its funding from the City and the Commonwealth of Virginia allocations.

The School Board's responsibility is the education of elementary and secondary students within the City. The nine-member School Board is elected by the Portsmouth citizens and its members serve a four-year term. The School Board is entrusted with the responsibility of hiring the school division's superintendent who is the executive and administrative head of the public school division. The City Council approves the School Board's operating budget, levies the necessary taxes to finance their portion of the operations, and approves the borrowing of money and issuance of bonds when necessary. The City Council is prohibited from exercising any control over specific expenditures within the operating budget of the School Board. However, City Council may exercise control in total by major categories (e.g. Instruction; Administration, Attendance and Health; Pupil Transportation; Operations and Maintenance; and Technology) as prescribed by the Code of Virginia, as amended.

Economic Condition and Outlook

Old Dominion University, in partnership with Dragas Center for Economic Analysis and Policy recently published the State of the Region - Hampton Roads 2020 report. According to the report, the economy in Hampton Roads (which includes the City of Portsmouth) led to a sharp reduction due to the COVID-19 pandemic. The 2020 coronavirus pandemic has brought about widespread economic disruption. In the first quarter of 2020, the pandemic and associated social distancing ended the longest economic expansion and triggered the deepest downturn in output and employment since World War II. Within the last three years of this decade has there been an increase in growth within the area of Hampton Roads; 1.1% in 2017, 2.2% in 2018 and 2.4% in 2019. Our current forecast indicates the acceleration of growth is cloudy. Projected growth from 2020 to 2021 appeared promising but it is dependent upon COVID-19 cases, locally and nationally. An economic downturn is also displayed by losses in output and closure of businesses. In April 2020, nearly 77,000 workers in Hampton Roads filed for unemployment. This amount exceeded the numbers at the peak of the Great Recession. Total nonfarm employment for the Hampton Roads Area was down 7.6% over the year. In this metropolitan area, leisure and hospitality had the largest employment decrease from June 2019 to June 2020, losing 18,900 jobs. The local rate of job loss in leisure and hospitality was 19.1%, compared to this industry's national rate decrease of 27.1%. The number of proprietors increased in 2018 by 3.3% relative to the previous year. Within the City of Portsmouth, the latest unemployment rate is 11.7%, up from 3.9% in 2019.

Approximately 40% of economic activity in Hampton Roads is in relation to the Department of Defense (DoD). Defense spending continues to be the primary driver to the Hampton Roads economy. This spending was forecasted to increase to $22.1 billion in 2019, via Department of Defense operational, personnel and maintenance expenditures utilized to invigorate economic growth in this area. Hampton Roads estimated defense spending slightly increased from $19.4 to $22.1 billion from 2016 to 2019. Even though the region's total number of military employees and federal civilian workers declined from 2010 to 2018, total compensation increased over the period. In other words, the compensation of a military service member equaled, on average, 2.2 private-sector jobs. For federal civilian employees, the ratio was 2.7 private-sector jobs per one federal job in Hampton Roads. While the number of military personnel stationed in Hampton Roads declined by 13,800 over the decade, the number of federal civilian employees increased by approximately 7,900 over the period. For federal civilian employees, the ratio was 2.7 private-sector jobs per one federal job in Hampton Roads. A planned increase in spending on defense in 2021 will assist in fueling this region's economic recovery. With an expected decrease in active duty personnel, the private sector would need to create more than two jobs to replace every lost military job.

The Port of Virginia (the Port) activity continues to exceed the economic annual growth rate of the United States, Virginia, and Hampton Roads. General cargo tonnage levels increased by about 6.6 million tons over the decade. Cargo volumes, like every commercial port, were hit hard. In the first half of 2020, total TEUS was -0.1% and general cargo tonnage -1.3%, while volumes were off by nearly 7% the second half of the fiscal year. Volumes were also down more than 12% when compared with that same period of 2019. Because of the geographical location of the Port, it being the largest deep water port (and third largest port) on the East Coast, and with the Port's relationships with major rail companies, the Port appears to be in a good position to experience continued positive growth in future years. The Port of Virginia has seen a decline in container traffic of between 10% and 20% from 2019 in the past few months. At the end of fiscal year 2020, the change in net position of the Port totaled $42M. As with any business, there are challenges facing the Port (i.e. COVID-19 pandemic, tariff-driven trade wars, competitors, etc.). In an effort to accommodate larger ships, the Port of Virginia expanded and upgraded their two largest terminals, which increased the total container capacity by more than 46%. Work has also begun to deepen and widen the channel to allow continued handling of the largest ships coming to the East Coast.

The lodging and hospitality industry is the third major sector in the Hampton Road's economy. As reported mid-year of 2020, room revenue declined by 80% within the tourism and the local hotel industry. The hotel industry average occupancy dropped from 77.7% to 54.9% for the periods ended June 2019 and June 2020, respectively. Hotel industry revenue in Hampton Roads historically declined by 45.8% between 2019 and 2020 after increasing by 4.7% in 2018. The Norfolk/Portsmouth market Revenue per available room (RevPAR) fell by 74% on a year-over-year basis in April 2020 and was approximately 45% lower on a year-over-year basis in June 2020.

With the outlook for a slow growth rate in Hampton Roads, it will be important to address the challenges in creating the environment to spur establishments. Collaboration and opportunities to build capacities with the cooperation of regional entities will financially benefit the Hampton Roads area.

According to July 1, 2019 statistics from the U.S. Census Bureau, Portsmouth had a population estimate of 94,398, of which 54.5% were African-American, 40.2% were Caucasian, and 5.3% were other nationalities. Major City employers include Norfolk Naval Shipyard, Naval Medical Center - Portsmouth, U.S. Fifth Coast Guard District Command, City of Portsmouth, and PPS. Within PPS, there are approximately 2,253 employees. PPS served 13,991 students (582 are pre-K students) in 13 elementary schools (12 are Title I schools), 3 middle schools, 3 high schools, 3 Pre-K centers, 1 alternative school, 1 adult learning center. In addition to traditional instructional settings for students in grades K-12, the division offers a number of magnet and enrichment programs, a Career and Technical Education program, and has a partnership with Tidewater Community College (Portsmouth Campus) to offer the First College and Early College programs. Projected March 31st average daily membership of K-12 students for FY2020-21 is estimated to be 13,177. Along with general education, PPS serves special education needs. School-wide, approximately 14% of all students received special education services.

The average age of school buildings, within the district, is 49 years. Numerous school building additions and improvements have been completed subsequent to the initial construction of school buildings. The average school building addition and improvement is 12 years.

PPS is funded from local (City of Portsmouth), state, and federal resources. State and City funds are the two largest sources of revenue and represent approximately 98% of the total budget. PPS does not have the authority to levy taxes to directly support education; as such the school division is fiscally dependent on the City. State monies are determined based on the school division's Average Daily Membership ("ADM") and the local composite index, which measures a school division's ability to pay education costs to meet the Commonwealth's Standard of Quality ("SOQ"). Federal monies primarily consist of Impact Aid from the United States Government. Significant funding is also received from federal grants.

The most recent recession and slow recovery of the region's and state's economy continues to have an effect on the funding of the school division. State funding for FY2019-20 was $3.2M more than the previous year. The outlook for FY2020-21 shows the school division expects an overall increase in state revenue of $8.1 million. This is due to an increase in Basic-Aid and At-Risk funds from the state due to statewide rebenchmarking. The City established a joint school formula committee after the FY2019-20 budget adoption. This committee consisted of representatives from both bodies to review funding levels and existing funding models used in Virginia to develop a proposed school funding formula for future budgets. This method produced a $1.3M increase from the City in FY2020-21 in comparison to FY2019-20. There is no expected increase in City funding (to the formula funding experienced in FY2020-21). Since the state budget is completed every two years, information is not available to reasonably project future state revenues. The next biennium budget will be for fiscal years 2020-2022 and will have an impact on all funds. As such, the overall division budget currently projects slight decreases beyond FY2020-21.

To aid in long-term financial planning, the annual budget is utilized to reflect PPS' diverse plans by assigning resources to meet the goals of its Five Year strategic plan. One of the five goals attributed to finance is ensuring fiscal stability through sound fiscal practices and ensuring the facilities are of the highest quality. Aiming to improve academics and school safety as well as retain and attract dedicated personnel, the PPS approved budget for fiscal year 2020-21 maintained a consumer-driven high deductible plan decreasing projected health benefit costs. With declining enrollment and the low locality composite index, funding may pose a challenge on the timeline of completing the goals, however, the division is committed to make the best use of resources to meet these goals where possible.

The School Board developed a new Capital Improvement Plan ("CIP") based on a third-party study completed in FY2017-18. The condition of many of the division's buildings are in need of repair, renovation, and in some cases replacement. The CIP for the School Board is maintained and funded by the City. For the FY2018-19 budget, the city included funding to build a new middle school to increase the number of middle schools from three to four. However, in the FY2019-20 CIP, the City delayed the first year of funding construction cost of the new middle school to FY2023-24. The City stated that this delay in funding was done to study all facets of plan design, school capacity analysis, ADM data, and other critical decision areas. In addition, the continued repair and maintenance of remaining school buildings are projected to increase the operating and CIP budget. Some repairs may need to be delayed based upon financial constraints.

Beyond FY2021-22, the school division expects an overall decrease in revenue. However, PPS is committed to utilizing the best financial practices and seeking innovating methods in providing quality education to the students within the City of Portsmouth. Anticipated declines in ADM are expected based on historical trends and future projections of the City and the state population performed by Weldon Cooper. Without increased or new revenue, school operations and educational programs will have to be analyzed and restructured based on fiscal constraints. Additionally, the ability to add new programs may be hindered. The division will continue to pursue new grants and make operational changes throughout the school system to provide the best educational experience for our student body.

Standards of Learning

Due to COVID-19, the Virginia Department of Education ("VDOE") canceled the spring administration of SOLs and did not assign accreditation ratings to any Virginia school for the 2019-20 school year. For the second year in a row, 14 of the 19 PPS testing schools have earned full accreditation, according to data released by the VDOE. In 2015, just six of 19 schools were accredited.

Major Initiatives and Recognition

Science – Technology – Engineering – Mathematics (STEM) Pathways

PPS Science Program earns a $15,000 grant from the Dominion Energy Charitable Foundation for a new modeling and simulation pathway. The funds will go to the creation of a digital fabrication laboratory, or "fab lab," in support of the division's new modeling and simulation pathway ("MODSIM pathway") for students. The proposed pathway would include a series of courses phased into the PPS Course of Study starting in the 2020-2021 academic year and be fully implemented by 2023-2024. The sequence of courses comprising the MODSIM pathway are: Introduction to Modeling and Simulation; Engineering Drawing & Design; Digital Visualization; and Game Design and Development. Upon completion of the MODSIM Pathway, students would be able to pursue highly sought national certifications through Career and Technical Education in Modeling and Simulation.

Elementary

James Hurst Elementary School has been named a 2019-2020 National School of Distinction by the National Beta. National Beta is the largest independent, non-profit, educational youth organization in America. It recognizes outstanding achievement, promotes character and social responsibility, encourages service involvement to school and community and fosters leadership skills. According to National Beta, the National School of Distinction award is an honor for Beta Clubs striving towards academic achievement, exemplary character, demonstrated leadership and service to others. For more information about this honor and the National Beta organization, visit betaclub.org.

High

Coordinated by the National Youth Leadership Council and funded by The National Highway Safety Traffic Administration, Wilson High School is one of just 20 teams from throughout the United States to receive $1,000 service-learning teen driver safety grants. The grants will support student-designed and student-led campaigns aimed at preventing car crashes in their community.

Churchland High School's Marine Corps Junior Reserve Officers' Training Corps ("MCJROTC") program was recently designated as a Naval Honor School based on activity that took place during the 2018-19 school year. Selection for the Naval Honor School means that the school's MCJROTC program was in the top 20 percent of all programs in Region 2. Region 2 includes schools from across the southeastern U.S.

A Churchland High School senior was selected to take part in the News Literacy Project. WTKR News Channel 3 is a Scripps Media station, and partnered with the News Literacy Project, a nonpartisan national education nonprofit, to help the next generation of news consumers discern credible information from misinformation in today's media. As part of that partnership, they are worked together to present National News Literacy Week.

Churchland High is a 2020 Best High School, based on rankings released from the U.S. News & World Report. This year, the U.S. News & World Report's 2020 Best High Schools list numerically ranked nearly 18,000 schools nationwide. According to U.S. News, the highest ranked U.S. public schools in the rankings are those whose attendees demonstrated outstanding outcomes above expectations in math and reading state assessments, passed a diverse array of college-level exams and graduated in high proportions. Among Churchland's achievements, the school was ranked 38th in the state for its performance in math and reading. To see Churchland's full performance report, visit usnews.com.

Career and Technical Education/First College/Early College/Dual Enrollment

PPS Career and Technical Education ("CTE") Advisory Board has been selected by the VDOE as the Region 2 winner of the 2020 Creating Excellence Advisory Award. According to the VDOE, the Creating Excellence Awards are presented annually to recognize exemplary programs and partnerships that promote excellence in career and technical education. From this collective work, PPS has a robust CTE program for students. All three high school campuses offer courses and pathways in careers.

Division-Wide

Portsmouth Public Schools was recently honored with a special plaque honoring the division's more than $34,000 donation to the United Way of South Hampton Roads. Made possible through voluntary employee contributions, the funds will go to support local organizations and resources in the Hampton Roads community. The school division partners with the United Way each year as part of an annual giving campaign. Schools and division offices join together to support the United Way and the dozens of local organizations that receive United Way resources.

PPS is one of the only 250 school divisions across both the United States and Canada to be named to the College Board's 10th Annual AP ® District Honor Roll. The honor recognizes school divisions that have increased access to Advanced Placement ("AP") coursework while maintaining or increasing the percentage of students earning scores of 3 or higher on AP exams (scoring a 3 or higher on these end-of-year exams can earn students college credit for that course from four-year colleges and universities). Currently, PPS offers 10 AP courses in the division, including classes in math, social studies, English, science, and the arts.

Portsmouth Public Schools unveiled the new 'Shining Brighter Together' logo in 2020. The logo is a call to the city's maritime roots with rays of sunshine, which are depicted as book pages, shown rising over the water.

Mathematics

Churchland High School's mathematics teacher was named a 2019 Virginia state-level finalist for the Presidential Awards for Excellence in Mathematics and Science Teaching (PAEMST). This prestigious award recognizes outstanding contributions as a teacher of mathematics in Virginia. As a state-level finalist, the teacher will be considered by a national selection committee. The national selection committee may select up to one state-level awardee in mathematics and one in science from each state or jurisdiction. The White House will announce the results of the national selection process.

Graduation Results

Of the 909 members of the Class of 2020, 318 received Advanced Studies Diplomas and 327 graduated with Honors. The Class of 2020 earned 2,322 college credits. Merit-based scholarships were awarded in the amount of $17,553,000.

Financial Information

Management is responsible for establishing and maintaining an internal control structure which is designed to provide reasonable, but not absolute, assurance. Reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits require estimates and judgments by management. A component of internal control structure should increase the probability that material errors or fraud, that may occur, are detected in a timely manner by employees in the normal course of performing their duties.

The School Board management maintains budgetary controls to ensure compliance with the annual appropriated budget adopted by the School Board and City Council. The level of budgetary control is established at the individual fund level. The school division maintains an encumbrance accounting system as a method of accomplishing budgetary control. City Council maintains an ordinance that states all unspent appropriations under any ordinance appropriating funds for the School Board budget lapses at the end of the fiscal year and reverts to the governing body appropriating funds for use the following fiscal year. Encumbered amounts lapse at year-end; however, after review, they generally are re-appropriated by City Council as a part of the following year's budget. The School Board has adopted budgets for the following funds - General, Textbooks, Grants, Food Services, and Risk Management. The School Board and the City Council adopt the School Operating Budget each May, for the upcoming fiscal year.

The City provided an appropriation of $55.4 million for education in addition to the Commonwealth of Virginia SOQ payments in FY2019-20.

The School Board is "fully insured" for auto liability and for general liability through the Virginia Association of Counties Group Self Insurance Risk Pool (VACoRP). For Workers' Compensation, the School Board carries an excess policy, with a self-insured retention of $500,000. Workers' Compensation claims are handled by VACoRP, a third-party claims administrator. For health insurance, the School Board is self-insured and utilizes Optima Health as the third party claims administrator. The School Board carries excess loss insurance with a specific stop loss limit of $400,000 and aggregate stop loss coverage at 125% of expected medical claims during a single policy year.

The City Treasurer is the custodian of pooled cash and temporary investments, and funds held for student activity accounts and related investments with the exception of funds under the trust account for Other Postemployment Benefits (OPEB). Our financial institution keeps a minimum required balance in a general depository account and invests the excess in an Institutional Money Market Fund. The investments are in compliance with industry-standard requirements for money market funds for quality, maturity, and diversification on investments. Interest earned is allocated among all the pooled cash funds based on General Ledger cash balances at the end of each month.

Awards

Certificate of Excellence

The Association of School Business Officials ("ASBO") awarded the School Board its *Certificate of Excellence in Financial Reporting* for the CAFR for the fiscal year ended June 30, 2019. The Certificate of Excellence is valid for a period of one year only. This is the fourteenth consecutive year that PPS has achieved this prestigious award.

The Financial Reporting Award was designed by ASBO to enable school business officials to achieve a high standard of financial reporting. The award is only conferred to school systems that have met or exceeded the standards of the program. Since its inception in 1972, the program has gained the distinction of being a prestigious national award recognized by accounting professionals, underwriters, securities analysts, bond rating agencies, state and federal agencies, and education, teacher, and citizen groups.

ASBO, founded in 1910, is a professional association, which provides programs and services to promote the highest standards of school business management practices, professional growth, and the effective use of educational resources.

Certificate of Achievement

The Government Finance Officers Association ("GFOA") of the United States and Canada awarded a *Certificate of Achievement for Excellence in Financial Reporting* to PPS for its CAFR for the fiscal year ended June 30, 2019. This is the thirteenth consecutive year that PPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the School Board must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Meritorious Budget Award for Excellence

ASBO awarded the *Meritorious Budget Award for Excellence* in the preparation and issuance of the School Board's budget for FY2020-21. The budget is judged on its conformity to the principles and standards of ASBO's budget award program. The program promotes and recognizes excellence in school budget presentation and enhances the school business officials' skills in developing, analyzing and presenting a school system budget.

Acknowledgements

We would like to express our sincere gratitude to the personnel in the Department of Finance who participated in the preparation of this report, and to our independent auditors, Cherry Bekaert LLP. Appreciation is also extended to the School Board and to its administration, whose continuing support is vital to the financial health of the school system.

Respectfully submitted,

Elie Bracy, III, Ed.D.
Division Superintendent

Theodore L. Faulk, CPA
Chief Financial Officer

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
COMPONENT UNIT OF THE CITY OF PORTSMOUTH, VIRGINIA
June 30, 2020

Members of the School Board and School Board Officials

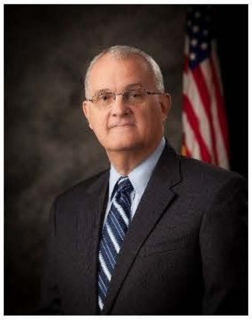
School Board

Mr. Claude C. Parent .... Chairman
Rev. Cardell C. Patillo .... Vice Chairman
Ms. Angelia N. Allen
Ms. Lakeesha S. "Klu" Atkinson
Mr. De'Andre A. Barnes
Mrs. Sarah D. Hinds
Mr. Ted J. Lamb
Mrs. Tamara L. Shewmake
Mrs. Costella B. Williams

Officials

Elie Bracy, III, Ed.D .... Division Superintendent
Anita S. Wynn, D.A .... Assistant Superintendent for Curriculum and Instruction
Michael T. Cromartie, Ed.D .... Chief of Schools
Theodore L. Faulk, CPA .... Assistant Superintendent of Budget and Planning/Chief Financial Officer
Jessica W. Duren. .... Executive Director of Human Resources
Lauren W. Nolasco .... Director of Communications
Derrick A. Nottingham .... Director of Research and Evaluation
Dean M. Schlaepfer .... Director of Information Technology
Dr. Jerry L. Simmons .... Director of Auxiliary Services
Kathy L. Chambliss .... Clerk of the School Board
Paige D. Cherry .... City Treasurer

PORTSMOUTH CITY SCHOOL BOARD



Mr. Claude C. Parent
School Board Chairman
Member of the School Board since 2010
Current Term expires December 31, 2022
Minister of Church Administration, Retired Educator

Rev. Cardell C. Patillo
School Board Vice Chairman
Member of the School Board since since 2015
Current Term expires December 31, 2022
Executive Director

Ms. Angelia N. Allen
Member since 2016
Current Term expires
December 31, 2020
Healthcare Professional

Ms. Lakeesha S. "Klu" Atkinson
Member since 2016
Current Term expires
December 31, 2020
Insurance Consultant

Mr. De'Andre A. Barnes
Member since 2019
Current Term expires
December 31, 2022
Executive Director

Mrs. Sarah D. Hinds
Member since 2014
Current Term expires
December 31, 2020
Career Educator

Mr. Ted J. Lamb
Member since 2013
Current Term expires
December 31, 2020
Career Educator

Mrs. Tamara L. Shewmake
Member since 2019
Current Term expires
December 31, 2022
Chief Administrator

Mrs. Costella B. Williams
Member since 2008
Current Term expires
December 31, 2020
Retired Supervisor and
Community Volunteer

The mission of the Portsmouth Public Schools is to engage all students in learning that will foster academic excellence and responsible citizenship.

Mission and Vision

The Five Year Strategic Plan was adopted in 2017 and provides the framework to drive the decision making of the School Board to fulfill its mission each year. The main goals include the following:

1. **Curriculum, Instruction and Assessment:** *Provide educational opportunities to assure all students achieve high academic growth*. The major objectives are to ensure graduates will be College and Career Ready, that highly effective, research based curriculum, instruction and assessment practices are implemented, and curriculum and related programs meet the needs of all students.

2. **Social-Emotional Development:** *Strengthen practices and policies focused on social-emotional development*. The major objectives are to implement social- emotional learning support and strategies, and implement practices and policies that support each student's ability to be a responsible citizen.

3. **High-Quality Personnel:** *Recruit, retain, and develop highly qualified personnel.* The main objectives include providing a competitive compensation package with other school districts of similar size and revenues, provide professional learning opportunities aligned with the strategic plan and school improvement plans, implement leadership development opportunities, and continued on-going support for new teachers and administrators through the comprehensive induction plan.

4. **Family and Community Engagement:** *Strengthen school, family, and community involvement and perceptions.* The main objectives include partnering with families to strengthen understanding of academic standards, student progress, social-emotional development and implementing practices to increase positive perception of schools among families and community members.

5. **Finance and Operations:** *Ensure fiscal stability through sound financial practices and ensure high-quality school facilities*. The main objectives include continuing to develop and sustain sound financial management practices, process efficiencies to make best use of available resources, provide safe and inviting school facilities, and maintain equipment and infrastructure to support technology integration.

The full text of the Strategic Plan, including measurable objectives and action steps for each goal, is available in a separate publication on the Portsmouth Public Schools website, http://ppsk12.us/. Click the "About PPS" tab, and choose Strategic Plan from menu.

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

City of Portsmouth, Virginia School Board

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2019.

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

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Claire Hertz, SFO
President

David J. Lewis
Executive Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portsmouth, Virginia School Board

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

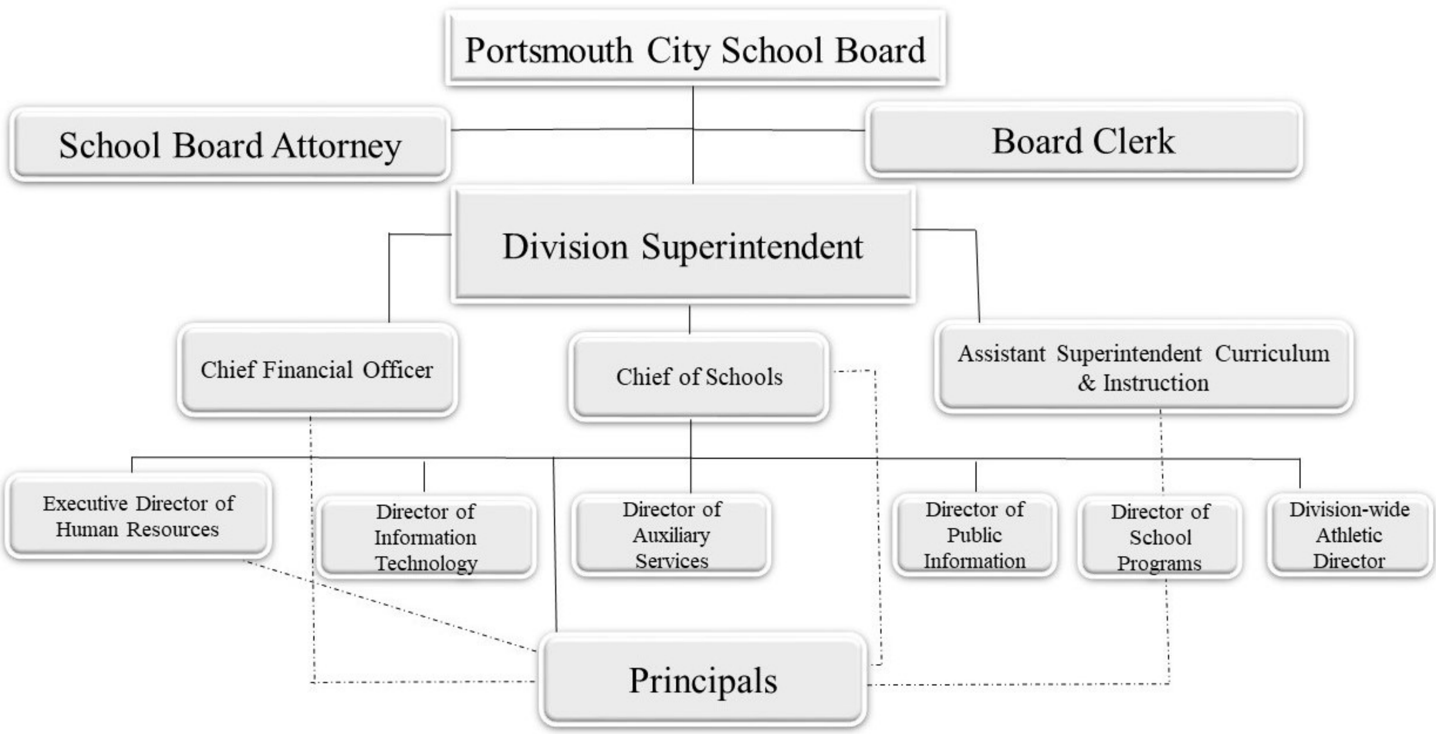
June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Division Organizational Chart

2019-2020



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FINANCIAL SECTION

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

The Honorable Members of the
School Board of the City of Portsmouth, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Portsmouth, Virginia (the "School Board"), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Uncertainty
As discussed in Note 10 to the financial statements, in March 2020, the World Health Organization declared COVID-19 a global pandemic. Given the uncertainty of the situation and the duration of any business disruption, the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matters

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Virginia Beach, Virginia
December 18, 2020

This section of the City of Portsmouth, Virginia School Board's ("School Board" or "PPS") annual financial report presents our discussion and analysis of the School Board's financial performance during the fiscal year ("FY") ended June 30, 2020. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights for Fiscal Year Ended June 30, 2020 (FY2020)

PPS' financial status, as reflected in total net position (deficit), increased 6.6% to $(90.9) million.

On the Statement of Net Position – Governmental Activities, total liabilities at June 30, 2020 totaled $179.2 million. The bulk of the current liabilities of $16.6 million are related to accrued payroll, while the majority of the noncurrent liabilities is related to the net pension liability and Other Postemployment Benefits ("OPEB") liability.

On the Statement of Activities, total net position increased from $(97.3) million at June 30, 2019 to $(90.7) million at June 30, 2020.

At the governmental fund level, all funds, except for the School Food Services Fund, experienced a decrease in fund balance.

Total intergovernmental revenue was $175.7 million. Of that, $55.4 million was from the City of Portsmouth, Virginia ("City"), $99.9 million was from state aid from the Commonwealth of Virginia, and $20.4 million was from the federal government. Interest and other charges were $2.6 million.

Overview of the Financial Statements

This Comprehensive Annual Financial Report has four component sections: *management's discussion and analysis* (presented here), *the basic financial statements, required supplementary information*, and *other supplementary information*.

There are two types of financial statement presentations - one for the School Board as a whole (government-wide), and one for the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the School Board's overall financial status on an economic resource focus. The remaining statements are fund financial statements that focus on a current financial resource basis and individual parts of the School Board's operations in more detail than the government-wide financial statements.

Also included in the financial statements, are *notes* that explain some of the information, and provide more detailed data. Following the statements is a section of *required supplementary information* that further explains and supports the information in the financial statements.

The chart on the following page summarizes the major features of the School Board's financial statements and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the School Board's Government-Wide and Fund Financial Statements:

	Government-Wide Statements	Fund Statements Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school system	Activities of the school system that are not proprietary or fiduciary, such as General, Text Books, Grants, Food Services, and Capital Projects Funds	Activities the school system operates similar to private businesses, such as the Risk Management Fund	Instances in which the school system is the trustee or agent for resources outside of the government, such as the OPEB Trust and Student Activities Fund
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statement of Net Position Statement of Changes in Net Position (OPEB Trust Fund only)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All receipts and disbursements during year, when cash is received or paid, rather than when an obligation is incurred

Government-Wide Statements

The government-wide statements report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School Board's assets, deferred outflows, liabilities, and deferred inflows, while the Statement of Activities reports the School Board's revenues and expenses, regardless of when cash is received or paid. Both of the statements are prepared using the full accrual basis of accounting, which is similar to private-sector accounting.

The two government-wide statements report the School Board's net position and how they have changed. Net position, the difference between the School Board's assets and deferred outflows and liabilities and deferred inflows, is one way to measure the School Board's financial health or position.

Over time, increases or decreases in the School Board's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School Board, you need to consider additional non-financial factors such as changes in the student population and the condition of school properties.

The government-wide financial statements of the School Board include only governmental activities, as the School Board does not have business-type activities. Most of the School Board's basic services are included here, such as administration, instruction, attendance and health, pupil transportation, information technology, and operations and maintenance. State aid, Federal aid, and State and Federal grants finance most of these activities.

Fund Financial Statements

The fund statements focus on the major funds of the School Board, rather than the entity as a whole. These financial statements are presented on a modified accrual basis and are accounting devices that the School Board uses to keep track of specific sources of funding and spending for particular purposes.

The School Board has three types of funds:

- *Governmental Funds* – Most of the School Board's basic activities are included in governmental funds, which focus on: (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near-term future to finance the School Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this additional information is provided in reconciliations after the governmental funds statements to explain the relationship (or differences) between them.

- *Proprietary Funds* – Services for which the School Board charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The School Board uses an internal service fund. Internal service funds are used for goods or services provided by a central service department or agency to other departments, agencies, or to other unrelated governmental units, usually on a cost reimbursement basis. The Risk Management and Insurance Fund accounts for the payment of claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board.

- *Fiduciary Funds* – The School Board maintains an agency fund which is custodial in nature (assets equal liabilities) and does not involve measurements of the results of operations. The School Board's agency fund is the Student Activities Fund, which accounts for the student activity monies maintained on behalf of the students by the school principals at each school. The OPEB trust fund is used to report resources that are required to be held in a trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or employee benefit plans.

Financial Analysis of the School Board as a Whole

Following is a discussion of the major financial highlights of the School Board's financial statements:

Net Position

June 30,
(in thousands of dollars)

	2020	2019
Current and other assets	$ 26,545	$ 20,238
Capital assets	60,560	57,506
Total assets	87,105	77,744
Deferred outflows related to pensions	27,851	15,250
Deferred outflows related to other postemployment benefits	6,344	5,089
Total deferred outflows of resources	34,195	20,339
Other liabilities	16,577	17,949
Long-term debt outstanding	162,638	147,850
Total liabilities	179,215	165,799
Deferred inflows related to pensions	16,253	18,837
Deferred inflows related to other postemployment benefits	16,510	10,770
Total deferred inflows of resources	32,763	29,607
Net position:		
Net investment in capital assets	53,580	57,361
Restricted	11,086	4,757
Unrestricted (deficit)	(155,343)	(159,441)
Total net position (deficit)	$ (90,677)	$ (97,323)

The School Board's liabilities and deferred inflows of resources exceeded assets and deferred outflow of resources by $(90.6) million, representing an increase of $6.6 million from the net position at June 30, 2019. Total assets increased by 11% due to Net OPEB asset. The Code of Virginia prohibits school districts from issuing general obligation debt. As a result, capital assets of the School Board, for which the City has incurred general obligation debt, are reflected in the City's financial statements. All School Board capital assets, which are not secured by debt, are reported in the School Board's financial statements.

The largest drivers for the deficit is due to reporting the OPEB and net pension liability. The net pension liability for PPS as of June 30, 2020 is $138.7 million. The net other postemployment liability (asset) for PPS as of June 30, 2020 is $20.6 million.

Readers desiring more information on the School Board's pension plans are referred to Note 5 in the basic financial statements. Readers desiring more information on the School Board's other postemployment benefit plans are referred to Note 8 in the basic financial statements.

Changes in Net Position

The breakdown of program revenue is as follows: 96% comes from operating contributions, while the remaining program revenue is from charges for services and capital grants and contributions. In the prior year, operating contributions represented 94% of program revenues. Total general revenues for FY2020 were $141.0 million, consisting primarily of grants and contributions not restricted to specific programs. City appropriations make up approximately 39% of these revenues. The majority of the rest of the grants and contributions not restricted to specific programs are derived from State and Federal funds.

June 30,
(in thousands of dollars)

	2020	2019
Revenues:		
Program revenues:		
Charges for services	$ 1,419	$ 2,203
Operating grants and contributions	36,133	35,374
General revenues:		
Interest and investment earnings	152	121
Grants and contributions not restricted	139,875	132,151
Miscellaneous	1,004	789
Total revenues	178,583	170,638
Program expenses:		
Instruction	123,686	123,050
Administration, attendance, and health services	10,453	9,302
Pupil transportation	6,392	6,738
Operations and maintenance	15,223	15,081
Information technology	8,384	7,023
Food services	7,799	8,299
Total program expenses	171,937	169,493
Change in net position	6,646	1,145
Beginning net position	(97,323)	(98,468)
Ending net position	$ (90,677)	$ (97,323)

Charges for services decreased by $.8 million from the previous year. This decrease is primarily due to the reduction of $.6 million revenue received from the Virginia Medical Assistance program as occurred in previous years. Grants and contributions not restricted, in the general revenues section, increased by $7.7 million over the previous fiscal year. This is primarily due to revenue increase from the City of Portsmouth.

Total program expenses increased by $2.4 million from the previous fiscal year due to Grant fund related expenditures within the Information Technology function.

Financial Analysis of the School Board's Funds

Governmental Funds

The School Board's combined fund balance for the governmental funds was $10.8 million as of June 30, 2020. The current year compared to last year is as follows:

Fund Balance Comparison
June 30,
(in thousands of dollars)

	2020	2019
Fund:		
General	$ 6,855	$ 1,027
Grants	1,442	746
Food services	12	1,403
Textbook	2,529	1,909
Total combined fund balance	$ 10,838	$ 5,085

There were several factors that contributed to the change in fund balances

General Fund

End of the year assigned fund balance increased from $.1 million to $.6 million from the previous year while the unassigned fund balance increased from $.7 million to $5.8 million. The increase in the assigned fund balance is primarily due to decline in spending as a result of supply disruption. Also, the City permitted the School Board to retain unspent appropriations; this was not done in the past. The majority of change in the unassigned fund balance between FY2020 and FY2019 was due to implementation of unprecedented measures taken to lessen the COVID-19 effects to school division operations and its financial results.

Grants Fund

During FY2020, the School Board's Grants Fund (a multi-year fund) received $18.6 million in revenues and $1.1 million required local match from the General Fund for total funding of $19.8 million. Total grant expenditures totaled $19.1 million. The excess of revenues over expenditures (including local match requirements) caused fund balance to increase by approximately $.7 million from FY2019. Spending within the Grants Fund was fairly consistent with FY2019.

Food Services Fund

During FY2020, the School Board's Food Services Fund received $6.5 million in revenues and transfers in and incurred $7.9 million in expenditures. The deficiency of revenues, (including transfers) under expenditures caused fund balance to decrease by $1.4 million from FY2019. Fund balance decrease is due to reduction of daily revenue from students who pay full price for their meals and the sale of a la carte items as a result of COVID-19.

Textbook Fund

During FY2020, the School Board's Textbook Fund received $1.0 million in revenues and $.3 million in required local match from the General Fund for total funding of $1.3 million. Total expenditures incurred were $.7 million. The excess of revenues over expenditures caused fund balance to increase by $.6 million from FY2019. This was primarily due to fewer textbook adoptions in FY2020 compared to FY2019.

Internal Service Funds

Risk Management Fund

The Risk Management Fund deficit decreased from $(2.9) million in FY2019 to $(1) million in FY2020. The decrease in deficit is directly related to increase of $1.9 million revenue generated from charges of services and decline in insurance claims and expenditures predominantly related to health self-insurance in the amount of $2.9 million in comparison to FY2019.

General Fund Budgetary Highlights

Throughout FY2020, the School Board monitors its total budget; however, the School Board delegates authority, to the Division Superintendent, to move budget amounts, within each category, to meet the changing needs of the School Board. Budget amounts, which need to be moved between categories, must receive School Board and City Council approval prior to movement. The School Board's administration manages actual spending of revenue received.

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Amended Budget Versus Actual Variance
Revenues:				
Intergovernmental	$ 148,551	$ 148,508	$ 150,566	1.4%
Other	2,152	2,152	1,562	-27.4%
Total	150,703	150,660	152,128	1.0%
Expenditures and transfers:				
Instruction	109,552	109,552	105,902	-3.3%
Administration, attendance, and health	9,115	9,115	8,381	-8.1%
Pupil transportation	6,774	6,774	5,860	-13.5%
Operations and maintenance	15,330	15,287	15,460	1.1%
Information technology	7,060	7,060	7,026	-0.5%
Transfers in (out)	(2,872)	(2,872)	(4,388)	52.8%
Total	150,703	150,660	147,017	-2.4%
Change in fund balance	$ -	$ -	$ 5,111	100.0%

Actual intergovernmental revenues, as compared to the amended budget, increased by 1.4% or $1.5 million. This increase is primarily due to an increase in local government funding as a result of re-appropriation of unexpended funds. Actual other revenues, as compared to the amended budget revenues, decreased by -27.4% or $.06 million. This is due to dual enrollment refunds and medical assistance program revenue not yet received during the fiscal year.

Actual expenditures and transfers, as compared to the amended budget, decreased 2.4% or $3.6 million. The decrease in expenditures is related to fluctuation between projected and actual costs, vacant positions, changes, and turnover.

Capital Assets

As of June 30, 2020, the School Board had $53.6 million in capital assets, net of depreciation. Most of the assets are in school buildings and land. Of the equipment, most of these assets are the school bus fleet and maintenance vehicles.

Capital Assets
June 30,
(net of depreciation, in thousands of dollars)

	2020	2019
Land	$ 6,086	$ 6,086
Buildings and improvements	40,352	43,052
Equipment	7,142	8,223
Total	$ 53,580	$ 57,361

Buildings and Improvements decreased due to the FY2020 depreciation on existing building assets. Equipment decreased due to the net of $.3 million of new assets, equipment disposals, and FY2020 depreciation on new and existing equipment.

Readers desiring more information on capital assets are referred to Note 3 in the basic financial statements.

Economic Factors

The unemployment rate for the City is well above the Metropolitan Statistical Area (MSA), and the U.S. rates. In June 2020, the unemployment rate was 11.7% for Portsmouth, 8.2% for Virginia, and 11.2% for the U.S. The City was ranked as the 10th highest unemployment rate in Virginia.

The City had a per capita income of $41,696, in 2018 (most recent information available), which was 21% less than the per capita income for the state at $52,699, and 17% less than the per capita income for the nation at $50,450 (U.S. Bureau of Economic Analysis). The City's median household income, in 2019, increased 3% to $50,224 from $48,727 in 2018. This is 31% less than the state's median household income at $72,577, and is 19% less than the national median household income at $61,937.

Factors Influencing Future Budgets

- Employee healthcare costs
- Employee postemployment benefits
- Inadequate state and federal aid
- Unfunded state and federal mandates
- Competitive salaries and pay raises
- Global and national economic conditions
- Fluctuations in student enrollment
- Impact of COVID-19

Contacting the School Board's Financial Management

This financial report is designed to provide citizens, taxpayers, parents, guardians, and creditors with a general overview of the School Board's finances, and to demonstrate the School Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Portsmouth, Virginia, School Board, Superintendent's Office, 801 Crawford Street, 3rd Floor, Portsmouth, Virginia 23704.

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STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

June 30, 2020

ASSETS	
Current assets	
Cash and cash equivalents	$ 21,389,604
Due from the Federal government	2,026,266
Due from the Commonwealth of Virginia	1,399,606
Due from City of Portsmouth	
Receivables	1,185,240
Inventory	544,291
Total current assets	26,545,007
Noncurrent assets	
Net OPEB asset	6,980,817
Capital assets not depreciated	6,085,707
Other capital assets - net	47,493,861
Total noncurrent assets	60,560,385
Total assets	$ 87,105,392
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	$ 27,851,143
Deferred outflows of resources - OPEB	6,343,960
Total deferred outflows of resources	$ 34,195,103
LIABILITIES	
Current Liabilities	
Accounts payable	$ 4,575,575
Accrued payroll	8,154,843
Accrued payroll taxes	615,459
Due within one year	3,230,653
Total current liabilities	16,576,530
Noncurrent liabilities	
Due in more than one year	3,333,620
Net pension liability	138,742,940
Net OPEB liability	20,561,679
Total noncurrent liabilities	162,638,239
Total liabilities	$ 179,214,769
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	$ 16,252,840
Deferred inflows of resources - OPEB	16,510,188
Total deferred inflows of resources	$ 32,763,028
NET POSITION	
Net investment in capital assets	$ 53,579,568
Restricted	
Grants	1,974,117
OPEB	6,980,817
School food services	497,497
Textbook	2,528,945
Unrestricted (deficit)	(156,238,246)
Total net position	$ (90,677,302)

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

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2020

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	
Governmental activities					
Administration, attendance, and health services	$ 10,452,610	$ 182,292	$ -	$ -	$ (10,270,318)
Instruction	123,685,787	56,995	31,131,304	-	(92,497,488)
Pupil transportation	6,392,222	152,464	-	-	(6,239,758)
Operations and maintenance	15,223,114	32,161	-	-	(15,190,953)
Information technology	8,384,830	-	-	-	(8,384,830)
Food service	7,798,591	994,643	5,001,282	-	(1,802,666)
Total Primary Government	$ 171,937,154	$ 1,418,555	$ 36,132,586	$ -	(134,386,013)
	General revenues				
	From City of Portsmouth				55,396,045
	Unrestricted grants and contributions				84,479,181
	Investment earnings				152,056
	Miscellaneous				1,004,449
	Total general revenues				141,031,731
	Change in net position				6,645,718
	Net position - beginning of year				(97,323,020)
	Net position - end of year				$ (90,677,302)

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General	School Grants	School Food Services	School Textbook	Total Governmental Funds
ASSETS					
Cash and temporary investments	$ 15,312,923	$ 629,753	$ 1,526,238	$ 2,549,824	$ 20,018,738
Receivables	304,938	29,798	568,771	-	903,507
Due from Federal government	34,785	1,845,188	146,293	-	2,026,266
Due from Commonwealth of Virginia	1,237,387	162,219	-	-	1,399,606
Due from other funds	2,131,679	-	-	-	2,131,679
Inventory	472,451	-	71,840	-	544,291
Total assets	$ 19,494,163	$ 2,666,958	$ 2,313,142	$ 2,549,824	$ 27,024,087
LIABILITIES					
Accounts payable	$ 3,688,116	$ 97,641	$ 97,694	$ 20,879	$ 3,904,330
Accrued payroll	8,045,211	71,257	38,375	-	8,154,843
Accrued payroll taxes	615,459	-	-	-	615,459
Due to other funds	-	523,943	1,607,736	-	2,131,679
Total liabilities	12,348,786	692,841	1,743,805	20,879	14,806,311
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	290,218	532,371	557,167	-	1,379,756
FUND BALANCES					
Nonspendable	472,451	-	71,840	-	544,291
Restricted	-	1,441,746	-	2,528,945	3,970,691
Assigned	610,540	-	-	-	610,540
Unassigned	5,772,168	-	(59,670)	-	5,712,498
Total fund balances	6,855,159	1,441,746	12,170	2,528,945	10,838,020
Total liabilities, deferred inflows, and fund balances	$ 19,494,163	$ 2,666,958	$ 2,313,142	$ 2,549,824	$ 27,024,087

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

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2020

Total fund balances - governmental funds		$ 10,838,020
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Net capital assets of governmental activities		53,579,568
Some of the School Board's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		1,379,756
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Long-term liabilities		
Governmental funds	$ (6,564,273)	
Internal service fund - current portion	1,691,077	
Internal service fund - long-term portion	258,905	
		(4,614,291)
Pension Related		
Net pension liability	(138,742,940)	
Deferred outflows of resources	27,851,143	
Deferred inflows of resources	(16,252,840)	
		(127,144,637)
OPEB Related		
Net OPEB asset	6,980,817	
Net OPEB liability	(20,561,679)	
Deferred outflows of resources	6,343,960	
Deferred inflows of resources	(16,510,188)	
		(23,747,090)
Internal Service Fund is used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the Internal Service Fund's Statement of Net Position.		(968,628)
Total net position - governmental activities		$ (90,677,302)

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	General	School Grants	School Food Services	School Textbook	Total Governmental Funds
Revenues					
Intergovernmental					
From City of Portsmouth	$ 55,396,045	$ -	$ -	$ -	$ 55,396,045
From Commonwealth of Virginia	94,158,097	4,535,907	153,141	1,006,033	99,853,178
From Federal government	1,011,637	13,966,213	5,001,282	-	19,979,132
Donated commodities	-	-	500,147	-	500,147
Total intergovernmental	150,565,779	18,502,120	5,654,570	1,006,033	175,728,502
Charges for services	-	-	367,619	-	367,619
Interest	134,018	-	18,038	-	152,056
Miscellaneous	1,428,315	142,405	484,619	46	2,055,385
Total revenues	152,128,112	18,644,525	6,524,846	1,006,079	178,303,562
Expenditures					
Current					
Education					
Instruction	106,530,757	16,622,743	-	714,410	123,867,910
Administration, attendance, and health services	10,352,231	368,108	-	-	10,720,339
Pupil transportation	5,884,383	160,730	-	-	6,045,113
Operation and maintenance	15,348,458	151,443	-	-	15,499,901
Information technology	6,719,134	1,761,830	-	-	8,480,964
Food services	-	-	7,936,203	-	7,936,203
Total expenditures	144,834,963	19,064,854	7,936,203	714,410	172,550,430
Excess (deficiency) of revenues over (under) expenditures	7,293,149	(420,329)	(1,411,357)	291,669	5,753,132
Other financing sources (uses)					
Transfers in	-	1,116,023	19,888	328,582	1,464,493
Transfers out	(1,464,493)	-	-	-	(1,464,493)
Total other financing sources (uses), net	(1,464,493)	1,116,023	19,888	328,582	-
Net change in fund balances	5,828,656	695,694	(1,391,469)	620,251	5,753,132
Fund balances - beginning of year	1,026,503	746,052	1,403,639	1,908,694	5,084,888
Fund balances - end of year	$ 6,855,159	$ 1,441,746	$ 12,170	$ 2,528,945	$ 10,838,020

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Net change in fund balances - total governmental funds		$ 5,753,132
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.		
Capital acquisitions	$ 347,403	
Depreciation of general government assets, net of amount reported in the internal service fund	(4,128,425)	
		(3,781,022)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		279,310
Some expenses, such as compensated absences and net pension obligation 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 compensated absences	(732,935)	
Change in deferred outflows related to pension	12,601,470	
Change in deferred inflows related to pensions	2,584,228	
Change in net pension liability	(13,666,130)	
Change in deferred outflows related to OPEB	1,254,369	
Change in deferred inflows related to OPEB	(5,739,924)	
Change in net OPEB liability	6,164,699	
		2,465,777
The Internal service fund is used by management to charge the costs of certain activities, such as printing and insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities		1,928,521
Change in net position of governmental activities		$ 6,645,718

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

STATEMENT OF NET POSITION -
PROPRIETARY FUND

June 30, 2020

		Governmental Activities - Internal Service Funds
ASSETS		
Current assets		
Cash and temporary investments	$	1,370,866
Accounts receivable		281,733
Total current assets		1,652,599
Total assets	$	1,652,599
LIABILITIES AND NET POSITION		
Current liabilities		
Claims payable - current portion	$	1,691,077
Accounts payable		671,245
Total current liabilities		2,362,322
Noncurrent liabilities		
Claims payable - net of current portion		258,905
Total noncurrent liabilities		258,905
Total liabilities		2,621,227
Net deficit		
Unrestricted		(968,628)
Total net deficit		(968,628)
Total liabilities and net deficit	$	1,652,599

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

Year Ended June 30, 2020

	Governmental Activities - Internal Service Fund
Operating revenues	
Insurance recoveries	$ 955,569
Charges for services	19,584,059
Total operating revenues	20,539,628
Operating expenses	
Insurance claims and expenses	18,611,107
Total operating expenses	18,611,107
Net operating income	1,928,521
Change in net position	1,928,521
Net deficit - beginning of year	(2,897,149)
Net deficit - end of year	$ (968,628)

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended June 30, 2020

	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Received from customers and users	$ 19,545,054
Insurance recovery	955,569
Payments to suppliers for goods and services	(18,806,708)
Net cash provided by operating activities	1,693,915
Cash flows from noncapital financing activities	
Payments to City of Portsmouth	(323,049)
Net cash used in noncapital financing activities	(323,049)
Net increase in cash and temporary investments	1,370,866
Cash and temporary investments - beginning of year	-
Cash and temporary investments - end of year	$ 1,370,866
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 1,928,521
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities	
Accounts receivable	(39,005)
Accounts payable and accrued expenses	22,293
Claims payable	(217,894)
Total adjustments	(234,606)
Net cash provided by operating activities	$ 1,693,915

Exhibit VIII

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2020

	School OPEB Trust Fund	Agency Fund
ASSETS		
Cash and temporary investments	$ -	$ 783,607
Investments:		
Investments at fair value - investments in pooled funds	13,664,808	-
Total assets	$ 13,664,808	$ 783,607
LIABILITIES AND NET POSITION		
Liabilities		
Due to students	$ -	$ 783,607
Net position		
Restricted for postemployment benefits other than pensions	13,664,808	
Total liabilities and net position	$ 13,664,808	

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

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year Ended June 30, 2020

	School OPEB Trust Fund
Additions	
Investment income:	
Net realized and unrealized gain on investments	$ 405,789
Net investment income	405,789
Total additions	405,789
Deductions	
Benefit and withdrawal payments:	
Benefits - health insurance	14,816
Administrative expenses	517
Total benefits	15,333
Total deductions	15,333
Change in net position	390,456
Net position - beginning of year	13,274,352
Net position - end of year	$ 13,664,808

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements presented for the City of Portsmouth, Virginia School Board ("School Board") are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB"). The School Board's significant accounting and reporting policies are described below.

The Financial Reporting Entity

The School Board is considered a component unit of the City of Portsmouth, Virginia ("City"). The School Board has no component units. Component units are legally separate entities for which a Primary Government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the Primary Government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). The information included in these basic financial statements will also be included in the City's basic financial statements because of the significance of the School Board's financial relationship with the City.

The School Board determines educational policy and employs a Superintendent of Schools to administer the School Board's policies. The members of the School Board are elected by the citizens of the City.

The School Board is responsible for elementary and secondary education for the City.

Basis of Financial Statement Presentation and Fund Accounting

The accounting policies of the School Board are in conformity with GAAP as applicable to governmental units. GASB is the organization that establishes financial and accounting standards for local and state governments nationwide. The School Board's basic financial statements consist of government-wide statements, including a Statement of Net Position and the Statement of Activities; fund financial statements, which provide more detailed level of financial information; and notes to the financial statements, which provide a comprehensive narrative information.

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the School Board as a whole, except for fiduciary funds. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, (which incorporates long-term assets as well as long-term liabilities.)

The Statement of Net Position presents the financial condition of the governmental type activities of the School Board at year-end. The School Board does not have any business-type activities. The government-wide Statement of Activities reflects both the gross and net cost per functional category that is otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues (charges for services, operating and capital grants, and contributions). The program revenues must be directly associated with the function or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items such as grants not specific to a program, and not properly included among program revenues are reported as general revenues. The School Board does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The effect of interfund services provided and used, for example, risk management and insurance services, are not eliminated in the process of consolidation.

Fund Financial Statements **-** The accounts of the School Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental funds statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented, which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Governmental Funds **-** Governmental Funds are those through which most governmental functions of the School Board are financed. The acquisition, use and balances of the School Board's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund types use the "flow of current financial resources" measurement focus. This means that, generally, only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The School Board reports the following major governmental funds:

General Fund **-** The General Fund (School Operating Fund) is the general operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are primarily from other governments (intergovernmental revenues).

School Grants Fund **-** The School Grants Fund is a special revenue fund which accounts for federal, state, and other grants associated with school programs.

School Food Services Fund **-** The School Food Services Fund is a special revenue fund which accounts for the operations of the cafeterias operating in each school. Revenues include federal and state funds, donated commodities, charges for services, and other sales.

School Textbook Fund **-** The School Textbook Fund is a special revenue fund which accounts for state funding for the acquisition of textbooks.

Additionally, the School Board reports the following fund types:

Internal Service Fund **-** The Internal Service Fund accounts for the financing of services provided by one fund to other funds of the School Board. The Risk Management Fund accounts for the payment of medical and workmen's compensation claims and legal fees, if necessary, on public liability claims arising from the operations of the School Board. Operating revenues include charges for services. Operating expenses include cost of services. The Internal Service Fund is included in governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenue or expenses for the funds are allocated to the appropriate functional activity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School Board in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the School Board are the Student Activities Fund and the School other postemployment benefits ("OPEB") Trust Fund. The Agency Fund accounts for the student activity monies maintained on behalf of the students in connection with athletics, club accounts, fundraising, and private donations by the school principals at each school. The School Board OPEB fund has a trust fund that holds the assets contributed for the costs of the School Board's OPEB provided to retirees for health care. Fiduciary Funds are not included in the government-wide financial statements.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The School Board generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets plus deferred outflows of resources and all liabilities plus deferred inflows of resources associated with the operation of these activities are included on the Statement of Net Position. Non-current assets (i.e., land, buildings, improvements, and other capital assets) and long-term liabilities (i.e., actuarial claims payable, compensated absences, pension, and OPEB liabilities) are included in this statement. Revenues are documented when earned and expenses are recorded when a liability is incurred irrespective of the timing of the associated cash flows.

The government-wide Statement of Activities is presented on the accrual basis of accounting. Program revenues consists of charges for services, operating grants and contributions, and capital grants and contributions. General revenues are comprised of unrestricted purpose grants and contributions from the City, state, and federal government. Expenses directly attributable to program (i.e., Instruction, Food Service, Pupil Transportation) are defined on this statement. The effect of interfund revenue has been eliminated from these statements.

The Governmental Funds' statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, including grants, charges for services, and interest income, are recorded as soon as they are both measurable and available. Revenues are recorded when they are collectible within the current period or within forty-five days of year-end to be used to pay current liabilities. Expenditures, other than compensated absences, pension, OPEB, and interest and principal on long-term debt, which is recorded when due, are recorded when the fund liability is incurred, if measurable. Depreciation is an allocated cost expense and is not recorded in the governmental funds. Due to the difference in measurement focus in comparison to government-wide statements, reconciliations are presented to detail the dissimilarities.

Proprietary funds are reported utilizing economic resources measurement focus. All assets and liabilities related with the operation of these funds are included on the Statement of Net Position. Proprietary fund, net position is separated into restricted, unrestricted, and invested in capital assets. Proprietary funds' operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The operating revenues are charges for services provided to other departments on a cost reimbursement basis and the costs to provide these services are reported as operating expenses. For services which range over more than one fiscal period, such as insurance, the change in actuarially determined insurance liability from one year to the next is reported as an operating expense. Nonoperating expenses in the proprietary funds are generated from the transfer due to Primary Government. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The statement of cash flows presents the cash inflows and outflows of the proprietary activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary funds use the economic resources measurement focus and are reported using the accrual basis of accounting. However, agency funds included in fiduciary funds do not involve the measurement of results of operations as they are custodial in nature, reported as assets and related liabilities.

Receivables and Due from Other Governments

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

Inventory

Inventory is valued at cost (first-in, first-out). Inventory consists of consumable materials and supplies held for future consumption. Under the consumption method of accounting, the cost is recorded as an expenditure in the General Fund at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance designation, which indicates the inventories do not constitute “available spendable resources.”

The School Food Service Fund’s inventory includes United States Department of Agriculture (“USDA”) commodities under the Donated Commodity Program. This program provides free agricultural products for utilization of school lunch preparation. The contributions are recorded in the financial statements as revenue upon receipt at delivery and expenditures at the time product consumption based on estimated market value provided by USDA.

Capital Assets

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Board’s capitalization threshold of $5,000 is met.

Depreciation and amortization is recorded on general capital assets on a government-wide basis using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 - 50 years
Equipment	5 - 30 years
Intangible assets	5 years

All capital assets are capitalized at cost (or estimated historical cost) at the completion of each project and updated for additions and retirements during the year. Donated assets are recorded at acquisition value. The School Board has no infrastructure assets.

Under Virginia law, certain property maintained by the School Board is subject to tenancy in common with the City, if the City has incurred a financial obligation for the property, which is payable over more than one fiscal year. The School Board and the City have agreed that such property, having a net book value of $118,856,430, is carried on the City’s financial statements until the outstanding debt is repaid.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

The School Board recognizes deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. Deferred outflows of resources for amounts related to pensions and OPEB are reported in the government-wide Statement of Net Position related to changes in actuarial assumptions, pension/OPEB trust investment returns that exceed projected earnings, change in the proportionate share of total VRS Teachers' Pool liability, VML-VACo and VRS OPEB programs, actual economic experience that is different than estimated, and pension/OPEB contributions made subsequent to the measurement date. Changes in deferred outflows of resources are amortized over the remaining service life of all plan participants with the exception of investment experience amounts, which is deferred and amortized over a closed five-year period.

A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. Deferred inflows of resources in the governmental funds' Balance Sheet represent unavailable revenue for amounts billed and not collected. Deferred inflows of resources in the government-wide Statement of Net Position represent unearned revenues for amounts received in advance of meeting timing requirements or amounts collected in advance of the fiscal year to which they apply. Deferred inflows of resources are also reported for amounts related to pensions and OPEB in the government-wide Statement of Net Position. The Statement of Net Position reports deferred outflows and inflows of resources related to pensions and OPEB (See Exhibit I and Note 5, 8).

Pensions

The Virginia Retirement System (the "VRS") Teacher Retirement Plan is an independent agency of the Commonwealth of Virginia. The VRS Teacher Retirement Plan is a multiple employer cost-sharing plan, and the Nonprofessional Retirement Plan is a multi-employer agent plan. The Board of Trustees (the "Board") is responsible for the general administration and operation of the defined benefit pension plans and other employee benefit plans. The Boards has full power to invest and reinvest the trust funds of the VRS through the adoption of investment policies and guidelines that fulfill the Board's investment objective to maximize long-term investment returns while targeting an acceptable level of risk. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of the VRS Teacher (Professional) Retirement Plan and the School Board Nonprofessional Retirement Plan, and the additions to/deductions from the VRS Teacher (Professional) Retirement Plan's and School Board Nonprofessional Retirement Plan's net fiduciary position, have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

The VRS is an independent agency of the Commonwealth of Virginia. The VRS Group Life Insurance plan, Health Insurance Credit Plan, and Virginia Local Disability Plan are multiple employer cost-sharing plans. The Board of Trustees (the "Board") is responsible for the general administration and operation of the defined benefit pension plans and other employee benefit plans. The Board has full power to invest and reinvest the trust funds of the VRS through the adoption of investment policies and guidelines that fulfill the Board's investment objective to maximize long-term investment returns while targeting an acceptable level of risk. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the plans, and the additions to/deductions from the plans' net fiduciary position, have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School Board administers a single-employer defined benefit healthcare plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the Employer's fiduciary net position is determined under GAAP. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Compensated Absences

School Board employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation pay earned, and upon retirement, termination, or death, may be compensated as salary related payments for certain amounts at their then current rates of pay. After five consecutive years of service, employees, upon retirement, termination, or death, may be compensated at a daily rate of $20 for each unused sick leave day earned, provided that the funds have been included in the approved annual budget.

Fund Balances/Net Position

Fund balance is categorized, within one of the five classifications listed below, based primarily on the extent to which the School Board is bound to observe constraints imposed upon the use of resources in the governmental funds.

- The *non-spendable fund balance* category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

- The *restricted fund balance* is reported as restricted when constraints are placed on the use of resources either externally by creditors, grantors, contributors, laws and regulations, or through enabling legislation.

- The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School Board – the highest level of authority and requires a similar formal action to remove the commitment.

- The *assigned fund balance* classification is intended to be used by the School Board for specific purposes but does not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by School Board or the delegate – an authority delegated by appropriate action such as a resolution.

- The *unassigned fund balance* is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

A fund balance of the School Board may be committed for a specific purpose, by formal action of the School Board, e.g., the School Board approving a contract for construction of a school facility would commit that fund balance for construction of the specific school. When it is appropriate for a fund balance to be assigned, the School Board has delegated the authority to the Superintendent or his designee to assign the fund balance. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position in government-wide financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through state statute.

Minimum Fund Balance Policy

The School Board does not have a minimum fund balance policy.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, investments with original maturities of three months or less from the date of purchase are grouped into cash and temporary investments and are considered cash equivalents.

Use of Estimates

Management, by the School Board, has made a number of estimates and assumptions, relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, to prepare these financial statements in conformity with GAAP. Management believes any differences between these estimates and actual results should not materially affect the School Board's reporting of its financial position.

New Pronouncements

The GASB issued Statement 83, Certain Asset Retirement Obligations, in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. Management has implemented this Statement and determined no impact of these requirements.

The GASB issued Statement 84, Fiduciary Activities, in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement 87, Leases, in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement, in April 2018. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments. The requirements of this Statement are effective for periods beginning after June 15, 2019. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2020. Management has completed their assessment and determined no impact of these requirements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

The GASB issued Statement No. 90, Majority Equity Interests – an Amendment of GASB Statements No.14 and No.61, in August 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has completed their assessment and determined no impact of these requirements.

The GASB issued Statement No. 91, Conduit Debt Obligations, in May 2019. This Statement provides a single method of reporting conduit debt obligations and clarifies that these obligations are not government liabilities. The Statement also addresses leases that are sometimes associated with conduit debt issuances. And requires the disclosure of the outstanding principal balance of all conduit debt, along with a description of each type of conduit debt commitment (and organized by these types). The requirements of this Statement are effective for periods beginning after December 15, 2020. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 92, Omnibus *2020*, on February 5, 2020. This Statement is intended to cover accounting and financial reporting issues identified during the implementation and application of some of its earlier pronouncements. This Statement includes modifying the effective date of Statement No. 87, Leases, to address concerns regarding interim financial reports; along with reporting of intra-entity transfers of assets between a primary government employer and a component unit defined-benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 93, Replacement of Interbank Offered Rates, to provide guidance to state and local governments on the transition away from existing interbank offered rates (IBORs) to other reference rates. The most common rate used in practice is the London Interbank Offered Rate (LIBOR). LIBOR is expected to cease to exist in its current form at the end of 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective under Statement No. 93 for reporting periods ending after December 31, 2021. All other requirements of Statement No. 93 are effective for reporting periods beginning after June 15, 2020. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangement on April 20, 2020. The statement is intended to improve the accounting and financial reporting guidance for public-private and public-public partnership arrangements (P3s) and availability payment arrangements (APAs). This Statement is effective for fiscal years beginning after June 15, 2022. Management is in the process of completing their assessment of the impact of these requirements.

The GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement was intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing certain other GASB Statements. The effective dates of GASB Statements 83 through 93 and Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting), Implementation Guide No. 2018-1, Implementation Guidance Update—2018, Implementation Guide No. 2019-1, Implementation Guidance Update—2019; and Implementation Guide No. 2019-2, Fiduciary Activities.

NOTE 2. DEPOSITS AND INVESTMENTS

The School Board maintains individual segregated bank accounts for the School Grants and School Food Services funds. The General, Textbook, and Risk Management funds share a pooled cash account.

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits

At June 30, 2020, the carrying value of the School Board's deposits with banks and savings institutions was $22,173,211 and the bank balance was $21,002,639. The bank balances of the School Board's deposits were covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks holding public deposits in excess of the amounts insured by Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. If any member financial institution fails, the entire collateral becomes available to satisfy claims of the School Board. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks) of the pool. Therefore, these deposits are considered collateralized and, as a result, are considered insured.

Summary of Deposits and Investments

Cash and cash equivalents	$ 21,389,604
Fiduciary fund cash and temporary investments	783,607
Total	$ 22,173,211

The School Board has exposure to a number of risks as described below:

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the School Board will not be able to recover its deposits or collateral securities that are in the possession of an outside party. All deposits of the School Board are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-400 et seq. of the Code of Virginia. The School Board does not have any policies related to this risk.

Custodial Credit Risk – Investments

Investment custodial credit risk is the risk that, in the event of the failure of the counterparty, the School Board will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School Board does not have any policies related to this risk.

Concentrations of Credit Risk

State Statute limits the percentage of the portfolio that can be invested in commercial paper of a single issuer to no more than 5%. The City's policy does not set additional credit concentration limits and the School Board does not have any policies related to this risk. As of June 30, 2020, the School Board's portfolio held with the City Treasurer complied with the State Statute.

Interest Rate Risk

Interest rate risk is the risk of losses resulting from decreases in fair value due to increasing interest rates. See the School Board's policy for investing below.

Foreign Currency Risk

The School Board's OPEB Trust invests in U.S. dollars denominated through mutual funds that may invest in international stocks, bonds, and other assets. Although the assets of the funds are all held in U.S. dollars, the market value of the assets may fluctuate in part due to changes in foreign currency exchange rates. See the summary of the OPEB investments at the end of the investment policy section below.

NOTE 2. DEPOSITS AND INVESTMENTS (Concluded)

Investments

State statutes authorize the City to invest in obligations of the United States or agencies thereof, securities unconditionally guaranteed by 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, bankers' acceptances, repurchase agreements, certificates of deposit, and the State Treasurer's Local Government Investment Pool (LGIP). The pension and OPEB trust funds are also authorized to invest in common stocks and marketable debt securities which mature within twenty years with credit ratings no lower than Baa when measured by Moody's Investors Service, Inc., or BBB when measured by Standard and Poor's Financial Services, LLC, or Fitch Investors Service rating services.

Investment Policy

The primary goal of the investment policy is to maximize return on an investment while minimizing risk to the investment. The City's investment policy addresses custodial credit risk, interest rate risk, concentration of risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. The City's policy does not address foreign currency risk. The City's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Investment Code of Virginia and the guidelines established by the State Treasury Board and GASB. The policy specifically states that the City shall limit investments to those allowed under the Virginia Security for Public Deposits Act, Sec. 2.2-4400 et seq. of the Code of Virginia. The City Treasury is responsible for diversifying the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. It is the policy of the City to concentrate its investment efforts to banks located in the Commonwealth of Virginia which are under the Virginia statutes for public funds and all banks must be approved by depositories by the State Treasury Board. The City's policy is to invest only in "prime quality" commercial paper, with a maturity of two hundred seventy days or less, or issuing corporations organized under the laws of the United States, or any state thereof including paper issued by banks and bank holding companies. Prime quality shall be as rated by Moody's Investors Services, Inc. within its ratings of prime 1 or prime 2, or by Standard and Poor's, Inc. within its ratings of A-1 or A-2, or by Fitch Investors Service within its ratings of F-1 and F-2. The maximum percentage of funds to be invested in any one issue shall not exceed 5% of the total portfolio.

Fair Value of Investments

The School Board's OPEB trust fund participates in the Virginia Pooled OPEB Trust. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust. The Board of Trustees of the Virginia Pooled OPEB Trust establishes investment objectives - risk tolerance and asset allocation policies in light of market and economic conditions. As of June 30, 2020, excluding the pooled funds, there were no other investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Virginia Pooled OPEB Trust (Trust) will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The entire balance of the pooled funds in the OPEB Fund is uninsured and uncollateralized. The VML/VACo Pooled OPEB Trust categorizes their investments within the fair value hierarchy established by GAAP. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the Net Asset Value ("NAV") per share (or its equivalent) of the investment.

Investments in the VML/VACo Pooled OPEB Trust are valued using the NAV per share, which is determined by dividing the total value of the Trust by the numb Number of outstanding shares The NAV per share changes with the value of the underlying investments in the Trust. Generally, VML/VACo Pooled OPEB Trust participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice.

At June 30, 2020, the School Board's share in this pool was $13,664,808, as reported on Exhibit VIII.

NOTE 3. CAPITAL ASSETS – NET

A summary of changes in capital assets for the year ended June 30, 2020 follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities:				
Capital assets not being depreciated				
Land	$ 6,085,707	$ -	$ -	$ 6,085,707
Total capital assets - not being depreciated	6,085,707	-	-	6,085,707
Capital assets being depreciated/amortized				
Buildings and improvements	93,535,748	-	-	93,535,748
Equipment	29,207,879	347,403		29,555,282
Intangible assets	422,270	-	-	422,270
Total capital assets - being depreciated/amortized	123,165,897	347,403	-	123,513,300
Less accumulated depreciation/amortization				
Buildings	50,484,053	2,699,430	-	53,183,483
Equipment	20,984,691	1,428,995	-	22,413,686
Intangible assets	422,270	-	-	422,270
Total accumulated depreciation/amortization	71,891,014	4,128,425	-	76,019,439
Other capital assets - being depreciated/amortized - net	51,274,883	(3,781,022)	-	47,493,861
Governmental activities capital assets - net	$ 57,360,590	$ (3,781,022)	$ -	$ 53,579,568

Depreciation and amortization expense was charged to functions as follows:

Governmental activities	
Instruction	$ 3,120,641
Administration, attendance and health services	5,283
Pupil transportation	501,058
Operations and maintenance	265,955
Information technology	119,849
Food services	115,639
Total governmental activities depreciation expense	$ 4,128,425

NOTE 4. LONG-TERM LIABILITIES

Long-term liabilities are normally paid from the General Fund or the Internal Service Fund.

	Amounts Payable at Beginning of Year	Increase in Liabilities	Decrease in Liabilities	Amounts Payable at End of Year	Amounts Due Within One Year
Accrued vacation pay	$ 2,491,936	$ 1,714,940	$ (1,112,723)	$ 3,094,153	$ 1,113,905
Accrued sick leave	1,389,420	463,330	(332,612)	1,520,138	425,671
Workmen's compensation claims payable	694,876	3,455,043	(3,454,937)	694,982	436,077
Medical claims payable	1,473,000	15,156,063	(15,374,063)	1,255,000	1,255,000
Net pension liability	125,076,810	13,666,130	-	138,742,940	-
Net OPEB liability	19,891,000	670,679	-	20,561,679	-
Total	$151,017,042	$ 35,126,185	$(20,274,335)	$165,868,892	$ 3,230,653

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 in the governmental funds. All liabilities, both current and long-term, are reported in the Statement of Net Position. Compensated absences, medical claims, and net pension liabilities and net OPEB liabilities are generally liquidated by the fund for which the employee works. In prior years, General, Grants, and Food Services funds were used to liquidate net pension liability and postemployment liabilities. Workmens' compensation claims are generally liquidated by the Risk Management Fund.

The future payments by year of accrued vacation pay, accrued sick leave, and claims payable are not determinable.

NOTE 5. DEFINED BENEFIT PENSION PLANS

Plan Description

All full-time, salaried permanent (professional) employees of public School Boards are automatically covered by the VRS Teacher Retirement Plan upon employment and additional employees of participating employers are automatically covered by VRS (nonprofessional) Retirement Plan upon employment. Both plans are administered by the VRS 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.

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

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>About Plan 1
Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</td>
<td>About Plan 2
Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</td>
<td>About the Hybrid Retirement Plan
The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.
The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td>
</tr>
<tr>
<td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</td>
<td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</td>
<td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
School Board employees
Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.</td>
</tr>
</table>

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.	**Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax- deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contributions Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component:** The retirement multiplier for the defined benefit component is 1.00%. For members 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. **Defined Contributions Component:** Not applicable.
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component:** Same as Plan 2. **Defined Contributions Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Unreduced Retirement Eligibility Age 65 with at least 5 years (60 months) of service credit or at age 50 with at least 30 years of service credit.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least 5 years (60 months) of service credit or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component</u>:** Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age and service equal 90. **<u>Defined Contributions Component</u>:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least 5 years (60 months) of creditable service or age 50 with at least 10 years of service credit.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least 5 years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component</u>:** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least 5 years (60 months) of service credit. **<u>Defined Contributions Component</u>:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment ("COLA") matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **<u>Eligibility</u>:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **<u>Eligibility</u>:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component</u>:** Same as Plan 2. **<u>Defined Contribution Component</u>:** Not applicable. **<u>Eligibility</u>:** Same as Plan 1 and Plan 2.

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

<table>
<tr>
<td><u>Exceptions to COLA Effective Dates</u>:
The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

• The member is within 5 years of qualifying for an unreduced retirement benefit as of January 1, 2013.
• The member retires on disability.
• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit.

The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</td>
<td><u>Exceptions to COLA Effective Dates</u>:
Same as Plan 1.</td>
<td><u>Exceptions to COLA Effective Dates</u>:
Same as Plan 1 and Plan 2.</td>
</tr>
<tr>
<td>Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.</td>
<td>Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</td>
<td>Disability Coverage
Employees of political subdivisions and School Boards (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (“VLDP”) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</td>
</tr>
</table>

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave, or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement, and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contributions Component:** Not applicable.

VRS Teacher (Professional) Retirement Plan Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to School Boards by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Board's contractually required contribution rate, for the year ended June 30, 2019, was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate, from an actuarial valuation as of June 30, 2017. 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 Board were $13,414,283 and $12,992,275 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2019, the School Board reported a liability of $130,340,952 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to measurement date of June 30, 2019. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board's proportion was 0.99039% as compared to 1.00321% at June 30, 2018.

For the year ended June 30, 2020, the School Board recognized pension expense of $11,350,493. Since there was a change in proportionate share between the 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.

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 8,346,281
Net difference between projected and actual earnings on pension plan investments	-	2,861,978
Changes of assumptions	12,906,810	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,507,819
Employer contributions subsequent to the measurement date	13,414,283	-
	$ 26,321,093	$ 15,716,078

$13,414,283 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	$ (1,818,620)
2022	(3,933,073)
2023	197,262
2024	1,839,031
2025	906,132
Total	$ (2,809,268)

VRS Nonprofessional Retirement Plan Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	366
Inactive members:	
Vested inactive members	40
Non-vested inactive members	117
Inactive members active elsewhere in VRS	72
Total inactive members	229
Active members	360
Total covered employees	955

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to 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 contribution rate for the year ended June 30, 2019 was 10.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarial rate for the School Board's plan was 11.98%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were $819,284 and $819,943 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. For The School Board, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

Changes in Net Position Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018	$ 39,173,852	$ 32,074,042	$ 7,099,810
Changes for the fiscal year:			
Service cost	669,679	-	669,679
Interest	2,650,616	-	2,650,616
Changes of assumptions	1,011,011	-	1,011,011
Difference between expected and actual experience	164,308	-	164,308
Contributions - employer	-	782,510	(782,510)
Contributions - employee	-	351,917	(351,917)
Net investment income	-	2,081,974	(2,081,974)
Benefit payments, including refunds of employee contributions	(2,615,831)	(2,615,831)	-
Administrative expenses	-	(21,661)	21,661
Other changes	-	(1,304)	1,304
Net changes	1,879,783	577,605	1,302,178
Balance at June 30, 2019	$ 41,053,635	$ 32,651,647	$ 8,401,988

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

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

For the year ended June 30, 2020, the School Board recognized pension expense of $1,019,071. At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 99,364	$ 261,305
Changes of assumptions	611,402	-
Net difference between projected and actual earnings	-	274,457
Employer costs subsequent to the measurement date	819,284	-
Total	$ 1,530,050	$ 536,762

$819,284 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	$ 209,895
2022	(52,757)
2023	(5,246)
2024	22,112
Total	$ 174,004

Actuarial Assumptions - VRS Teacher Retirement Plan

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

NOTE 5. DEFINED BENEFIT PENSION PLANS (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 70 and 2.0% increase compounded from ages 75 to 90.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – VRS Nonprofessional Retirement Plan

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

Mortality Rates:

(Non 10 Largest) – 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 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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	34.00%	5.61%	1.91%
Fixed income	15.00%	0.88%	0.13%
Credit strategies	14.00%	5.13%	0.72%
Real assets	14.00%	5.27%	0.74%
Private equity	14.00%	8.77%	1.23%
MAPS – Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP-Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
* Expected arithmetic nominal return			7.63%

NOTE 5. DEFINED BENEFIT PENSION PLANS (Continued)

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School Board's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the School Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Board's proportionate share of the VRS:			
Teacher (Professional) Employee Retirement Plan Net Pension Liability	$ 196,219,757	$ 130,340,952	$ 75,871,382
School Board's (Nonprofessional) Employee Retirement Plan Net Pension Liability	$ 12,878,805	$ 8,401,988	$ 4,793,758

Pension Plan Data

Information about the VRS Teacher and Political Subdivision Retirement Plans are also available in the separately issued VRS 2019 Comprehensive Annual Financial Report ("CAFR"). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

There were no payables to the pension plans as of June 30, 2020.

NOTE 5. DEFINED BENEFIT PENSION PLANS (Concluded)

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

The VRS Professional plan and the VRS Nonprofessional plan are reported separately herein since each plan has distinctive characteristics, reporting requirements, and valuations. The impact of total pension requirements on the net position of PPS is combined and summarized in the schedule:

	Professional Plan	Nonprofessional Plan	Combined Totals
Net pension liability	$ 130,340,952	$ 8,401,988	$ 138,742,940
Pension expenses	11,350,493	1,019,071	12,369,564
Deferred outflows of resources:			
Difference between expected and actual experience	-	99,364	99,364
Changes of assumptions	12,906,810	611,402	13,518,212
Employer contributions subsequent to the measurement date	13,414,283	819,284	14,233,567
Total deferred outflows of resources	26,321,093	1,530,050	27,851,143
Deferred inflows of resources:			
Difference between expected and actual experience	8,346,281	261,305	8,607,586
Net difference between projected and actual earnings on pension plan investments	2,861,978	275,457	3,137,435
Changes in proportion and difference between employer contributions and proportionate share of contributions	4,507,819	-	4,507,819
Total deferred outflows of resources	$ 15,716,078	$ 536,762	$ 16,252,840

NOTE 6. OTHER LIABILITIES, COMMITMENTS, AND CONTINGENCIES

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 is self-insured for a portion of these risks. The School Board maintains internal service funds for workers' compensation claims, disability claims, and health insurance benefits. The School Board's property and liability insurance program is provided through membership in the Virginia Association of Counties Group Self-Insurance Pool. Member jurisdictions contribute to the pool based on their risk exposures and past claims experience. The self-insurance coverage for workers' compensation is $500,000 per occurrence. Commercial insurance is purchased to cover any liability above these self-insured levels for specific losses. The Risk Management Fund services all claims of risk of loss to which the School Board is exposed.

The School Board has no significant reduction in insurance coverage from prior years. Our coverage amounts increase each year with the addition of new technology and new vehicles. Our insurance premiums remain relatively flat despite the increase in our blanket property coverage limits. This insurance coverage is substantially the same as in the prior fiscal year. There were no settlements within the past three years which exceeded coverage. All funds of the School Board participate in the Risk Management Fund.

NOTE 6. OTHER LIABILITIES, COMMITMENTS, AND CONTINGENCIES (Continued)

A loss analysis was conducted by Glicksman Consulting, LLC on this fund. The total actuarially computed liability as of June 30, 2020 was determined to be $694,982 (undiscounted) and recorded in the internal service fund and the government-wide statements, accordingly.

Changes in the fund's claim liability amount for fiscal years ended June 30 were:

	2020	2019
Claims payable - beginning of year	$ 694,876	$ 646,300
Claims and changes in estimates	3,455,043	3,622,478
Claims payments and changes in estimates	(3,454,937)	(3,573,902)
Claims payable - end of year	$ 694,982	$ 694,876

Self-Insured Health Care Benefits Plan

Effective January 1, 2015, the School Board established a Self-Insured Health Care Benefits Plan ("Self-Insured Health Plan") for all School Board employees and retirees. The Self-Insured Health Plan policy year is based on a calendar year. Beginning July 1, 2015, the Self-Insured Health Plan is accounted for within the Risk Management fund with employer and employee premiums, medical claims, administrative costs, wellness program costs, and other health plan costs and reserves recorded in the Risk Management fund. Prior to July 1, 2015, the Self Insured Health Plan was accounted for within the General Fund.

Expenditures charged to various School Board departments are based on expected claims liability and administrative costs for a full calendar year as provided by the third-party healthcare benefit consultant. Medical claim expenses paid, on behalf of each individual employee covered during a single policy year, are covered by excess loss insurance with a specific stop loss limit of $350,000. The Self-Insured Health Plan also has aggregate stop loss coverage at 120% of expected medical claims during a single policy year.

Claims processing and payments for all healthcare claims are made through a third-party administrator. The School Board uses information provided by the third-party administrator and healthcare benefit consultant to aid in the determination of health self-insurance liabilities. The computed liability as of June 30, 2020 was $1,255,000 (undiscounted), as follows:

	Balance as of July 1	Claims and Changes in Estimates	Claim Payments	Balance as of June 30
Medical Claims				
2019-2020	$ 1,473,000	$ 15,156,063	$ (15,374,063)	$ 1,255,000
2018-2019	1,369,578	17,874,343	17,770,921	1,473,000

Litigation

The School Board has no pending litigations arising out of the ordinary course of operations.

Grants

The School Board received grant funds, principally from the State and federal government, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Board is contingently liable to refund amounts received in excess of allowable expenditures. Based on prior experience, School Board management believes such refunds, if any, will not be significant.

NOTE 6. OTHER LIABILITIES, COMMITMENTS, AND CONTINGENCIES (Concluded)

Encumbrance

The School Board has outstanding purchase orders representing goods or services not received as of June 30, 2020. These amounts are encumbrances of FY2019-2020 budgeted funds and are not reflected in the accompanying financial statements. The encumbrances are as follows:

	Amounts
General Fund	$ 291,339
School Grants Fund	32,361
	$ 323,700

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at June 30, 2020, which are considered short-term in nature, are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ 2,131,679	$ -
School Grants Fund	-	523,943
School Food Services Fund	-	1,607,736
	$ 2,131,679	$ 2,131,679

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2020 consisted of the following:

	Transfers from Other Funds	Transfers to Other Funds
General Fund	$ -	$ 1,464,493
School Grants Fund	1,116,023	-
School Food Services Fund	19,888	-
School Textbook Fund	328,582	-
	$ 1,464,493	$ 1,464,493

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) account for excess charges for services to self-health insurance account over actual self-health insurance expenditures.

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS

<u>School Board OPEB Plan</u>

Plan Description

The School Board administers a single-employer defined benefit healthcare plan. It provides medical insurance benefits to eligible retirees and their spouses in accordance with the school's personnel policies and procedures. A trust was established for the purpose of accumulating and investing assets to fund other postemployment benefits obligations. Amounts contributed to the Trust by the School Board are irrevocableand must be used solely to discharge the School Board's obligations for other postemployment benefits and pay for reasonable expenses of the Trust. The OPEB Trust is included as a fiduciary fund in the School Board's financial statements. Separate stand-alone statements are not issued for the plan.

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Plan Membership

As of the June 30, 2020, membership consisted of the following:

Inactive employees currently receiving benefits	36
Active employees	2,071
	2,107

Benefits Provided

Retirees age 55 or older, with a minimum of 25 years of service with PPS, and employed as a regularly scheduled employee are eligible to participate in Retiree Health Insurance Premium Contribution Plan (RHIPCP). Effective July 1, 2018, eligible retiring employees receive $3,000 to offset the cost of health insurance premiums in retirement.

Contributions

The contribution requirements of plan members and the School Board are established and may be amended by the School Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the School Board. For the year ended June 30, 2020, the School Board made no further contributions to the plan to pay current benefits and to prefund benefits.

Plan Investments

Investment Policy
The primary purpose of this statement of Investment Policy is to provide a clear understanding of policy of management and oversight of the School Board's OPEB Trust's (the "Trust") investment objectives, performance goals and risk tolerance.

Responsibilities
The OPEB Trust committee establishes investment policy and retains investment managers to implement asset class decisions and allocations.

The OPEB Trust committee has appointed Wells Fargo to assist in providing guidance of the administration of Trust's assets, investment selection, performance monitoring, and evaluation.

Objectives
Objectives of the Investment Policy are as follows:

1. To invest assets of the Trust in a judicious manner to provide retirement benefits to eligible participants.
2. To provide for funding and anticipated withdrawals on a continuing basis for payment of benefits and reasonable expenses of operation of Trust.
3. Subject to performance expectations over the long-term to minimize principal fluctuation.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2020 are summarized in the following table:

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Asset Class	Target Allocation	Long-Term Real Rate of Return
Domestic equity	36.0%	7.5%
International equity	18.0%	8.5%
Private and long/short equity	11.0%	7.7%
Intermediate fixed income	21.0%	2.8%
Short-term fixed income	4.0%	3.3%
Real assets	10.0%	6.7%
Cash	0.0%	0.0%
Total	100.0%	

The sum of each target allocation times its long-term expected real rate is 9.21%.

Net OPEB Liability

The components of the net OPEB liability of the School Board at June 30, 2020 calculated in accordance with GAAP were as follows:

Total OPEB liability	$ 6,683,991
Plan fiduciary net position	(13,664,808)
Net OPEB asset	$ (6,980,817)
Plan fiduciary net position as a percentage of the total OPEB liability	204.44%

The net OPEB liability shown above reflects presentation within the School Board's Statement of Net Position in accordance with GAAP.

Changes in Net OPEB Liability

Changes in net OPEB liability calculated in accordance with GAAP are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balance at June 30, 2019	$ 13,128,913	$ 13,274,352	$ (154,439)
Changes for the fiscal year:			
Service cost	393,468	-	393,468
Interest	1,206,350	-	1,206,350
Experience losses	(5.630.299)	-	(5,630,299)
Changes in actuarial assumptions	(1,999,924)	-	(1,999,924)
Contributions/benefit paid from			
General operating funds	-	414,517	(414,517)
Net investment income	-	405,789	(405,789)
Benefit payments, including refunds of employee contributions	(414,517)	(414,517)	-
Administrative expenses	-	(15,333)	15,333
Net changes	(6,444,922)	390,456	(6,635,378)
Balance at June 30, 2020	$ 6,683,991	$ 13,664,808	$ (6,980,817)

Actuarial Assumptions – Total OPEB Liability

The Employer's OPEB liability was measured as of as of June 30, 2020. The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward using the following actuarial assumptions:

Inflation	2.75%
Salary increases	2.0% (for purposes of allocating liability)
Investment rate of return	9.21% (including inflation)
20-year Aa Municipal bond rate	2.66%
Mortality	Public Teacher 2010 Headcount weighted mortality tables with improvement scale MP 2019

Long-Term Expected Rate of Return

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan 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. For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense was 9.06%.

Discount Rate

The discount rate used to measure the total OPEB liability was 9.21%. The projection of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan participants. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the School Board, as well as what the School Board's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1.00% Decrease (8.21)	**Current Discount Rate (9.21)**	**1.00% Increase (10.21)**
Net OPEB Asset	$ (6,538,184)	$ (6,980,817)	$ (7,379,220)

Sensitivity of the net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset of the School Board, as well as what the School Board's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

	1.00% Decrease (3.5)	Current Discount Rate (4.5)	1.00% Increase (5.50)
Net OPEB Asset	$ (7,336,521)	$ (6,980,817)	$ (6,581,051)

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

For the year ended June 30, 2020, the School Board recognized OPEB expense of $802,155. At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 9,122,065
Changes in assumptions	2,910,636	6,011,607
Investment earnings (gains)/losses	489,619	-
Total	$ 3,400,255	$ 15,133,672

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

Year Ending June 30:	
2021	$ (1,215,345)
2022	(1,215,347)
2023	(1,253,342)
2024	(1,178,903)
2025	(1,338,139)
Thereafter	(5,532,341)
Total	$ (11,733,417)

Actuarial Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the School Board's annual required contributions are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The Actuarially Determined Contribution is calculated by the actuary and is the sum of the current year's normal cost plus and amount necessary to amortize the unfunded liability over a closed period and is presented in the Schedule of Employer OPEB Contribution in the required supplementary information following the notes to the financial statements.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Significant Changes Since Prior Valuation

In the June 30, 2020 actuarial valuation, the discount rate was increased from 9.06% to 9.21% based on mortality improvement updated from MP-2019. The Pre-65 Medical Inflation was updated from 6% graded to 5% based on updated costs and stipend.

Retirement benefit payments are typically concentrated at the beginning of the fiscal year with very few payments spread over the year. Payments are made from the VACo/VML pooled OPEB trust Fund. A Consumer Directed Health Plan (CDHP) option with high deductible was added to retiree plan option.

School Board VRS OPEB Plans

The School Board participates in a cost-sharing multiple employer Group Life Insurance Program, a Teacher Employee Health Insurance Credit Program, a Political Subdivision Employee Virginia Disability Program, and a Teacher Employee Virginia Local Disability Program offered by the VRS.

VRS issues a publicly available CAFR that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org, or by writing to VRS' Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

The actuarial assumptions and long-term expected rate of return are the same for the VRS OPEB programs. As such, the presentation of the actuarial assumptions and long-term expected rate of return are combined below. Specific information for the OPEB plans will be presented after this section.

Actuarial Assumptions
The assumptions and methods used in the valuations were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 as well as the investment rate of return of 6.75% adopted by the Board of Trustees at its October 10, 2019 meeting. These assumptions comply with Actuarial Standard of Practice ("ASOP") No. 27, Selection of Economic Assumptions for Measuring Pension Obligations and ASOP No. 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations.

Inflation	2.5%
Salary increases, including inflation –	
General state employees	3.5% – 5.35%
Teachers	3.5% – 5.95%
Investment rate of return	6.75%, 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 GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates – 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 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (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	34.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	14.00%	3.96%	0.59%
Real Assets	14.00%	5.76%	0.86%
Private Equity	14.00%	9.53%	1.43%
MAPS – Multi Asset Public strategies	6.00%	3.52%	0.21%
PIP –Private Investment Partnership	3.00%	6.29%	0.19%
Total	**100.00%**		**5.13%**
Inflation			2.50%
* Expected arithmetic nominal return			7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

VRS Group Life Insurance Program

Plan Description

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

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

The specific information for GLIP, including eligibility, coverage, and benefits, is set out in the table below:

GLIP PLAN PROVISIONS
Eligible Employees GLIP was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Benefit Amounts The benefits payable under GLIP have several components. • **<u>Natural Death Benefit</u>** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **<u>Accidental Death Benefit</u>** – The accidental death benefit is double the natural death benefit**<u>Accidental Death Benefit</u>** – The accidental death benefit is double the natural death benefit. • **<u>Other Benefit Provisions</u>** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in benefit Amounts The benefit amounts provided to members covered under GLIP are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,463 as of June 30, 2020.

Contributions

The contribution requirements for GLIP are governed by Section 51.1-506 and Section 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to School Boards by the Virginia General Assembly. The total rate for GLIP 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 0.79% (1.31% X 60%). 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, 2020 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. Contribution to GLIP from the School Board for nonprofessional employees were $40,094 and $40,048 for the years ended June 30, 2020 and June 30, 2019, respectively. Contribution to GLIP from the School Board for professional employees were $446,932 and $434,576 the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the School Board reported a liability of $639,353 for its proportionate share of the Net GLI OPEB Liability for nonprofessional employees. At June 30, 2019, the School Board reported a liability of $6,937,361 for its proportionate share of the Net GLI OPEB Liability for professional employees. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

GLIP for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.03929% as compared to 0.04090% at June 30, 2018 for nonprofessional employees. At June 30, 2019, the participating employer's proportion was 0.42632% as compared to 0.42844% at June 30, 2018 for professional employees.

For the year ended June 30, 2020, the School Board recognized GLI OPEB expense of $2,639 for nonprofessional employees. For the year ended June 30, 2020, the School Board recognized GLI OPEB expense of $108,586 for professional employees. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for professional employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 461,376	$ 89,983
Net difference between projected and actual earnings on GLI OPEB program investments	-	142,499
Change in assumptions	437,985	209,192
Changes in proportion	-	195,552
Employer contributions subsequent to the measurement date	446,932	-
	$ 1,346,293	$ 637,226

$446,932 reported as deferred outflows of resources related to GLIP resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021 for professional employees. 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 Ending June 30:	
2021	$ (27,184)
2022	(27,179)
2023	33,175
2024	110,382
2025	134,966
Thereafter	37,975
Total	$ 262,135

At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB for nonprofessional employees from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 42,521	$ 8,293
Net difference between projected and actual earnings on GLI OPEB program investments	-	13,133
Change in assumptions	40,365	19,279
Changes in proportion	-	53,346
Employer contributions subsequent to the measurement date	40,094	-
	$ 122,980	$ 94,051

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

$40,094 reported as deferred outflows of resources related to GLIP resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021 for nonprofessional employees. 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 Ending June 30:	
2021	$ (9,874)
2022	(9,873)
2023	(4,311)
2024	2,991
2025	7,570
Thereafter	2,332
	(11,165)

Net Group Life insurance OPEB Liability – VRS

The net OPEB liability ("NOL") for the GLIP represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,390,238
Plan Fiduciary Net Pension	1,762,972
Employers' Net GLI OPEB Liability	$ 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, 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, 2019 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 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Board's proportionate share of GLIP Net OPEB Liability - Professional	$ 9,113,772	$ 6,937,361	$ 5,172,353
School Board's proportionate share of GLIP Net OPEB Liability - Nonprofessional	$ 839,932	$ 639,353	$ 476,688

VRS Health Insurance Credit Program

Plan Description

All full-time, salaried permanent (professional) employees of public School Boards are automatically covered by the VRS Teacher Employee Health Insurance Credit Program ("HICP"). This plan is administered by VRS. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the HICP, including eligibility, coverage, and benefits, is set out in the table below:

HICP PLAN PROVISIONS
Eligible Employees HICP was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent (professional) salaried employees of public School Boards covered under VRS.

Benefit Amounts
HICP provides the following benefits for eligible employees:
• **<u>At Retirement</u>** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
• **<u>Disability Retirement</u>** – 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:
  o $4.00 per month, multiplied by twice the amount of service credit, or
  o $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

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

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Contributions
The contribution requirement for active employees is governed by Section 51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to School Boards by the Virginia General Assembly. Each School Board's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees HICP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to HICP were $1,026,736 and $994,856 for the years ended June 30, 202 and June 30, 2019, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HICP
At June 30, 2020, the School Board reported a liability of $12,939,248 for its proportionate share of the net HICP OPEB liability. The net HICP OPEB liability was measured as of June 30, 2019 and the total HICP OPEB liability used to calculate the net HICP OPEB liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The School Board's proportion of the net HICP OPEB liability was based on the School Board's actuarially determined employer contributions to HICP for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board's proportion of HICP was 0.98841% as compared to 1.00193% at June 30, 2018.

For the year ended June 30, 2020, the School Board recognized HICP OPEB expense of $971,019. Since there was a change in proportionate share between June 30, 2018 and June 30, 2019, a portion of the HICP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to HICP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 73,289
Net difference between projected and actual earnings on HIC OPEB program investments	817	-
Change in assumptions	301,156	89,910
Changes in proportion	-	477,486
Employer contributions subsequent to the measurement date	1,026,736	-
	$ 1,328,709	$ 640,685

$1,026,736 reported as deferred outflows of resources related to HICP resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net HICP OPEB liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HICP will be recognized in the HICP OPEB expense in future reporting periods as follows:

Year Ending June 30:	
2021	$ (81,637)
2022	(81,650)
2023	(75,980)
2024	(77,878)
2025	(45,728)
Thereafter	24,161
Total	$ (338,712)

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

HICP OPEB Liability

The net HICP OPEB liability represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2019, the amounts for the HICP is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Program
Total Teacher Employee HIC OPEB Liability	$ 1,438,114
Plan Fiduciary Net Pension	129,016
Teacher employee Net HIC OPEB Liability	$ 1,309,098
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	8.97%

The total HICP 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 HICP OPEB liability is disclosed in accordance with the requirements of GAAP in the system's notes to the financial statements and required supplementary information.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit 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, 2019, 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 Board's Proportionate Share of the Net HICP OPEB Liability to Changes in the Discount Rate

The following presents the School Board's proportionate share of the net HICP OPEB liability using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School Board's proportionate share of HICP Net OPEB Liability	$ 14,481,218	$ 12,939,248	$ 11,629,346

VRS Virginia Local Disability Program (VLDP)

Plan Description

All full-time, salaried permanent teachers and general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced Hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS VLDP. This plan is administered by VRS. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through VLDP.

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

VLDP PLAN PROVISIONS
Eligible Employees VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: • Political subdivision (nonprofessional) – Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS. • Teachers (professional) – Teachers and other full-time permanent salaried employees of public School Board covered under VRS.
Benefit Amounts VLDP provides the following benefits for eligible employees: **<u>Short-Term Disability</u>** – • The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related of work-related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels. **<u>Long-Term Disability</u>** – • VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week. Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.
VLDP Notes: • Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. • VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions
Professional – The contribution requirement for active Hybrid employees is governed by Section 51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to School Boards by the Virginia General Assembly. Each School Board's contractually required employer contribution rate for the year ended June 30, 2020 was 0.41% of covered employee compensation for employees in VLDP. 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 were $107,351 and $90,677 for the years ended June 30, 2020 and June 30, 2019, respectively.

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Nonprofessional – The contribution requirement for active Hybrid employees is governed by Section 51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each school board's contractually required employer contribution rate for the year ended June 30, 2020 was 0.72% of covered employee compensation for employees in VLDP. 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 were $23,354 and $17,881 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

Professional – At June 30, 2020, the School Board reported a liability of $26,811 for its proportionate share of the net VLDP OPEB liability. The net VLDP OPEB liability was measured as of June 30, 2019 and the total VLDP OPEB liability used to calculate the net VLDP OPEB liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The School Board's proportion of the net VLDP OPEB liability was based on the School Board's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board's proportion of VLDP was 4.61204% as compared to 4.61399% at June 30, 2018.

For the year ended June 30, 2020, the school board recognized VLDP OPEB expense of $81,061. Since there was a change in proportionate share between June 30, 2018 and June 30, 2019 a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related VLDP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 4,577	$ -
Change in proportionate share	-	14
Net difference between projected and actual earnings		-
on VLDP OPEB program investments	103	
Difference between expected and actual experience	-	3,235
Employer contributions subsequent to the measurement date	107,351	-
	$ 112,031	$ 3,249

$107,351 reported as deferred outflows of resources related to VLDP resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

Year Ending June 30:	
2021	$ 122
2022	122
2023	53
2024	7
2025	50
Thereafter	1,077
Total	$ 1,431

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Nonprofessional – At June 30, 2020, the school board reported a liability of $18,906 for its proportionate share of the net VLDP OPEB liability. The net VLDP OPEB liability was measured as of June 30, 2019 and the total VLDP OPEB liability used to calculate the net VLDP OPEB liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The School Board's proportion of the net VLDP OPEB liability was based on the School Board's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the School Board's proportion of VLDP was 0.93328% as compared to 0.90105% at June 30, 2018.

For the year ended June 30, 2019, the School Board's recognized VLDP OPEB expense of $22,272. Since there was a change in proportionate share between June 30, 2018 and June 30, 2019, a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to VLDP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 542	$ 724
Net Difference between projected and actual earnings	65	-
Difference between expected and actual experience	9,483	581
Change in Proportion	248	-
Employer contributions subsequent to the measurement date	23,354	-
	$ 33,692	$ 1,305

$23,354 reported as deferred outflows of resources related to VLDP resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to VLDP will be recognized in VLDP OPEB expense in future reporting periods as follows:

Year Ending June 30:	
2021	$ 1,876
2022	1,864
2023	1,854
2024	1,873
2025	1,784
Thereafter	(218)
Total	$ 9,033

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Net VLDP OPEB Liability
The net VLDP OPEB liabilities represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Teacher Employee VLDP OPEB Plan	Political Subdivision Employee VLDP OPEB Plan
Total Employee VLDP OPEB Liability	$ 2,241,000	$ 3,989,000
Plan Fiduciary Net Pension	1,661,000	1,962,000
Employee Net VLDP OPEB Liability	$ 580,000	$ 2,027,000
Plan Fiduciary Net Position as a Percentage of the total Employee VLDP OPEB Liability	74.12%	49.19%

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

Discount Rate
The discount rate used to measure the total VLDP OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the School Board VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates, which was 100% of the actuarially determined contribution rate. From July 1, 2019, the School Board will continue to contribute 100% of the actuarially determined contribution rates. VLDP 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 VLDP OPEB liabilities.

Sensitivity of the School Board's Proportionate Share of the VLDP OPEB Liability to Changes in the Discount Rate
The following presents the proportionate share of the net VLDP OPEB liability using the discount rate of 6.75%, as well as the net VLDP OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Board's proportionate share of VLDP Net OPEB Liability - Professional	$ 39,386	$ 26,811	$ 15,950
School Board's proportionate share of VLDP Net OPEB Liability - Nonprofessional	$ 21,742	$ 18,906	$ 16,426

NOTE 8. POSTEMPLOYMENT HEALTHCARE BENEFITS (Concluded)

		Virginia Retirement System					
		HIC	GLI		VLDP		
	Trust	Profess.	Profess.	Non Profess.	Profess.	Non Profess.	Combined
Net OPEB liability	$ -	$12,939,248	$ 6,937,361	$ 639,353	$ 26,811	$ 18,906	$20,561,679
Net OPEB asset	6,980,817	-	-	-	-	-	6,980,817
OPEB expense	802,155	971,019	108,586	2,639	81,061	22,272	1,987,732
Deferred outflows of resources:							
Change in assumptions	2,910,636	301,156	437,985	40,365	4,577	542	3,695,261
Changes in proportion	-	-	-	-	-	248	248
Investment earnings (gains)/losses	489,619	-	-	-	-	-	489,619
Difference between expected and actual experience	-	-	461,376	42,521	-	9,483	513,380
Net difference between projected and actual earnings on OPEB plan investments	-	817	-	-	103	65	985
Employer contributions subsequent to the measurement date	-	1,026,736	446,932	40,094	107,351	23,354	1,644,467
Total deferred outflows of resources	3,400,255	1,328,709	1,346,293	122,980	112,031	33,692	6,343,960
Deferred inflows of resources:							
Difference between expected and actual experience	9,122,065	73,289	89,983	8,293	3,235	581	9,297,446
Net difference between projected and actual earnings on OPEB plan investments	-	-	142,499	13,133	-	-	155,632
Change in assumptions	6,011,607	89,910	209,192	19,279	-	724	6,330,712
Changes in proportion	-	477,486	195,552	53,346	14	-	726,398
Total deferred inflows of resources	$15,133,672	$ 640,685	$ 637,226	$ 94,051	$ 3,249	$ 1,305	$16,510,188

NOTE 9. FUND BALANCES

Fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned based primarily on the extent to which the School Board is bound to observe constraints upon the use of the resources in the governmental funds. The constraints placed on fund balance for the governmental funds are presented below:

	General	School Grants	School Food Services	School Textbooks	Total
Nonspendable					
Inventory	$ 472,451	$ -	$ 71,840	$ -	$ 544,291
	472,451	-	71,840	-	544,291
Restricted:					
Federal	-	1,441,746	-	-	1,441,746
Elementary schools	-	-	-	1,466,788	1,466,788
Middle schools	-	-	-	354,052	354,052
High schools	-	-	-	708,105	708,105
	-	1,441,746	-	2,528,945	3,970,691
Assigned:					
Instruction	80,561	-	-	-	80,561
Administration, attendance, health	38,507	-	-	-	38,507
Transportation	108,208				
Operations	72,291	-	-	-	72,291
Information technology	310,973	-	-	-	310,973
	610,540	-	-	-	502,332
Unassigned	5,772,168	-	(59,670)	-	5,712,498
Total fund balances	$ 6,855,159	$ 1,441,746	$ 12,170	$ 2,528,945	$ 10,729,812

NOTE 10. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared COVID-19 a global pandemic. Due to the pandemic, the School Division undertook steps to limit non-essential spending, while continuing to provide virtual and hybrid learning models for the safety of our students and staff. As there is still significant level of uncertainty associated with the pandemic, the School Division continues to actively monitor developments and will take steps to respond accordingly to the situation.

In October 2020, the Council of the City of Portsmouth appropriated to the FY21 School Board Risk Management fund the amount of $2,897,149. As noted in the FY19 Portsmouth Public School CAFR, the School Board had an end of the year net deficit of said amount. As a result, we can reasonably estimate the related impact to school division will produce favorable financial results. No adjustments have been made to these financial statements as a result of this City Council action.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

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GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental				
From City of Portsmouth	$ 55,396,045	$ 55,353,635	$ 55,396,045	$ 42,410
From Commonwealth of Virginia	92,514,466	92,514,466	94,158,097	1,643,631
From federal government	640,000	640,000	1,011,637	371,637
Interest	60,000	60,000	134,018	74,018
Miscellaneous	2,092,000	2,092,000	1,428,315	(663,685)
Total revenues	150,702,511	150,660,101	152,128,112	1,468,011
Expenditures				
Education				
Instruction	109,552,051	109,552,051	105,902,596	3,649,455
Administration, attendance, and health services	9,115,188	9,115,188	8,380,641	734,547
Pupil transportation	6,774,262	6,774,262	5,860,324	913,938
Operations and maintenance	15,329,571	15,287,161	15,459,772	(172,611)
Information technology	7,059,742	7,059,742	7,025,677	34,065
Total education	147,830,814	147,788,404	142,629,010	5,159,394
Total expenditures	147,830,814	147,788,404	142,629,010	5,159,394
Excess of revenues over expenditures	2,871,697	2,871,697	9,499,102	6,627,405
Other financing uses				
Transfers out	(2,871,697)	(2,871,697)	(4,388,093)	(1,516,396)
Total other financing uses	(2,871,697)	(2,871,697)	(4,388,093)	(1,516,396)
Net change in fund balance	$ -	$ -	5,111,009	$ 5,111,009
Fund balance - beginning of year			1,026,503	
Increase in encumbrances			474,881	
Increase in inventory			242,766	
Fund balance - end of year			$ 6,855,159	

See notes to required supplementary information.

SCHOOL GRANTS FUND
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental				
From Commonwealth of Virginia	$ 4,434,123	$ 5,563,882	$ 4,535,907	$ (1,027,975)
From federal government	12,884,621	22,036,206	13,966,213	(8,069,993)
Miscellaneous	241,317	241,317	142,405	(98,912)
Total revenues	17,560,061	27,841,405	18,644,525	(9,196,880)
Expenditures				
Education				
Instruction	16,502,861	25,232,088	16,622,743	8,609,345
Administration, attendance, and health	695,399	962,934	368,108	594,826
Pupil transportation	140,002	253,699	160,730	92,969
Technology	937,817	2,097,727	1,761,830	335,897
Operation and maintenance	356,794.00	366,794.00	151,443	215,351
Total education	18,632,873	28,913,242	19,064,854	9,848,388
Total expenditures	18,632,873	28,913,242	19,064,854	9,848,388
Deficiency of revenues under expenditures	(1,072,812)	(1,071,837)	(420,329)	651,508
Other financing sources				
Transfers in	1,072,812	1,071,837	1,116,023	44,186
Total other financing sources	1,072,812	1,071,837	1,116,023	44,186
Net change in fund balance	$ -	$ -	695,694	$ 695,694
Fund balance - beginning of year			746,052	
Fund balance - end of year			$ 1,441,746	

See notes to required supplementary information.

SCHOOL FOOD SERVICES FUND
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental				
From Commonwealth of Virginia	$ 107,780	$ 107,780	$ 153,141	$ 45,361
From federal government	7,378,268	7,378,268	5,001,282	(2,376,986)
Donated commodities from the federal government	450,000	450,000	500,147	50,147
Charges for services	500,000	500,000	367,619	(132,381)
Interest	-	-	18,038	18,038
Miscellaneous	440,000	450,903	484,619	33,716
Total revenues	8,876,048	8,886,951	6,524,846	(2,362,105)
Expenditures				
Food services	8,891,048	8,901,951	7,977,553	924,398
Total expenditures	8,891,048	8,901,951	7,977,553	924,398
Deficiency of revenues under expenditures	(15,000)	(15,000)	(1,452,707)	(1,437,707)
Other financing sources				
Transfers in	15,000	15,000	19,888	4,888
Total other financing sources	15,000	15,000	19,888	4,888
Net change in fund balance	$ -	$ -	(1,432,819)	$ (1,432,819)
Fund balance - beginning of year			1,403,639	
Increase in inventory			41,350	
Fund balance - end of year			$ 12,170	

See notes to required supplementary information.

SCHOOL TEXTBOOK FUND
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual (Budgetary Basis)	Variance with Amended Budget Positive (Negative)
Revenues				
Intergovernmental				
From Commonwealth of Virginia	$ 986,140	$ 2,358,412	$ 1,006,033	$ (1,352,379)
Miscellaneous	1,500	1,500	46	(1,454)
Total revenues	987,640	2,359,912	1,006,079	(1,353,833)
Expenditures				
Instruction	1,309,725	2,681,997	714,410	1,967,587
Total expenditures	1,309,725	2,681,997	714,410	1,967,587
Excess (deficiency) of revenues over (under) expenditures	(322,085)	(322,085)	291,669	613,754
Other financing sources				
Transfers in	322,085	322,085	328,582	6,497
Total other financing sources	322,085	322,085	328,582	6,497
Net change in fund balance	$ -	$ -	620,251	$ 620,251
Fund balance - beginning of year			1,908,694	
Fund balance - end of year			$ 2,528,945	

See notes to required supplementary information.

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND RELATED RATIOS - NONPROFESSIONAL EMPLOYEES (UNAUDITED)

Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	$ 669,679	$ 694,189	$ 763,448	$ 695,895	$ 729,606	$ 743,215
Interest	2,650,616	2,671,683	2,600,444	2,552,232	2,501,150	2,434,509
Differences between expected and actual experience	164,308	(1,077,881)	110,155	(293,248)	(215,707)	-
Changes in assumptions	1,011,011	-	(44,324)	-	-	-
Benefit payments, including refunds of employee contributions	(2,615,831)	(2,562,064)	(2,261,995)	(2,270,264)	(2,300,353)	(2,151,081)
Net change in total pension liability	1,879,783	(274,073)	1,167,728	684,615	714,696	1,026,643
Total pension liability - beginning	39,173,852	39,447,925	38,280,197	37,595,582	36,880,886	35,854,243
Total pension liability - ending (a)	$ 41,053,635	$ 39,173,852	$ 39,447,925	$ 38,280,197	$ 37,595,582	$ 36,880,886
Plan fiduciary net position						
Contributions - employer	$ 782,510	$ 879,860	$ 882,435	$ 801,790	$ 726,275	$ 648,377
Contributions - employee	351,917	365,276	372,038	378,872	345,765	354,802
Net investment income	2,081,974	2,269,942	3,443,683	487,721	1,307,987	4,075,199
Benefit payments, including refunds of employee contributions	(2,615,831)	(2,562,064)	(2,261,995)	(2,270,264)	(2,300,353)	(2,151,081)
Administrative expense	(21,661)	(20,333)	(20,455)	(18,573)	(18,893)	(22,705)
Other	(1,304)	(1,991)	(3,044)	(211)	(276)	215
Net change in plan fiduciary net position	577,605	930,690	2,412,662	(620,665)	60,505	2,904,807
Plan fiduciary net position - beginning	32,074,042	31,143,352	28,730,690	29,351,355	29,290,850	26,386,043
Plan fiduciary net position - ending (b)	$ 32,651,647	$ 32,074,042	$ 31,143,352	$ 28,730,690	$ 29,351,355	$ 29,290,850
Net pension liability - ending (a) - (b)	$ 8,401,988	$ 7,099,810	$ 8,304,573	$ 9,549,507	$ 8,244,227	$ 7,590,036
Plan fiduciary net position as a percentage of the total pension liability	79.53%	81.88%	78.95%	75.05%	78.07%	79.42%
Covered payroll	$ 7,627,378	$ 7,691,444	$ 7,719,383	$ 8,465,913	$ 8,498,497	$ 8,647,732
Net pension liability as a percentage of covered payroll	110%	92%	108%	113%	97%	88%

Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, only five additional years of data are available. However, additional years will be included as they become available. Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY - RETIREMENT PLAN - PROFESSIONAL EMPLOYEES (UNAUDITED)

Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.99%	1.00%	1.00%	1.04%	1.05%	1.08%
Employer's Proportionate Share of the Net Position Liability	$ 130,340,952	$ 117,977,000	$ 123,472,000	$ 146,345,000	$ 132,145,000	$ 130,368,000
Employer's Covered Payroll	82,858,890	81,002,287	79,054,292	81,200,579	79,779,153	81,064,661
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157%	146%	156%	180%	166%	161%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, only five additional years of data are available. However, additional years will be included as they become available. Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - VRS (UNAUDITED)

Year Ended June 30, 2020

Date	(a) Contractually Required Contribution	(b) Contribution in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contributions as a % of Covered Employee Payroll (b) / (d)
			Professional		
June 30, 2020	$ 13,414,283	$ 13,414,283	$ -	$ 85,550,274	15.68%
June 30, 2019	12,992,275	12,992,275	-	82,858,890	15.68%
June 30, 2018	13,219,573	13,219,573	-	81,002,287	16.32%
June 30, 2017	11,589,359	11,589,359	-	79,054,292	14.66%
June 30, 2016	11,190,544	11,190,544	-	81,200,579	13.78%
June 30, 2015	11,317,000	11,317,000	-	79,779,153	14.19%
June 30, 2014	9,191,479	9,191,479	-	81,064,661	11.34%
June 30, 2013	9,213,695	9,213,695	-	81,836,929	11.26%
June 30, 2012	4,744,734	4,744,734	-	78,767,435	6.02%
June 30, 2011	3,044,252	3,044,252	-	81,079,797	3.75%
			Nonprofessional		
June 30, 2020	$ 819,284	$ 819,284	$ -	$ 7,621,243	10.75%
June 30, 2019	819,943	819,943	-	7,627,378	10.75%
June 30, 2018	899,130	899,130	-	7,691,444	11.69%
June 30, 2017	902,396	902,396	-	7,719,383	11.69%
June 30, 2016	813,358	813,358	-	8,465,913	9.61%
June 30, 2015	731,636	731,636	-	8,498,497	8.61%
June 30, 2014	649,001	649,001	-	8,647,732	7.50%
June 30, 2013	644,890	644,890	-	8,657,941	7.45%
June 30, 2012	603,630	603,630	-	8,508,035	7.09%
June 30, 2011	643,311	643,311	-	8,545,234	7.53%

See notes to required supplementary information.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS (UNAUDITED)

Year Ended June 30, 2020

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	$ 393,468	$ 950,173	$ 625,456	$ 713,189
Interest	1,206,350	791,875	997,917	958,969
Changes of benefit terms	-	-	459,794	-
Differences between expected and actual experience	(5,630,299)	(433,312)	(4,735,709)	(747,036)
Change of assumptions	(1,999,924)	(4,968,846)	3,663,387	2,171,672
Benefit payments, including lump sum liability settlement for 114 participants	(414,517)	(191,650)	(73,336)	(80,005)
Net change in total OPEB liability	(6,444,922)	(3,851,760)	937,509	3,016,789
Total OPEB liability - beginning	13,128,913	16,980,673	16,043,164	13,026,375
Total OPEB liability - ending (a)	$ 6,683,991	$ 13,128,913	$ 16,980,673	$ 16,043,164
Plan Fiduciary Net Position				
Contributions	$ 414,517	$ -	$ -	$ -
Net investment income	405,789	924,764	532,735	743,975
Benefit payments, including refunds of employee contributions	(414,517)	(191,650)	(73,336)	(80,005)
Administrative expense	(15,333)	(125)	-	(7,000)
Net Change in Fiduciary Net Position	390,456	732,989	459,399	656,970
Plan Fiduciary Net Position - Beginning	13,274,352	12,541,363	12,081,964	11,424,994
Plan Fiduciary Net Position - Ending (b)	$ 13,664,808	$ 13,274,352	$ 12,541,363	$ 12,081,964
Net OPEB Liability (Asset) - Ending (a) - (b)	$ (6,980,817)	$ (145,439)	$ 4,439,310	$ 3,961,200
Plan Fiduciary Net Position as a Percentage of Total OPEB Pension Liability	204.4%	101.1%	73.9%	75.3%
Covered Employee Payroll	$ 94,052,398	$ 98,200,691	$ 91,796,317	$ 96,277,315
Net OPEB Liability (Asset) as Percentage of Payroll	-7.42%	-0.15%	4.84%	4.11%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, only three additional years of information are available. However, additional years will be included as they become available.

See notes to required supplementary information.

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS (UNAUDITED)

Year Ended June 30, 2020

	2020	2019*	2018**	2017
Actuarially Determined Employer Contribution				
Service cost	$ 409,268	$ 992,361	$ 662,983	$ 763,112
Amortization of unfunded liability	(414,517)	372,888	350,393	171,131
Recommended contribution	(5,249)	1,365,249	1,013,376	934,243
Contribution/benefit payments made	-	-	(703,482)	(80,005)
Contribution deficiency (excess)	$ (5,249)	$ 1,365,249	$ 309,894	$ 854,238
Covered Employee Payroll	$ 94,052,398	$ 98,200,691	$ 91,796,317	$ 96,277,315
Contribution as a Percentage of Covered Payroll	-0.01%	1.39%	0.34%	0.89%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, only three additional years of information is available. However, additional years will be included as they become available.

Notes to schedule:

Methods and Assumptions used to determine contribution rate:

Measurement Date	6/30/2020
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.
Actuarial Cost Method	Projected Unit Credit (level dollar)
Amortization method	Level percent, open
Remaining amortization period	20 years
Discount rate	9.06% for 2020 contribution; 9.21% for June 30, 2020 liability and 2021 contribution
Payroll growth	2.0%
Return on plan assets	9.2%
Mortality rate	RPH-2014, sex-distinct, annuitant and non-annuitant mortality with mortality projection MP-2018
Asset valuation method	Market value

* Based on 4.44% discount, 14 year level percent of pay, amortization of unfunded liability; alternative funding scenarios could be considered.

** Based on 6% discount, 15 year level percent of pay, amortization of unfunded liability.

SCHEDULE OF OPEB INVESTMENT RETURNS (UNAUDITED)

Year Ended June 30, 2020

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	9.06%	4.44%	6.00%	6.00%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, only three additional years of information is available. However, additional years will be included as they become available.

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY - GROUP LIFE INSURANCE PROGRAM (UNAUDITED)

Year Ended June 30, 2020

Date	Employer's Proportion of Net GLI OPEB Liability	Employer's Proportionate Share of Net GLI OPEB Liability	Employer's Covered-Employer Payroll	Employer's Proportionate Share of Net GLI OPEB Liability as a Percentage of its Covered-Employer Payroll	Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability
		Professional			
June 30, 2020*	0.42%	$ 6,937,361	$ 83,572,402	8.30%	52.00%
June 30, 2019*	0.43%	6,507,000	81,466,826	7.99%	51.22%
June 30, 2018*	0.43%	6,485,000	79,488,375	8.16%	48.86%
		Nonprofessional			
June 30, 2020*	0.04%	$ 639,353	$ 7,701,528	8.30%	52.00%
June 30, 2019*	0.04%	621,000	7,777,114	7.98%	51.22%
June 30, 2018*	0.04%	638,000	7,821,559	8.16%	48.86%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only two additional years of information is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB - GROUP LIFE INSURANCE PROGRAM (UNAUDITED)

Year Ended June 30, 2020

Date	(a) Contractually Required Contribution	(b) Contribution in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contributions as a % of Covered Employer Payroll (b) / (d)
Professional					
June 30, 2020	$ 446,932	$ 446,932	$ -	$ 85,948,427	0.52%
June 30, 2019	434,576	434,576	-	83,572,402	0.52%
June 30, 2018	423,628	423,628	-	81,466,826	0.52%
June 30, 2017	413,340	413,340	-	79,488,375	0.52%
June 30, 2016	384,497	384,497	-	80,103,513	0.48%
June 30, 2015	377,187	377,187	-	78,580,681	0.48%
June 30, 2014	380,015	380,015	-	79,169,887	0.48%
June 30, 2013	380,479	380,479	-	79,266,483	0.48%
June 30, 2012	210,699	210,699	-	75,249,805	0.28%
June 30, 2011	218,391	218,391	-	77,996,828	0.28%
Nonprofessional					
June 30, 2020	$ 40,094	$ 40,094	$ -	$ 7,710,431	0.52%
June 30, 2019	40,048	40,048	-	7,701,528	0.52%
June 30, 2018	40,441	40,441	-	7,777,114	0.52%
June 30, 2017	40,672	40,672	-	7,821,559	0.52%
June 30, 2016	37,875	37,875	-	7,890,684	0.48%
June 30, 2015	34,309	34,309	-	7,147,756	0.48%
June 30, 2014	34,829	34,829	-	7,256,059	0.48%
June 30, 2013	34,487	34,487	-	7,184,753	0.48%
June 30, 2012	18,904	18,904	-	6,751,453	0.28%
June 30, 2011	20,027	20,027	-	7,152,368	0.28%

See notes to required supplementary information.

VRS GROUP LIFE INSURANCE PROGRAM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Professional

Mortality Rates (Pre-retirement, postretirement 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
Discount Rate	Decrease rate from 7.00% to 6.75%

Nonprofessional

Mortality Rates (Pre-retirement, postretirement 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 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY - HEALTH INSURANCE CREDIT PROGRAM (HIC) VRS RETIREMENT PLAN - PROFESSIONAL (UNAUDITED)

Year Ended June 30, 2020

	2020*	2019*	2018*
Employer's Proportion of the Net HIC OPEB Liability	0.99%	1.00%	1.00%
Employer's Proportionate Share of the Net HIC OPEB Position Liability	$ 12,939,248	$ 12,721,000	$ 12,719,000
Employer's Covered Payroll	82,904,682	81,030,323	79,120,346
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered-Employer Payroll	15.61%	15.70%	16.08%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.97%	8.08%	7.04%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only two additional years of information is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB - HEALTH INSURANCE CREDIT PROGRAM (HIC) VRS RETIREMENT PLAN - PROFESSIONAL (UNAUDITED)

Year Ended June 30, 2020

Date	(a) Contractually Required Contribution	(b) Contribution in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contributions as a % of Covered Employer Payroll (b) / (d)
June 30, 2020	$ 1,026,736	$ 1,026,736	$ -	$ 85,561,365	1.20%
June 30, 2019	994,856	994,856	-	82,904,682	1.20%
June 30, 2018	996,673	996,673	-	81,030,323	1.23%
June 30, 2017	878,236	878,236	-	79,120,346	1.11%
June 30, 2016	843,986	843,986	-	79,621,342	1.06%
June 30, 2015	827,427	827,427	-	78,059,128	1.06%
June 30, 2014	875,707	875,707	-	78,892,500	1.11%
June 30, 2013	875,736	875,736	-	78,895,095	1.11%
June 30, 2012	449,738	449,738	-	74,956,305	0.60%
June 30, 2011	464,771	464,771	-	77,461,890	0.60%

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Professional

Mortality Rates (Pre-retirement, postretirement 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
Discount Rate	Decrease rate from 7.00% to 6.75%

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) VRS RETIREMENT PLAN - PROFESSIONAL (UNAUDITED)

Year Ended June 30, 2020

	2020*	2019*	2018*
Employer's Proportion of the Net VLDP OPEB Liability	4.61%	4.61%	4.43%
Employer's Proportionate Share of the Net VLDP OPEB Liability	$ 26,811	$ 35,000	$ 27,000
Employer's Covered Payroll	22,116,307	17,204,128	12,496,408
Employer's Proportionate Share of the Net VLDP OPEB Liability (Aset) as a Percentage of its Covered-Employer Payroll	0.12%	0.20%	0.22%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	74.12%	46.18%	31.96%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only two additional years of information is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY - VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) VRS RETIREMENT PLAN - NONPROFESSIONAL (UNAUDITED)

Year Ended June 30, 2020

	2020*	2019*	2018*
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.93%	0.90%	0.85%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	$ 18,906	$ 7,000	$ 5,000
Employer's Covered-Employee Payroll	2,884,002	2,187,809	1,551,694
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	0.66%	0.32%	0.32%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	49.19%	51.39%	38.40%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only two additional years of information is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

See notes to required supplementary information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB - VIRGINIA LOCAL DISABILITY PROGRAM (UNAUDITED)

Year Ended June 30, 2020

Date	(a) Contractually Required Contribution	(b) Contributions in Relation to Contractually Required Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Payroll	(e) Contributions as a % of Employer's Covered Payroll (b) / (d)
		Professional			
June 30, 2020	$ 107,351	$ 107,351	$ -	$ 26,183,088	0.41%
June 30, 2019	90,677	90,677	-	22,116,307	0.41%
June 30, 2018	53,333	53,333	-	17,204,128	0.31%
June 30, 2017	38,612	38,612	-	12,496,408	0.31%
June 30, 2016	22,903	22,903	-	7,897,682	0.29%
June 30, 2015	10,909	10,909	-	3,761,886	0.29%
June 30, 2014	224	224	-	77,123	0.29%
		Nonprofessional			
June 30, 2020	$ 23,354	$ 23,354	$ -	$ 3,243,582	0.72%
June 30, 2019	17,881	17,881	-	2,884,002	0.62%
June 30, 2018	13,127	13,127	-	2,187,809	0.60%
June 30, 2017	9,310	9,310	-	1,551,694	0.60%
June 30, 2016	6,913	6,913	-	1,152,140	0.60%
June 30, 2015	3,145	3,145	-	524,219	0.60%
June 30, 2014	373	373	-	62,085	0.60%

Schedule is intended to show information for 10 years. Since VLDP was implemented in January 2014, only seven years of data is available. However, additional years will be included as they become available.

VRS VIRGINIA LOCAL DISABILITY PROGRAM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Professional

Mortality Rates (Pre-retirement, postretirement 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
Discount Rate	Decrease rate from 7.00% to 6.75%

Nonprofessional

Mortality Rates (Pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING

The budget data reflected in the financial statements was created by the School Board using the procedures which follow:

1) The School Board submits to the City Council of the City a proposed operating budget for the General and Special Revenue Funds for the forthcoming fiscal year by April 1. The legal level of budgetary control rests at the fund level for the General and Special Revenue Funds. Management control is exercised over the budgets at the budgetary line item level.

2) The budgets are legally enacted through passage of an ordinance by the City Council forty-five days prior to the end of the current fiscal year.

3) The School Board is authorized to make transfers between budgetary line items; however, revisions that alter the total expenditures of the total budget must be approved by the City Council.

4) The General Fund and Special Revenue Fund have a legally adopted annual budget. The General Fund and Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for the recognition of encumbrances and inventory as expenditures. Budgets related to the School Construction Fund are adopted on a project basis.

5) The School Board employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Appropriations with outstanding commitments or encumbrances are requested for re-appropriation and carried forward into the subsequent year. According to the City of Portsmouth, Virginia Code, unexpended, unencumbered appropriations lapse at the end of the year.

OTHER SUPPLEMENTARY INFORMATION

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STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITIES

Year Ended June 30, 2020

ASSETS	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Cash and temporary investments	$ 779,694	$ 991,714	$ 987,801	$ 783,607
LIABILITIES				
Due to students	$ 779,694	$ 991,714	$ 987,801	$ 783,607

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STATISTICAL SECTION

(Unaudited)

This part of the City of Portsmouth, Virginia School Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health as shown on pages 89 through 103.

Financial Trends
These schedules contain trend information to help the reader comprehend how the government's financial performance and well-being have changed over time.

Revenue Capacity
These schedules contain information to help the reader assess the government's most significant local revenue source, food service sales.

Debt Capacity
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

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CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 1

NET POSITION BY COMPONENT (unaudited)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2020	2019	2018	2017**	2016	2015	2014*	2013	2012	2011
Governmental activities										
Net investment in capital assets	$ 53,579,568	$ 57,360,590	$ 61,253,765	$ 64,238,842	$ 65,586,657	$ 67,458,191	$ 68,535,355	$ 77,294,681	$ 86,269,945	$ 70,253,415
Restricted:										
Grant compliance	1,974,117	1,359,664	1,187,813	1,729,966	1,639,171	528,276	611,099	1,103,582	577,712	-
Capital projects	-	-	-	-	-	-	-	-	505,998	509,246
OPEB	6,085,707	-	-	4,566,686	-	-	-	-	-	-
School food services	497,497	1,489,191	1,132,315	840,998	653,034	893,933	1,710,238	1,804,974	2,036,930	-
Textbook	2,528,945	1,908,694	3,641,222	2,560,127	1,442,722	988,698	862,997	843,673	375,765	-
Unrestricted (deficit)	(155,343,136)	(159,441,159)	(165,682,925)	(168,885,841)	(132,759,892)	(133,270,921)	(144,218,024)	3,316,274	18,945,239	31,113,169
Total governmental activities net position (deficit)	$ (90,677,302)	$ (97,323,020)	$ (98,467,810)	$ (94,949,222)	$ (63,438,308)	$ (63,401,823)	$ (72,498,335)	$ 84,363,184	$ 108,711,589	$ 101,875,830

Source: Comprehensive Annual Financial Report for the relevant year.
*Restated for GASB 68
**Restated for GASB 75

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD **Table 2**
Component Unit of the City of Portsmouth, Virginia

CHANGES IN NET POSITION (unaudited)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities										
Administration, attendance, and health services	$ 10,452,610	$ 9,302,235	$ 8,814,368	$ 9,108,781	$ 8,087,764	$ 8,509,930	$ 7,702,994	$ 7,060,682	$ 7,482,355	$ 8,171,430
Instruction	123,685,787	123,050,088	120,925,967	124,548,696	114,530,007	114,951,195	117,950,884	123,563,193	110,997,918	116,243,716
Pupil transportation	6,392,222	6,737,503	7,291,521	7,314,286	7,013,542	7,301,645	6,567,662	5,967,101	6,994,723	6,396,152
Unassigned	15,223,114	15,080,625	15,645,909	15,223,576	15,915,270	14,279,136	15,372,087	16,218,996	14,288,609	15,072,405
Information technology	8,384,830	7,022,583	8,813,988	5,711,520	9,601,034	6,978,045	4,159,832	4,691,124	3,917,235	3,179,565
Food service	7,798,591	8,299,478	8,066,102	8,236,369	8,093,226	7,817,357	8,015,665	7,916,123	7,173,854	7,011,115
Self insured health	-	-	-	-	-	9,073,104	-	-	-	-
Interest on long-term debt	-	-	-	30,410	77,612	113,167	146,251	178,945	210,763	233,957
Total primary government	$ 171,937,154	$ 169,492,512	$ 169,557,855	$ 170,173,638	$ 163,318,455	$ 169,023,579	$ 159,915,375	$ 165,596,164	$ 151,065,457	$ 156,308,340
Program Revenues										
Governmental activities										
Charges for services										
Food services	$ 994,643	$ 1,035,887	$ 1,268,250	$ 1,468,263	$ 1,324,237	$ 1,625,939	$ 1,948,098	$ 1,852,675	$ 1,793,828	$ 1,748,890
Pupil transportation	152,464	222,955	203,112	144,797	97,522	89,795	90,012	17,412	101,135	235,094
Self insured health	-	-	-	-	-	14,228,080	-	-	-	-
Other	271,448	943,710	903,613	524,007	54,141	788,541	472,193	378,526	170,489	276,896
Operating grants and contributions										
Instruction	31,131,304	28,040,217	27,267,039	24,142,951	23,193,044	23,666,175	25,061,820	24,326,281	21,395,573	42,216,751
Food services	5,001,282	7,333,808	6,851,143	6,527,103	6,384,446	5,424,966	5,467,899	5,528,135	5,444,996	5,178,450
Capital grants and contributions	-	-	1,029,558	984,456	-	-	-	-	-	-
Total governmental activities program revenue	$ 37,551,141	$ 37,576,577	$ 37,522,715	$ 33,791,577	$ 31,053,390	$ 45,823,496	$ 33,040,022	$ 32,103,029	$ 28,906,021	$ 49,656,081
Net Expense										
Governmental activities	$(134,386,013)	$(131,915,935)	$(132,035,140)	$(136,382,061)	$(132,265,065)	$(123,200,083)	$(126,875,353)	$(133,493,135)	$(122,159,436)	$(106,652,259)
General Revenues and Other Changes in Net Position										
Governmental activities										
Unrestricted grants and contributions	$ 139,875,226	$ 132,151,029	$ 127,289,247	$ 132,619,967	$ 130,673,834	$ 131,800,839	$ 125,366,580	$ 120,974,979	$ 137,776,964	$ 113,833,393
Investment earnings	152,056	120,511	75,822	10,387	4,923	463	6,345	30,439	25,317	55,597
Miscellaneous	1,004,449	789,185	1,151,486	1,245,676	442,551	239,964	596,709	888,601	1,136,711	1,260,839
Special item	-	-	-	-	-	-	(4,778,996)	-	-	-
Total governmental activities	$ 141,031,731	$ 133,060,725	$ 128,516,555	$ 133,876,030	$ 131,121,308	$ 132,041,266	$ 121,190,638	$ 121,894,019	$ 138,938,992	$ 115,149,829
To City of Portsmouth	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,750,269	$ 9,943,797	$ -
Change in Net Position										
Governmental activities	$ 6,645,718	$ 1,144,790	$ (3,518,585)	$ (2,506,031)	$ (1,143,757)	$ 8,841,183	$ (5,684,715)	$ (15,349,385)	$ 6,835,759	$ 8,497,570

Source: Comprehensive Annual Financial Report for the relevant year.

FUND BALANCES, GOVERNMENTAL FUNDS (unaudited)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonspendable	472,451	229,685	210,990	218,658	267,125	274,185	152,853	300,259	135,575	559,924
Assigned	610,540	135,659	578,310	1,827,694	453,425	12,450,267	2,359,913	397,077	8,582,212	6,370,824
Unassigned	5,772,168	661,159	-	632,108	5,034,127	972,097	2,361,295	-	-	-
Total General Fund	$ 6,855,159	$ 1,026,503	$ 789,300	$ 2,678,460	$ 5,754,677	$ 13,696,549	$ 4,874,061	$ 697,336	$ 8,717,787	$ 6,930,748
All Other Governmental Funds										
Nonspendable										
Food Services	$ 71,840	$ 10,903	$ 31,879	$ 11,719	$ 4,926	$ 25,787	$ 43,656	$ 94,404	$ 38,325	$ 41,708
Textbook	-	-	-	-	-	-	-	346	61,027	144,567
Restricted										
Grants	1,441,746	823,153	978,263	911,583	246,363	332,976	526,847	296,628	527,586	449,844
Food Services	-	1,392,736	1,037,666	840,995	628,066	871,591	1,690,710	1,804,974	2,036,930	2,146,211
Textbook	2,528,945	1,908,694	3,641,222	2,560,127	1,442,722	988,698	862,997	843,673	375,765	1,181,316
Capital Projects	-	-	-	-	-	-	-	-	505,998	509,246
Committed										
Textbook	-	-	-	-	-	-	-	-	1,038,858	-
Capital Projects	-	-	-	-	-	-	-	1,156,185	6,778,417	11,368,937
Assigned										
Grants	-	-	-	-	-	-	665,444	124,215	244,606	-
Capital Projects	-	-	-	-	-	-	-	-	36,707	9,943,797
Unassigned										
Grants	-	(77,101)	(239,039)	-	(48,030)	(48,030)	-	-	-	(585,465)
Food Services	(59,670)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 3,982,861	$ 4,058,385	$ 5,449,991	$ 4,324,424	$ 2,274,047	$ 2,171,022	$ 3,789,654	$ 4,320,425	$ 11,644,219	$ 25,200,161

Source: Comprehensive Annual Financial Report for the relevant year.

Note:
The change in the classification of fund balance in 2011 is due to the implementation of GASB 54 in FY11.
See Management's Discussion and Analysis for explanation of the differences in current year fund balance from the prior year.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD **Table 4**

Component Unit of the City of Portsmouth, Virginia

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (unaudited)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Intergovernmental										
Federal grants	$ 19,979,132	$ 20,993,098	$ 19,771,958	$ 18,770,251	$ 16,526,977	$ 16,582,767	$ 17,886,311	$ 17,765,296	$ 27,939,844	$ 27,996,547
Federal donated commodities	500,147	512,084	482,332	441,514	414,936	322,654	435,202	431,169	355,290	-
State grants and other	99,853,178	96,299,113	95,873,709	92,329,074	90,909,892	91,451,610	87,987,549	87,867,810	86,894,924	85,452,502
Unassigned	55,396,045	49,163,551	50,746,364	52,400,000	51,200,000	52,400,000	50,257,282	44,008,292	49,571,413	48,171,651
Local										
Charges for services	367,619	548,521	465,889	479,228	454,957	14,780,846	799,064	913,852	1,137,316	1,149,376
Interest	152,056	120,511	75,822	10,387	4,923	463	6,345	30,439	25,317	48,237
Miscellaneous	2,055,385	2,443,216	3,060,572	2,903,515	1,463,494	2,191,473	2,307,948	2,223,363	2,064,847	2,370,760
Total Revenues	178,303,562	170,080,094	170,476,646	167,333,969	160,975,179	177,729,813	159,679,701	153,240,221	167,988,951	165,189,073
Expenditures										
Education										
Instruction	123,867,910	124,140,690	122,429,724	122,077,227	114,341,413	113,796,681	113,842,163	115,226,720	119,373,035	110,480,833
Administration, attendance, and health services	10,720,339	9,613,317	9,147,561	9,135,725	8,233,301	8,603,177	7,662,399	6,986,774	7,676,234	8,085,983
Pupil transportation	6,045,113	6,436,246	6,958,562	6,773,135	6,629,540	6,874,947	6,256,064	5,619,907	6,853,967	5,888,145
Operation and maintenance	15,499,901	15,362,909	15,389,992	15,596,604	16,171,373	15,400,181	15,303,513	15,901,140	14,647,181	14,903,276
Information technology	8,480,964	7,139,987	8,999,880	5,593,353	9,657,311	6,937,348	4,076,650	4,623,016	4,023,227	3,145,672
Food services	7,936,203	8,541,348	8,314,520	8,200,378	8,193,183	7,857,325	7,907,351	7,775,261	7,302,658	6,897,865
Debt service										
Principal	-	-	-	1,021,027	-	1,870,027	839,356	723,518	670,048	619,364
Interest	-	-	-	10,390	77,612	113,167	146,251	205,511	231,923	256,335
Self insured health	-	-	-	-	9,073,104	9,073,104	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	7,772,350	11,135,784	12,656,098
Total Expenditures	172,550,430	171,234,497	171,240,239	168,407,839	172,376,837	170,525,957	156,033,747	164,834,197	171,914,057	162,933,571
Excess (deficiency) of revenues over (under) expenditures	5,753,132	(1,154,403)	(763,593)	(1,073,870)	(11,401,658)	7,203,856	3,645,954	(11,593,976)	(3,925,106)	2,255,502
Other financing sources (uses)										
To City of Portsmouth	-	-	(636,000)	-	-	-	-	(3,750,269)	(9,943,797)	-
From City of Portsmouth	-	-	-	-	-	-	-	-	2,100,000	-
Transfers in	1,458,767	1,458,767	2,191,833	1,826,129	1,959,906	2,157,946	1,700,474	3,371,474	4,938,382	12,341,708
Transfers out	(1,458,767)	(1,458,767)	(1,555,833)	(1,826,129)	(1,658,473)	(2,157,946)	(1,700,474)	(3,371,474)	(4,938,382)	(12,341,708)
Total Other Financing Sources (Uses), net	-	-	-	-	301,433	-	-	(3,750,269)	(7,843,797)	-
Total Net Change in Fund Balances	$ 5,753,132	$ (1,154,403)	$ (763,593)	$ (1,073,870)	$ (11,100,225)	$ 7,203,856	$ 3,645,954	$ (15,344,245)	$ (11,768,903)	$ 2,255,502
Ratio of debt service expenditures to noncapital expenditures	0.00%	0.00%	0.00%	0.62%	0.05%	1.24%	0.64%	0.60%	0.56%	0.59%

Source: Comprehensive Annual Financial Report for relevant year.

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD
Component Unit of the City of Portsmouth, Virginia

Table 5

OPERATING INDICATORS (unaudited)
OWN SOURCE REVENUE
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Enrollment										
Level										
Elementary	7,739	7,724	7,823	7,906	8,106	8,293	8,284	8,329	8,397	8,322
Middle	1,907	1,881	1,887	1,966	2,078	2,107	2,082	2,112	2,133	1,985
High	3,595	3,506	3,678	3,677	3,721	3,690	3,710	3,689	3,716	3,740
Unassigned	582	574	632	663	727	719	733	833	883	862
School Lunches										
Full	$ 48,475	$ 68,429	$ 66,279	$ 68,537	$ 66,398	$ 83,872	$ 96,420	$ 95,870	$ 101,059	$ 103,859
Reduced	78,120	128,872	132,140	137,933	150,210	106,442	228,263	261,196	244,129	293,913
Free	2,970,629	4,252,986	4,269,059	3,910,738	3,919,816	1,597,406	3,195,004	3,278,722	3,194,494	3,038,131
Total	$ 3,097,224	$ 4,450,287	$ 4,467,478	$ 4,117,208	$ 4,136,424	$ 1,787,720	$ 3,519,687	$ 3,635,788	$ 3,539,682	$ 3,435,903
School Breakfasts										
Full	$ 44,901	$ 65,360	$ 53,235	$ 61,744	$ 56,977	$ 86,640	$ 88,996	$ 96,489	$ 106,502	$ 111,361
Reduced	77,986	83,876	73,735	89,730	79,352	221,597	110,241	118,272	146,186	166,965
Free	1,682,278	2,362,883	2,065,140	2,073,085	1,983,937	3,180,389	1,552,544	1,560,571	1,551,953	1,394,510
Total	$ 1,805,165	$ 2,512,119	$ 2,192,110	$ 2,224,559	$ 2,120,266	$ 3,488,626	$ 1,751,781	$ 1,775,332	$ 1,804,641	$ 1,672,836
Meal Prices										
Breakfast										
Elementary	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Middle	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
High	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
Adult Ed	A la carte	A la carte	A la carte	A la carte	A la carte	A la carte	A la carte	$ 1.00	$ 1.00	$ 1.00
Lunches										
Elementary	$ 1.75	$ 1.65	$ 1.65	$ 1.60	$ 1.50	$ 1.45	$ 1.45	$ 1.35	$ 1.35	$ 1.35
Middle	1.75	1.65	1.65	1.60	1.50	1.45	1.45	1.35	1.35	1.35
High	1.75	1.65	1.65	1.60	1.50	1.45	1.45	1.35	1.35	1.35
Reduced	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Adult Ed	3.50	3.25	3.00	3.00	2.90	2.85	2.85	2.75	2.75	2.75

Source: Portsmouth Public Schools - Food Services Division.

CAPITAL LEASES (unaudited)
LAST TEN FISCAL YEARS

Year	Principal	Interest	1 Total Payment	2 Guaranteed Savings per Year	1÷2 Percentage of Guaranteed Savings per Year	Total Percentage of Guaranteed Savings	Percent of Personal Income	Per Capita
2011	$ 619,364	$ 256,335	$ 875,699	$ 879,516	99.57%	11.20%		
2012	1,393,566	437,433	1,830,999	1,838,979	99.57%	23.41%		
2013	779,908	176,992	956,900	961,071	99.57%	12.24%		
2014	839,356	146,251	985,607	989,903	99.57%	12.60%		
2015	1,870,027	190,779	2,060,806	2,069,788	99.57%	26.35%		
2016	-	-	-	-	0.00%	0.00%		
2017	1,021,027	10,390	1,031,417	1,081,694	95.35%	13.19%		
2018	-	-	-	-	0.00%	0.00%		
2019	-	-	-	-	0.00%	0.00%		
2020	-	-	-	-	0.00%	0.00%		
	$ 6,523,248	$ 1,218,180	$ 7,741,428	$ 7,820,951			0.19%	$ 82.01

Source: Personal income figure for total debt as % of per personal income is the latest availabe figure as of 2018 from the Bureau of Economic Analysis.
Source: Population figure for total debt per capita is the latest 2018 estimate from the U.S. Census Bureau.
Source: CitiMortgage Master Lease Rental Payment Schedule.

Table 7

DEMOGRAPHIC AND ECONOMIC STATISTICS (unaudited)
LAST TEN FISCAL YEARS

Year	Population (1)	Personal Income (thousands) (3)	Per Capita Personal Income (3)	Median Age (1)	School Enrollment (2)	Unemployment Rate (4)
2020	*	*	*	*	13,823	11.70%
2019	94,398	$ 4,021,806	$ 42,605	35.7	13,685	3.90%
2018	94,632	3,895,933	41,169	35.2	14,020	4.30%
2017	94,572	3,785,301	40,026	35.5	14,212	6.00%
2016	95,252	3,731,013	39,170	35.2	14,632	6.00%
2015	96,201	3,780,804	39,301	34.9	14,809	6.70%
2014	96,004	3,728,416	38,836	34.9	14,809	6.90%
2013	96,205	3,756,474	39,047	34.9	14,215	7.80%
2012	96,470	3,701,589	38,333	34.9	14,256	8.60%
2011	95,684	3,596,088	37,583	35.2	14,103	8.70%

* Information not available at this time

(1) Source: Bureau of Economic Analysis and United States Census Bureau.
(2) Source: Portsmouth Public Schools Database Manger.
(3) Source: Bureau of Economic Analysis.
(4) Source: Virginia Employment Commission-Labor Market Information.

PRINCIPAL EMPLOYERS (unaudited)
CURRENT YEAR AND NINE YEARS AGO

	2020			2010		
Employer	**Number of Employees**	**Rank**	**Percentage of Total City Employment**	**Number of Employees**	**Rank**	**Percentage of Total City Employment**
Norfolk Naval Shipyard	10,937	1	21.42%	9,000	1	18.89%
Naval Medical Center, Portsmouth	6,300	2	12.34%	5,400	2	11.33%
Portsmouth Public Schools	2,279	4	4.46%	2,500	4	5.25%
City of Portsmouth	1,838	5	3.60%	2,585	3	5.04%
US Coast Guard Command- Portsmouth	1,300	3	2.55%	1,500	6	5.43%
Bon Secours Maryview Medical Center	1,300	6	2.55%	2,400	5	3.15%
Earl Industries	900	7	1.76%	800	8	1.68%
Virginia International Gateway	700	8	1.37%	-		-
Tidewater Community College	375	9	0.73%	-		-
The Pines Residential Treatment Center	375	10	0.73%	-		-
Smithfield of Portsmouth	-		-	450	9	0.94%
Walmart	-		-	380	7	0.80%
CDI Marine	-		-	330	10	0.69%
	26,304		51.51%	25,345		53.20%

Source: City of Portsmouth Comprehensive Annual Financial Report.

EMPLOYEES BY CLASS CODE (unaudited)
LAST TEN FISCAL YEARS

	Employee Count									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
School board members	9	11	9	9	9	9	9	9	9	9
Superintendent	1	1	1	1	1	1	1	1	1	1
Assistant superintendents	3	4	3	2	1	2	2	1	1	2
Public Information Officer	-	-	-	1	1	-	-	-	-	-
Unassigned	9	8	7	6	6	11	8	12	13	12
Coordinators	18	17	16	15	12	5	6	7	7	8
Education specialists	29	31	30	20	20	18	18	17	17	15
Supervisors	27	27	28	26	26	27	27	29	30	32
Principals	25	22	24	24	22	25	25	25	25	25
Assistant principals	35	34	33	28	25	28	29	29	29	31
Deans	-	-	-	3	4	-	-	-	-	-
Teachers	1,028	1,130	1,070	918	974	1,002	982	1,016	1,014	1,015
Guidance and other counselors	40	35	36	31	33	36	36	35	36	38
Librarians	21	26	22	20	19	19	20	21	22	24
Speech therapists	16	17	19	18	18	19	19	18	18	19
School social workers	11	8	9	8	8	8	8	8	8	9
Home school liaisons	21	14	15	2	2	2	2	2	2	2
Medical staff	26	31	32	24	29	27	29	30	30	30
Psychologists	10	10	10	10	10	10	10	10	10	10
Secretaries	132	135	139	126	127	132	128	137	142	139
Instructional assistants	276	270	256	194	206	207	202	210	211	205
Bus drivers and monitors	146	152	162	146	146	147	157	167	154	153
Operations and maintenance staff	145	144	144	130	131	119	130	132	127	127
School crossing guards	19	23	22	23	25	27	27	28	29	32
In school suspension	19	10	9	7	7	6	7	7	6	7
Security officers	36	32	24	16	16	16	16	16	16	16
Attendance officers	7	5	4	4	3	3	3	3	3	3
Print shop personnel		-	-	-	-	1	3	4	4	4
Cafeteria staff	96	100	105	95	109	118	117	117	119	114
Purchasing personnel	3	3	4	3	2	2	2	2	2	2
Technology personnel	24	23	25	21	21	20	19	20	20	21
Other	21	16	13	12	13	14	16	17	17	16
	2,253	2,339	2,271	1,943	2,061	2,061	2,058	2,130	2,122	2,121

Sources: Portsmouth Public Schools - Finance Department.
Filled positions only.

Table 10

TEACHERS - TOTAL NUMBER, AVERAGE AGE, AVERAGE SALARY (unaudited)
LAST TEN FISCAL YEARS

	Number of Teachers	Average Teacher Age	Average Teacher Salary	Education Level BA	MA	CAS	PHD
2020							
Elementary	583	45.0	$ 53,310	276	260	39	8
Middle	148	44.0	52,699	77	63	7	1
High	276	47.0	53,721	144	104	24	4
Unassigned	31	48.0	52,603	10	19	2	0
2019							
Elementary	583	46.0	$ 52,832	256	273	48	6
Middle	157	47.0	53,977	32	107	11	1
High	271	46.0	53,159	126	121	22	2
Unassigned	36	48.0	53,006	5	20	10	1
2018							
Elementary	542	45.0	$ 53,197	247	247	43	5
Middle	154	44.0	52,099	90	55	7	2
High	277	46.0	54,677	142	116	17	2
Unassigned	43	48.0	55,105	20	20	3	0
2017							
Elementary	588	45	$ 51,738	244	300	41	3
Middle	161	44	51,283	84	70	6	1
High	283	45	52,454	145	115	20	3
Unassigned	50	49	56,418	12	27	10	1
2016							
Elementary	545	45	$ 51,128	239	264	39	3
Middle	146	42	49,315	80	57	7	2
High	251	45	51,602	136	98	15	2
Unassigned	28	51	49,096	11	16	1	0
2015							
Elementary	510	44.8	$ 50,007	211	261	35	3
Middle	151	42.4	48,336	80	63	6	2
High	262	46.4	51,681	141	103	16	2
Unassigned	84	48.8	50,090	40	38	5	1
2014							
Elementary	517	43.5	$ 51,552	217	265	33	2
Middle	141	42.7	49,479	56	62	4	3
High	259	45	52,700	135	106	15	3
Other	90	49.5	53,369	44	37	6	3
2013							
Elementary	510	43.3	$ 51,618	181	294	33	2
Middle	144	41.8	50,269	65	69	9	1
High	265	46.8	53,259	125	118	19	3
Other	87	48.0	53,894	20	47	15	5
2012							
Elementary	509	43.9	$ 51,198	184	297	27	1
Middle	140	43.3	49,802	66	66	7	1
High	255	46.1	52,669	113	122	18	2
Other	89	47.6	53,304	23	49	14	3
2011							
Elementary	518	43.6	$ 46,304	215	278	25	0
Middle	139	44.3	45,426	72	60	7	0
High	266	46.2	48,384	140	110	14	2
Other	90	47.9	49,439	40	44	5	1

Source: Portsmouth Public Schools - Human Resource Department.

CAPITAL ASSETS STATISTICS (unaudited)
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Building										
Elementary	13	13	13	13	13	13	13	13	13	14
Middle	3	3	3	3	3	3	3	3	3	3
High	3	3	3	3	3	3	3	3	3	3
Other	4	4	4	4	4	4	4	4	4	4
Fleet										
School Buses	137	137	171	159	147	143	138	147	147	149
Other	93	86	86	93	68	82	69	71	71	67
Athletics										
Football Fields	3	3	3	3	3	3	3	3	3	3
Running Tracks	3	3	3	3	3	3	3	3	3	3
Baseball/Softball	9	9	9	9	9	9	9	9	9	9
Playgrounds	17	17	17	17	17	17	17	16	16	17

Source: Portsmouth Public Schools - Transportation Division.
Portsmouth Public Schools - Athletics Department.
Portsmouth Public Schools - Operations Division.

SCHOOL BUILDING INFORMATION (unaudited)
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Elementary Schools:										
Brighton										
Square feet	56,566	56,566	56,566	56,566	56,566	56,566	56,566	56,566	56,566	56,566
Capacity (Students)	650	650	650	650	650	650	650	650	650	650
Enrollment	443	422	471	486	492	504	553	501	487	542
Churchland Academy										
Square feet	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000
Capacity (Students)	870	732	732	732	732	732	732	732	732	732
Enrollment	822	712	685	646	673	724	712	695	681	692
Churchland Elementary										
Square feet	76,734	76,734	76,734	76,734	76,734	76,734	76,734	76,734	76,734	66,586
Capacity (Students)	715	715	715	715	715	715	715	715	715	715
Enrollment	713	815	844	815	792	829	845	830	823	808
Churchland Primary										
Square feet	74,050	74,050	74,050	74,050	74,050	74,050	74,050	74,050	74,050	74,050
Capacity (Students)	600	600	600	600	600	600	600	600	600	600
Enrollment	523	522	525	601	606	576	562	606	620	637
Douglass Park										
Square feet	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,755	73,755
Capacity (Students)	800	800	800	800	800	800	800	800	800	800
Enrollment	557	631	690	735	724	784	771	707	680	584
Hodges Manor										
Square feet	50,133	50,133	50,133	50,133	50,133	50,133	50,133	50,133	50,133	50,133
Capacity (Students)	600	600	600	600	600	600	600	600	600	600
Enrollment	552	568	585	599	583	561	548	558	584	612
James Hurst										
Square feet	75,105	75,105	75,105	75,105	75,105	75,105	75,105	75,105	75,105	75,105
Capacity (Students)	775	775	775	775	775	775	775	775	775	775
Enrollment	612	601	569	643	681	715	707	706	736	666
John Tyler										
Square feet	61,040	61,040	61,040	61,040	61,040	61,040	61,040	61,040	61,040	106,749
Capacity (Students)	700	700	700	700	700	700	700	700	700	700
Enrollment	622	624	634	605	645	664	692	679	711	741
Lakeview										
Square feet	60,009	60,009	60,009	60,009	60,009	60,009	60,009	60,009	60,009	60,009
Capacity (Students)	660	660	660	660	660	660	660	660	660	660
Enrollment	480	459	453	456	470	514	526	541	546	544
Olive Branch										
Square feet	-	-	-	-	-	-	-	-	-	32,700
Capacity (Students)	-	-	-	-	-	-	-	-	-	455
Enrollment	-	-	-	-	-	-	-	-	-	367
Park View										
Square feet	79,998	79,998	79,998	79,998	79,998	79,998	79,998	79,998	79,998	79,998
Capacity (Students)	762	762	762	762	762	762	762	762	762	762
Enrollment	568	579	534	536	590	589	606	649	614	613

SCHOOL BUILDING INFORMATION (unaudited)
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Elementary Schools (continued):										
Simonsdale										
Square feet	81,165	81,165	81,165	81,165	81,165	81,165	81,165	81,165	81,165	33,300
Capacity (Students)	700	700	700	700	700	700	700	700	700	325
Enrollment	671	664	694	659	705	726	721	751	757	292
Victory Elementary										
Square feet	78,142	78,142	78,142	78,142	78,142	78,142	78,142	78,142	78,142	78,142
Capacity (Students)	540	540	540	540	540	540	540	540	540	540
Enrollment	606	599	582	555	570	538	495	561	571	622
Westhaven										
Square feet	65,077	65,077	65,077	65,077	65,077	65,077	65,077	65,077	61,040	61,040
Capacity (Students)	670	670	670	670	670	670	670	670	670	670
Enrollment	537	528	557	570	575	569	546	545	587	602
Clarke Academy										
Square feet	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200	108,200
Capacity (Students)	-	-	-	-	-	-	-	-	-	-
Enrollment	-	-	-	-	-	-	-	-	-	-
Middle Schools:										
Churchland										
Square feet	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937	136,937
Capacity (Students)	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141
Enrollment	861	849	859	871	901	908	893	912	921	841
Cradock										
Square feet	106,220	106,220	106,220	106,220	106,220	106,220	106,220	106,220	106,220	106,220
Capacity (Students)	885	885	885	885	885	885	885	885	885	885
Enrollment	489	466	491	530	579	589	607	612	616	599
William E. Waters										
Square feet	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601	104,601
Capacity (Students)	872	872	872	872	872	872	872	872	872	872
Enrollment	542	566	537	565	598	610	582	588	596	545

CITY OF PORTSMOUTH, VIRGINIA SCHOOL BOARD **Table 12**
Component Unit of the City of Portsmouth, Virginia

SCHOOL BUILDING INFORMATION (unaudited)
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
High Schools:										
Churchland										
Square feet	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,000	262,000
Capacity (Students)	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871	1,871
Enrollment	1,405	1,317	1,322	1,357	1,344	1,304	1,300	1,318	1,308	1,375
I. C. Norcom										
Square feet	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,812	280,812
Capacity (Students)	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006
Enrollment	1,055	990	1,051	1,032	1,058	1,117	1,112	1,086	1,187	1,238
Woodrow Wilson										
Square feet	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,665	261,665
Capacity (Students)	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869
Enrollment	1,260	1,199	1,305	1,288	1,319	1,269	1,298	1,285	1,221	1,127
Enrollment - Excel Campus	96	194	138	198	246	164	179	186	162	143
Centers:										
Churchland Preschool										
Square feet	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Capacity (Students)	182	182	182	182	182	182	182	182	182	182
Enrollment	139	134	148	160	169	181	184	174	175	172
DAC Preschool										
Square feet	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Capacity (Students)	96	96	96	96	96	96	96	96	96	96
Enrollment	-	-	-	-	-	-	-	-	-	67
Emily Spong										
Square feet	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206	30,206
Capacity (Students)	288	288	288	288	288	288	288	288	288	288
Enrollment	-	-	-	174	182	154	125	245	250	263
Mt. Hermon										
Square feet	36,317	36,317	36,317	36,317	36,317	36,317	36,317	36,317	47,349	47,349
Capacity (Students)	451	451	451	451	451	451	451	451	451	451
Enrollment	255	242	263	159	182	180	226	213	278	258
Olive Branch Preschool										
Square feet	32,700	32,700	32,700	32,700	32,700	32,700	32,700	32,700	32,700	-
Capacity (Students)	455	455	455	455	455	455	455	455	455	-
Enrollment	188	198	221	170	194	204	198	201	180	-

Source: SASI student information database.
Portsmouth Public Schools - Operations Division.

OPERATING STATISTICS (unaudited)
LAST TEN FISCAL YEARS

Year	Expenditures	Enrollment	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/ Teacher Ratio
2020	$ 172,550,430	13,823	$ 12,483	5.34%	1,028	13.45
2019	171,234,497	13,685	12,513	2.44%	1,130	12.11
2018	171,240,239	14,020	12,214	6.07%	1,070	13.10
2017	168,407,839	14,212	11,850	13.27%	918	15.48
2016	163,303,733	14,632	11,161	-0.21%	974	15.02
2015	170,525,957	14,809	11,515	2.96%	1,002	14.78
2014	154,924,247	14,809	10,461	-6.46%	982	15.08
2013	158,984,466	14,215	11,184	-2.38%	1,016	13.99
2012	163,335,746	14,256	11,457	4.77%	1,014	14.06
2011	154,222,462	14,103	10,935	-3.90%	1,015	13.89

Note: Expenditures only include General and Special Revenue Funds.
Source: Portsmouth Public Schools - Human Resource and Finance Departments.
Filled positions only.

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COMPLIANCE SECTION

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

The Honorable Members of the School Board
City of Portsmouth, Virginia

We have audited, 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 Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, Virginia School Board (the "School Board"), a component unit of the City of Portsmouth, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board's financial statements are free 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing* Standards or the *Specifications for Audits of Counties, Cities, and Towns*.

Purpose of this Report

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

Cherry Bekaert LLP

Virginia Beach, Virginia
December 18, 2020