



Comprehensive Annual Financial Report

**THE SCHOOL BOARD
OF THE CITY OF
VIRGINIA BEACH**

(a component unit of the
City of Virginia Beach, Virginia)

For the Fiscal
Year Ended
June 30, 2018



School Board of the City of Virginia Beach
(A component unit of the City of Virginia Beach, Virginia)

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

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Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2018**

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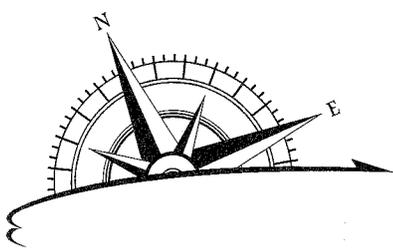


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INTRODUCTORY SECTION



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VIRGINIA BEACH CITY PUBLIC SCHOOLS

CHARTING THE COURSE

November 30, 2018

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

We are pleased to submit to you the Comprehensive Annual Financial Report of the School Board of the City of Virginia Beach, Virginia (the School Board) for the fiscal year ended June 30, 2018. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management. 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.

The Comprehensive Annual Financial Report is divided into four sections:

Introductory Section – includes this Transmittal Letter, reproductions of the Government Finance Officers Association (GFOA) and the Association of School Business Officials (ASBO) financial reporting certificate awards, the School Board members (June 30, 2018), and an Organizational Chart (June 30, 2018).

Financial Section – includes the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information for Retirement, Other Postemployment Benefits and Major Governmental Funds, Notes to the Required Supplementary Information, and Combining and Individual Fund Statements and Schedules for Nonmajor Funds.

Statistical Section – includes a number of tables and graphs that present various financial, student/personnel, demographic, economic, and other information, for the School Board and City of Virginia Beach, generally presented on a multi-year basis.

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

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of MD&A. This Transmittal Letter is designed to complement MD&A and should be read in conjunction with it. The School Board's MD&A is presented immediately following the Independent Auditors' Report.

The School Board of the City of Virginia Beach is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, if any, and auditors' reports, is included in the City of Virginia Beach's Comprehensive Annual Financial Report.

THE REPORTING ENTITY AND ORGANIZATION

The present City of Virginia Beach (City) was formed on January 1, 1963 by the merger of Princess Anne County and the former, smaller City of Virginia Beach. This merger created one of the largest cities in the Commonwealth of Virginia with an area of 310 square miles and 38 miles of shoreline on the Atlantic Ocean and the Chesapeake Bay.

The School Board is responsible for elementary and secondary education within the city. The elected eleven-member School Board, vested with legislative powers, appoints the 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 appropriations 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; Technology) as prescribed by the Code of Virginia, as amended.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the City of Virginia Beach), as well as its component units, which are legally separate organizations for which the City Council is financially accountable (e.g., a component unit that is fiscally dependent on the primary government). 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 Comprehensive Annual Financial Report. The School Board has no component units for financial reporting purposes.

The School Board is fiscally dependent (i.e., it does not have taxing or levying authority, or borrowing authority). It derives most of its funding from allocations from the City and the Commonwealth of Virginia. It is the fourth largest school division in the Commonwealth of Virginia.

Leadership is provided by the School Board working in concert with the Superintendent. The School Board consists of eleven citizens directly elected to serve four-year overlapping terms. The City's Charter designates that the composition of the School Board consists of one member from among the residents of each of the seven districts elected from the city at-large, with four additional at-large members. The School Board is responsible for setting policy, while the Superintendent and his administrative staff are charged with managing the school division's operations.

The administrative structure is divided into eight operational areas, as follows: School Leadership; School Division Services (such as construction, facilities planning, food services, pupil transportation, distribution services, custodial services, maintenance, safety and loss control, and similar activities); Planning, Innovation, and Accountability; Technology; Budget and Finance; Teaching and Learning; Human Resources; and Media and Communications.

ECONOMIC CONDITION AND OUTLOOK

The School Board serves the largest city in the Commonwealth of Virginia with a population of approximately 450,000 people and oversees the fourth largest school system, with a school enrollment of more than 67,000 students (projected to continue a slight decline over the next few years and stabilize thereafter) and more than 10,000 employees. Situated on the coast of the Atlantic Ocean adjacent to the Chesapeake Bay, Virginia Beach is 146 air miles from Washington, D.C.

Since 1998, Virginia Beach City Public Schools (VBCPS) has invested \$750 million to modernize or replace 34 of the school division's oldest facilities. School facilities in need of modernization or replacement are provided limited funding for maintenance/repairs and upgrades through the operating budget. Table 24 in the Statistical Section of this report provides various school building information, including the year that each school opened and any school modernization, replacement or other related school construction that occurred.

Virginia Beach is well known as a resort community. Its diversification, however, has been the underlying strength of the city's economy. Major components of the city's economic base include the following: construction/real estate; light industry; wholesale and retail sales; agriculture; advanced manufacturing; information technology; professional services; the military community consisting of three bases; and the omnipresent resort and convention trade. The largest employment sector in Virginia Beach is the government sector, which is composed of federal, civilian, military, state, and local governments. The City has been designated as one of the "America's best big city to live in," by WalletHub and "the most technologically advanced city of its size in America" by The Center for Digital Government.

In the fiscal year ended June 30, 2018, Virginia Beach continued to experience significant growth, according to the Department of Economic Development. In Fiscal Year 2018, the City announced 37 projects that attracted more than \$319 million in private investment and created 2,371 new jobs. Existing company expansions also resulted in the retention of 5,796 jobs.

The Town Center of Virginia Beach is the heart of a mixed-use, "main street" style development within the city's emerging Central Business District and the home of major entertainment, cultural, business and retail activities. Town Center will eventually span 25 acres and 17 city blocks in the Pembroke area of the city, bounded by Virginia Beach Boulevard, Constitution Drive, Columbus Street and Independence Boulevard. The complex is projected to ultimately include more than 1,000,000 square feet of Class "A" office space and more than 830,000 square feet of multi-level upscale retail space. It currently includes a business class hotel and conference center, luxury apartments and condominiums, performing arts theater, fine dining, specialty shops and free structured parking. Recent growth of the project has encouraged many high-end international retailers to move to Town Center, including Anthropologie, Lululemon Athletica, Free People, and West Elm. The newest phase of Town Center, which includes 33,000 square feet of new retail space anchored by Pottery Barn and Williams Sonoma, a 17,000 square foot experimental theater, a 5,000 square foot restaurant, public plaza, and 120 new apartments, opened in Fall 2018.

Virginia Beach is a great city for business, as the city boasts a skilled, educated workforce, strategic location, low tax rates and a dynamic, diverse economy. Because of its strategic mid-Atlantic location, both global and U.S. markets are readily accessed through a superior multi-modal transportation network, which includes an extensive railway system, an international airport, vast shipping terminals and one of the East Coast's largest ports.

Virginia Beach offers a low cost environment for doing business, as well as a mix of commercial properties suitable for national and international business operations. International business development is also a key component to the Virginia Beach economy, as nearly 200 foreign-based companies are located in the area in addition to the many local companies who operate around the globe. With 12 foreign consular offices and direct shipping to all of the world's major ports, the Virginia Beach Metropolitan Statistical Area (MSA) is truly an international business gateway. In fiscal year 2016-2017, Telefonica announced plans to lay a transatlantic cable, dubbed MAREA and leased to Microsoft and Facebook, from Virginia Beach to Spain. This establishes Virginia Beach as the mid-Atlantic's digital port city, and is expected to draw some of the world's leading technology companies to accompanying data parks and spur additional investment. The MAREA cable, along with the BRUSA cable, which will connect Virginia Beach to Brazil, will connect the rest of North America to the City's Next Generation Network, a 110-mile municipal infrastructure project providing high-speed connectivity for telecom service providers. Google also announced plans to lay a subsea cable from France to Virginia Beach.

In addition to being a wonderful place to live, work and play, Virginia Beach is a fun place to visit. The city is well-known as a year-round destination for business and pleasure. Veterans United Home Loans Amphitheater of Virginia Beach, one of the nation's top outdoor amphitheater, held 31 events in 2017 with attendance of more than 280,000 patrons. The Virginia Beach Convention Center stands at more than 500,000 square feet, including a 31,000 square-foot ballroom with LED lighting, a 150,000 square-foot column-free exhibit hall, 38,999 square feet of meeting space and 2,230 free parking spaces. This award-winning facility is the first Virginia Green certified convention center and is also the largest building in Virginia to

achieve LEED (Leadership in Energy and Environmental Design) Gold Certification for Existing Buildings. In 2017, Virginia Beach experienced another record year for tourism. A total of 19 million domestic visitors traveled to Virginia Beach in 2017, representing 38% growth since 2009. These visitors spent nearly \$2.45 billion during their stay for accommodations, meals, entertainment and other services.

MAJOR INITIATIVES

In 2017-18, Virginia Beach City Public Schools (VBCPS) built upon its foundation of demonstrated excellence with additional gains and growth highlighting student achievement.

Once again, all 82 of the division's testing schools earned accreditation from the Virginia Department of Education, making VBCPS a fully accredited school division for the second, consecutive year. Virginia Beach was the only division in Southside Hampton Roads to earn this accolade, let alone in back-to-back years.

However, the division's performance on state standardized tests and other growth models were just the beginning of the academic achievements from the year. For example, according to data released by the College Board, VBCPS had more students from more diverse backgrounds than ever before enrolling in Advanced Placement (AP) courses. Once in those classes, more students are also taking the end-of-year exams and earning college credit for their performance on those tests.

Similarly, the division also saw the number of students taking dual enrollment courses increase by more than 40 percent. Dual enrollment courses provide high school students an opportunity to take community college courses and earn credit while still in high school and possibly even earn an associate's degree before they graduate. This increase in dual enrollment courses is noteworthy because usually when AP enrollments increase, dual enrollment decreases. However, VBCPS has more students participating and engaging in more rigorous courses across the board.

In addition to these rigorous courses, VBCPS have been diligent in meeting their graduation requirements. This year, the Class of 2018, reached an all-time high graduation rate and lowest ever dropout rate. According to Class of 2018 numbers released by the Virginia Department of Education (VDOE), VBCPS' on-time graduation (OTG) rate rose to 93.3 percent - the highest since data was first collected in 2008. At the same time, the division's dropout rate dropped to the lowest level ever recorded and now stands at 3.8 percent. These are not only division records, they also beat the state performance of 91.6 percent and 5.5 percent, respectively.

The Class of 2018 set another division record as it was offered more than \$104 million in college scholarships. Graduates went on to accept more than \$65 million in scholarship money, which is also an all-time high for the division.

For secondary schools, students continue to have an array of choices from the school division's academy/advanced academic programs. These unique schools-within-schools provide expanded

academic opportunities for students across the school division. Six high schools, one middle school and three elementary schools are designated themed academies while two programs - the International Baccalaureate Program at Princess Anne High School and the Mathematics and Science Academy at Ocean Lakes High School - are advanced academic programs featuring extended learning opportunities. These specialized programs help to connect students' passions with the curriculum as well as challenge them with intensive learning opportunities.

Technical and Career Education (TCE) offerings provide similar possibilities for students. In 2017-18, the school division saw another year of increased student achievement in TCE courses, specifically in workplace readiness skills and industry certifications. This year, VBCPS students earned more than 13,600 TCE credentials – an increase of 3,000 from the previous year. VBCPS continues to be a leader in the state for TCE offerings and earned certifications.

VBCPS, along with Naval Air Station (NAS) Oceana, were honored by the Military Child Education Coalition with the 2018 Pete Taylor Partnership of Excellence Award for Exemplary Individual Project Partnership. This national recognition is awarded annually to acknowledge outstanding partnerships between school districts and military installations that work together to meet the unique challenges facing the nation's military children and provide them with quality educational opportunities. The award was given to honor the annual Science, Technology, Engineering and Math (STEM) Lab Learning Day, which is held at NAS Oceana each September.

The division's continued partnership with NAS Oceana was an integral part of the division's continued work to keep schools as safe as possible for all students, staff and visitors. In April of 2018, Superintendent Dr. Aaron Spence called for the formation of a Blue Ribbon Panel on School Safety and Security to analyze the school division's safety procedures, infrastructure and practices. The panel was to identify the division's current best practices and also potential areas of improvement. Serving on this panel were NAS Oceana staff, representatives from the Virginia Beach Police Department, staff from the City of Virginia Beach's Child and Youth Services Division, principals and staff from the division's offices of Safety and Loss Control and Student Support Services. The panel provided school administration 11 recommendations to enhance school security efforts, which the division will be working toward implementing throughout 2018-19.

VBCPS remains committed to digital learning and the integration of technology in the classroom. Approximately 19,000 Chromebooks were sent through the division's Department of Technology warehouse in the summer of 2018. Between those Chromebooks and the more than 45,500 devices already in use by students across the division, VBCPS became a fully 1:1 school division for the start of the 2018-19 school year. With every student able to access a device, learning opportunities can be expanded beyond just the classroom walls and help to engage students in transformational learning experiences.

In support of this work, the division's Digital Learning Anchor Schools continue to serve as field test schools where students and teachers are the first to examine and deploy new software programs and initiatives so that the division can share and model best practices for principals

and teachers in other schools. As an example, in 2017-18, all Digital Learning Anchor Schools were the first to work in a new learning management system for the school division, Schoology. Schoology is a digital platform that allows teachers to create and deliver content, monitor student participation, and assess student performance. It specifically allows teachers to keep all of their online resources, class assignments and school division curriculum in one place so that students can easily and efficiently join together for dynamic and personalized classroom instruction. In the 2018-19 school year, all schools will have access to Schoology, giving teachers an opportunity to explore its capabilities.

Technology is just one investment the division is making to help create the best learning environments possible for students.

In June 2017, VBCPS broke ground on the modernization project at John B. Dey Elementary School. The renovated elementary school will feature a state of the art media center, extended learning areas in classrooms for collaboration as well as a learning courtyard. This modernization project will be the 10th Leadership in Energy and Environmental Design (LEED) certified building for the division. In 2017-2018, the original Princess Anne Middle School (PAMS) facility was demolished to make way for a new \$78 million middle school, which is scheduled to open in 2021. Finally, plans for the replacement of Thoroughgood Elementary School (TES), a \$32 million elementary school are complete and the project is targeted for completion in 2020. PAMS and TES will be the division's 11th and 12th LEED facilities. LEED buildings use less energy, are less expensive to operate and cause fewer greenhouse gas emissions than their peers. Through LEED construction of new facilities, and performance contract work in existing buildings, VBCPS has increased the overall square footage of the district since 2006 by 7 percent while reducing energy consumption by nearly 28 percent.

The division also has continued to find new ways to engage parents and families in the work of the schools and their children's academic performance. The division still utilizes Parent Portal, an online gradebook which allows parents to access their child's school record, including grades and attendance as well as standardized achievement data, as well as an AlertNow rapid notification system to communicate with parents and community members. In addition, VBCPS continues to maintain multiple platforms and publications at the division level to keep student families and community members engaged. VBCPS has a division newsletter, Apple-A-Day, an active Facebook page, Twitter page, and Instagram account as well as a staff blog, Kaleidoscope, a community blog, The Core and a weekly digital newsletter, A Slice of VBCPS.

Staff also continues to offer the VBCPS Parent Connection program, which offers workshops, guest columns, daily engagement tips and other resources to help connect parents and schools to support student learning and growth. This is in addition to the division's robust volunteer and Partners-in-Education programs. In fact, during the 2017-18 school year, more than 35,000 volunteers and partners donated nearly 400,000 hours of service to Virginia Beach City Public Schools. The value of this service is estimated at more than \$9 million.

Together, administrators, staff members, teachers, students and families have helped to continue to grow the potential opportunities for children in this city, but also the possibilities for the division as a whole.

FINANCIAL INFORMATION

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School Board are protected from loss, theft, or misuse; and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The School Board maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Activities of the General Fund and Special Revenue funds are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level for the General Fund and the Special Revenue funds. In addition, certain controls are exercised administratively on the General Fund (e.g., budget units, personnel positions, capital outlay, and certain line-items; and the appropriations related thereto). A budget unit is an activity (e.g., Elementary Classroom, Gifted Education and Academy Programs) of a category (e.g., Instruction). In addition, certain controls are exercised on the Special Revenue funds (e.g., federal and state grants, and the appropriations related thereto). The School Board also maintains an encumbrance accounting system as one method of maintaining budgetary control. Outstanding encumbrances of certain governmental funds at the end of the fiscal year are reappropriated as part of the following fiscal year's operating budget.

The School Board has adopted budgets for the following funds: General, Grants, Cafeterias, Textbooks, Communication Towers/Technology, Vending Operations, and Equipment Replacement Funds. As demonstrated by the statements and schedules included in the financial section of this report, the School Board continues to meet its responsibility for sound financial management.

The local government provides an appropriation for education in excess of the Commonwealth of Virginia Standards of Quality (SOQ) payments, and determines the level of total education support by means of a Revenue Sharing Formula. The amount derived from the application of this formula is allocated to Debt Service, "Pay As You Go" Capital Improvements, and the Operating Budget. Debt Service, which is managed and controlled by the City, receives the first allocation of funds; "Pay As You Go" Capital Improvements, which are projects which can reasonably be expected to be completed within one year receives the next allocation; and the balance of the funds are allocated as operating budget support.

Long-term financial planning includes a five-year forecast submission to the City establishing underlying assumptions about expected costs, revenues, position turnover, inflation, and enrollment as well as evaluating the budget impact of post-employment benefits, the risk management program, and assessing the fiscal impact of the capital improvement program on the school division's operations. With over 50 percent of General Fund revenue derived from the City appropriation, assumptions regarding the City's revenue growth play a major role in forecast results and the budget development process. In addition, nearly 85 percent of the School Board's Operating budget is tied to personnel and assumptions related to salary increases, rise in healthcare costs and the impact of pension costs and other post-employment benefits are significant factors in future forecasting.

INDEPENDENT AUDIT

An independent audit of the School Board's finances is required each fiscal year by either the Virginia Auditor of Public Accounts or a firm of independent Certified Public Accountants. Accordingly, the records have been audited by CliftonLarsonAllen LLP and its report on the financial statements is included herein.

FINANCIAL REPORTING CERTIFICATE AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a governmental entity financial report. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A GFOA Certificate is the highest form of recognition awarded in the field of governmental financial reporting and is valid for a period of one year only. We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine the School Board's eligibility for another certificate award.

In addition, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School Board for its CAFR for the fiscal year ended June 30, 2017. ASBO sponsors this Certificate of Excellence in Financial Reporting program to foster excellence in the preparation and issuance of school system annual financial reports. This prestigious international certificate award is the highest form of recognition in school financial reporting and is valid for a period of one year only. We believe that our current CAFR conforms also to the ASBO Certificate of Excellence program requirements, and we are submitting it to the ASBO to determine the School Board's eligibility for another certificate award.

ACKNOWLEDGMENTS

Preparation of this report would not have been possible without the dedicated efforts of the entire staff of the Office of Business Services. During the year, they rendered professional and knowledgeable financial services to and on behalf of the school division, and maintained the financial records on a current and timely basis. We are most appreciative of these efforts and take this opportunity to recognize these outstanding public servants and their dedication, work ethics, and integrity.

In addition, appreciation and recognition is given for the strong conservative policies and practices dictated by the School Board in the oversight of the financial affairs of the school division, which have achieved the results contained in this financial report. The School Board and the administration are commended for their continuing support which is vital to the financial health of the school division and demonstration of the commitment to financial accountability, stewardship, and transparency.

R f



Aaron C. Spence, Ed.D.
Superintendent

Farrell E. Hanzaker
Farrell E. Hanzaker, MBA
Chief Financial Officer



Crystal M. Pate, MPA, CPA
Director of Business Services

**SCHOOL BOARD
OF THE
CITY OF VIRGINIA BEACH, VIRGINIA**

June 30, 2018



Beverly M. Anderson
Chair
At-Large Seat



Joel A. McDonald
Vice Chair
District 3 – Rose Hall



Sharon R. Felton
District 6 – Beach



Dorothy M. Holtz
At-Large Seat



Daniel D. Edwards
District 2 - Kempsville



Ashley K. McLeod
At-Large Seat



Kimberly A. Melnyk
District 7 – Princess
Anne



Carolyn T. Rye
District 5 - Lynnhaven



Victoria C. Manning
At-Large Seat



Trenace B. Riggs
District 1 Centerville



Carolyn D. Weems
District 4 - Bayside



Dr. Aaron C. Spence
Superintendent



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**School Board of the City
of Virginia Beach, Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

School Board of the City of Virginia Beach

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



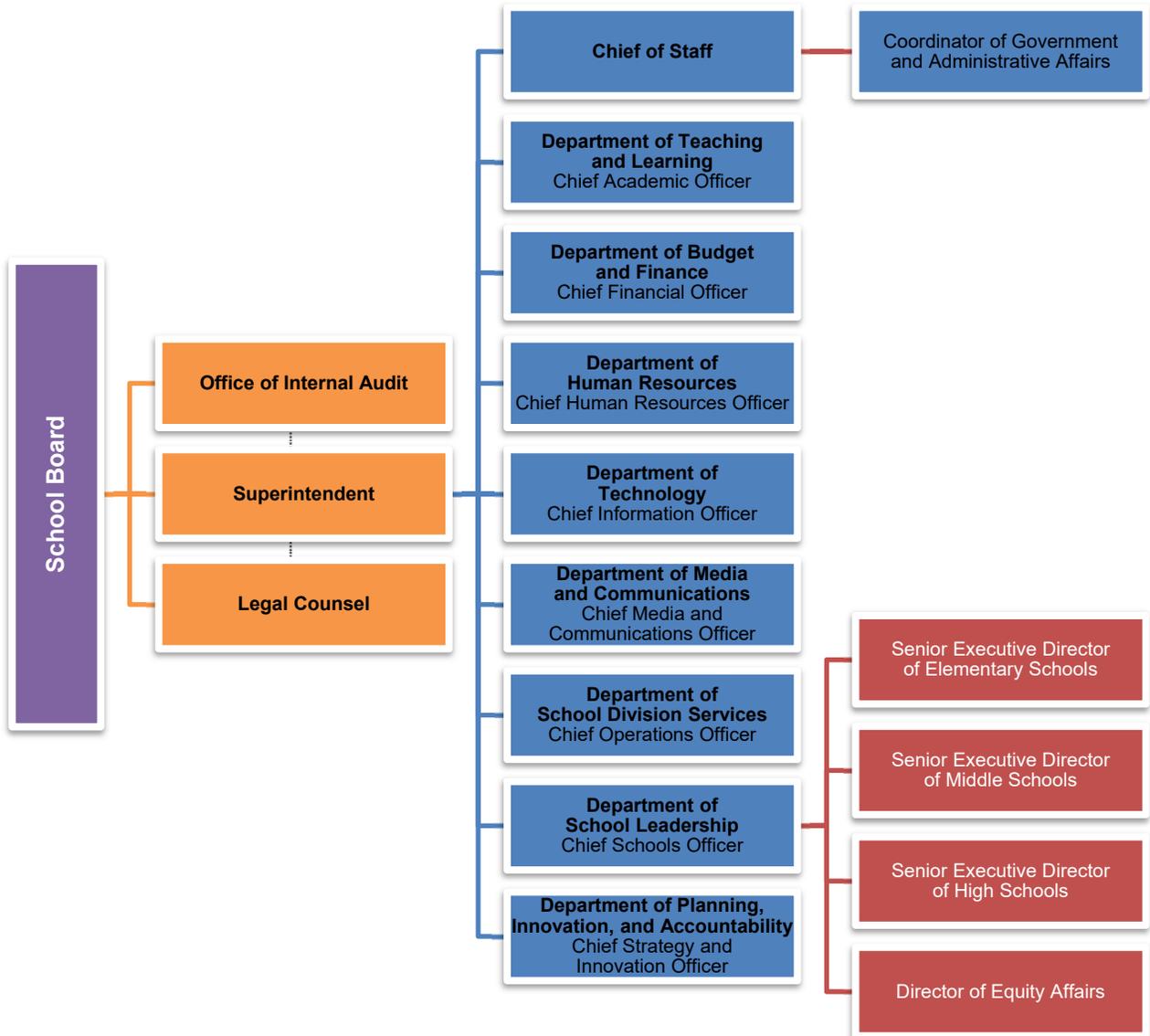
A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.' The signature is written in a cursive style and is positioned above a horizontal line.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink, reading 'John D. Musso'. The signature is written in a cursive style and is positioned above a horizontal line.

John D. Musso, CAE
Executive Director

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
Organizational Chart
June 30, 2018



FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the School Board
Virginia Beach, 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 Virginia Beach, Virginia (the Board) (a component unit of the City of Virginia Beach, Virginia), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2018, and the respective changes in financial position and cash flows where applicable, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter- Change in Accounting Principle

As described in Note-1N to the financial statements, the City adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Our opinion is not modified with respect to this matter. The implementation of this standard resulted in a restatement of the net position for governmental activities.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, the budgetary comparison schedules, schedules of employer contributions, schedules of changes in net pension liability, schedule of employer's share of net pension liability, and schedule of changes in net OPEB liability as referenced 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 Board's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 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 supplementary data is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables listed in the table of contents 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 November 26, 2018, on our consideration of the 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 result of that testing, and not to provide an opinion on internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of 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 Board's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Arlington, Virginia
November 26, 2018



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**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the School Board of the City of Virginia Beach, Virginia (the School Board) for the fiscal year ended June 30, 2018. The MD&A should be read in conjunction with the information contained in the transmittal letter, which begins on page I, and the financial statements and notes, which immediately follow the MD&A.

FINANCIAL HIGHLIGHTS

On a government-wide basis for governmental activities, the assets and deferred outflows of the School Board were less than its liabilities and deferred inflows by \$195,354,534 (net deficit) at June 30, 2018. Of this amount, \$535,329,375 is investment in capital assets, \$27,763,831 is restricted for grants, cafeterias, capital projects, and textbooks, and (\$758,447,740) is an unrestricted deficit. The deficit is due to Net Pension Liability and Net OPEB Liability in the amounts \$639,194,000 and \$164,150,000 respectively.

On a government-wide basis for governmental activities, the School Board's revenues of \$878,962,138 exceeded expenses of \$830,174,931 by \$48,787,207.

The School Board's Governmental funds reported total fund balances of \$45,911,266 at June 30, 2018. Of this amount, \$1,278,410 is nonspendable (i.e., inventories and prepaid items), \$27,763,831 is restricted (e.g., federal and state grantor agencies, capital projects bond proceeds from local government, cafeterias, textbook adoptions), \$8,995,966 is committed (e.g., capital projects contracts, communication towers/technology, vending, equipment replacement), and \$7,873,059 is assigned (e.g., instructional technology, athletics, instruction, administration, attendance, and health, pupil transportation, operations and maintenance, technology).

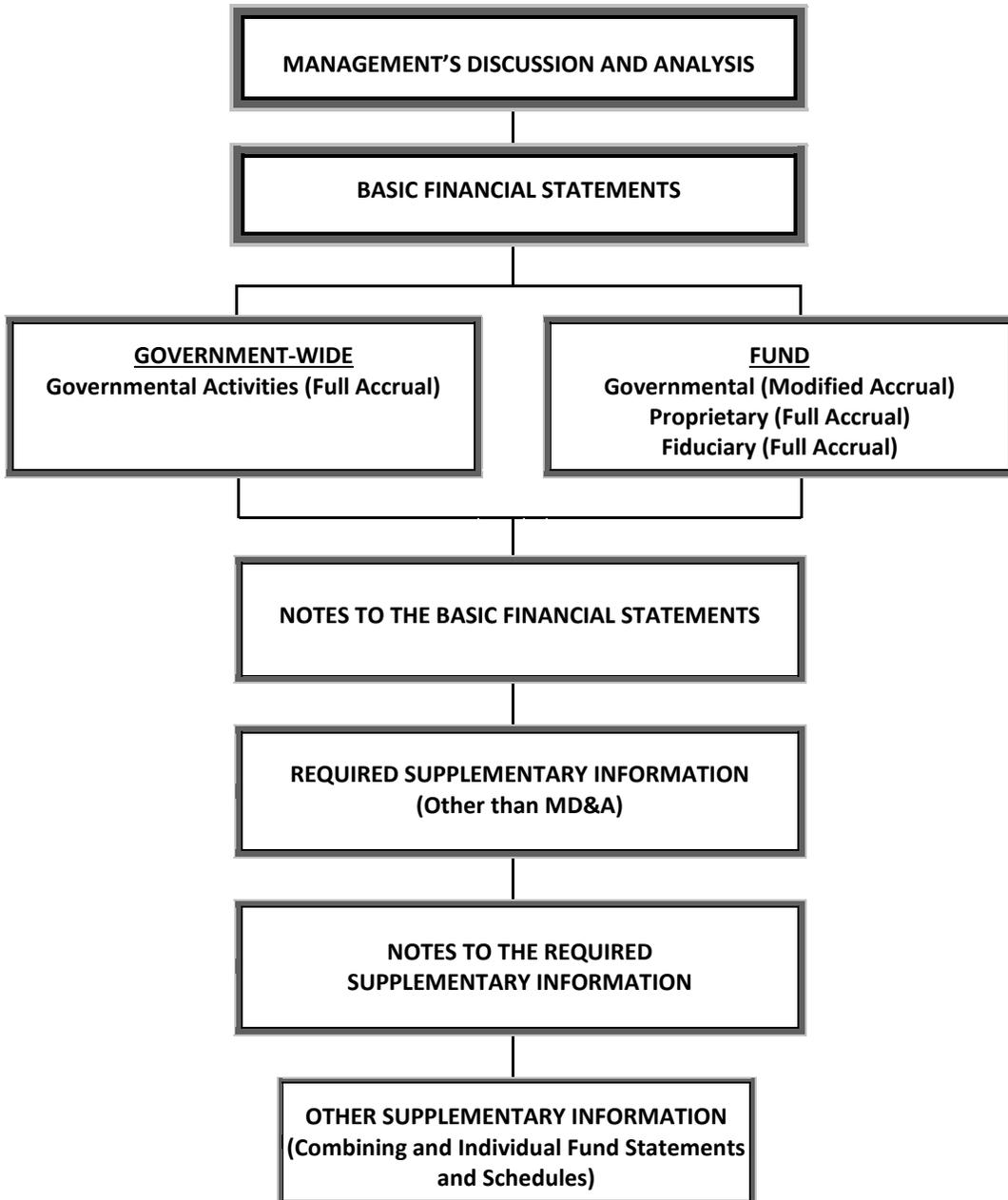
In the General Fund, the School Board returned unexpended appropriations for Fiscal Year 2018 to the City of Virginia Beach (City) in the amount of \$22,881,964, as required by the Code of Virginia, as amended.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A serves as an introduction to the School Board's basic financial statements. The School Board's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

This Comprehensive Annual Financial Report (CAFR) consists of four sections, as follows: Introductory, Financial, Statistical, and Compliance. The following presents the components of the Financial Section of the CAFR.

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**



**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to present a broad overview of the School Board's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the School Board's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position. Increases and decreases in net position over time may serve as a useful indicator of whether the financial position of the School Board is improving or deteriorating.

The Statement of Activities presents information showing how the School Board's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave, claims and judgments).

The government-wide financial statements distinguish functions related to governmental activities (principally supported by taxes and intergovernmental revenues) and business-type activities (intended to recover all or a significant portion of costs through user fees and charges). The School Board reports only governmental activities, since it has no business-type activities.

Both of the government-wide financial statements (Statement of Net Position and Statement of Activities) present governmental activities of the School Board. These governmental activities are principally supported by the City, State sales tax, and intergovernmental revenues. The reported governmental activities of the School Board are Instruction; Administration, Attendance and Health; Pupil Transportation; Operations and Maintenance; Cafeterias; and Technology.

The government-wide financial statements are presented in Exhibits A-1 and A-2 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School Board, like other state and local governments and public school divisions, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School Board can be divided into three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same activities reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By conducting this comparison, a better understanding may be achieved in the long-term impact of the School Board's near-term financing decisions. Both the Governmental Funds Balance Sheet (Exhibit A-3) and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit A-4) provide a reconciliation for each statement to facilitate this comparison between governmental funds and governmental activities.

The School Board maintains eight individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet (Exhibit A-3) and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit A-4) for the General, School Grants, School Cafeterias, and Capital Projects Funds, which are considered to be major funds. Data from the other four governmental funds, which are considered nonmajor funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of combining statements in Statements D-1 and D-2 of this report.

The School Board adopts an annual appropriated budget for all of its major and nonmajor governmental funds, except the Capital Projects Fund (appropriations for capital projects do not parallel the School Board's fiscal year). Budgetary comparison schedules have been provided for the General, School Grants, and School Cafeterias Funds in the Required Supplementary Information section of this report (Schedules C-1 through C-3) to demonstrate compliance with this budget. Individual fund budgetary comparison schedules for each nonmajor fund are presented in Schedules D-3 through D-6 of this report to also demonstrate compliance with this budget.

As noted above, the basic governmental fund financial statements are presented in Exhibits A-3 and A-4 of this report.

Proprietary Funds

The School Board maintains one type of Proprietary fund, which is the Internal Service Fund type. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the School Board's various activities and the City. The School Board uses Internal Service funds to account for its Risk Management and Health Insurance programs. Because both of these services predominantly benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Both Internal Service funds are combined into a single, aggregated presentation in the proprietary fund financial statements (Exhibits A-5 through A-7). Individual fund data for the Internal Service funds is presented in the form of combining statements in Statements E-1 through E-3 of this report.

As noted above, the basic proprietary fund financial statements are presented in Exhibits A-5 through A-7 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School Board's programs.

The School Board's Fiduciary funds are Agency and Trust funds. Agency funds are used to account for assets held by the School Board as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds do not involve the measurement of results of operations, as they are custodial in nature (assets equal liabilities). The Agency funds of the School Board are the Payroll Deductions, Fringe Benefits, and School Activity Accounts Funds and are presented in Schedule F-1 of this report. The Trust funds are for Other Postemployment Benefits (OPEB) and accounts for assets in essentially the same manner as a Proprietary Fund using the economic resources measurement focus.

The basic fiduciary fund financial statements are presented in Exhibit A-8 and A-9 of this report.

**Notes to the Basic Financial Statements
and the Required Supplementary Information**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and the required supplementary information.

The Notes to the Basic Financial Statements begin after Exhibit A-9 and the Notes to the Required Supplementary Information begin after Schedule C-3 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School Board's retirement plans and other postemployment benefits for the professional and nonprofessional employees.

Required supplementary information begins after the Notes to the Basic Financial Statements.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

As noted above, the combining statements for the Nonmajor Governmental funds are presented in Statements D-1 and D-2; the combining statements for the Internal Service funds are presented in Statements E-1 through E-3; and the combining statement for the Agency funds is presented in Schedule F-1 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$195,354,534 (net deficit) at June 30, 2018, as illustrated in the Summary of Net Position (with comparative amounts at June 30, 2017), as follows:

Summary of Net Position			
	2018	2017	Variance
Current Assets	\$ 199,077,231	\$ 160,651,500	\$ 38,425,731
Capital Assets	<u>535,329,375</u>	<u>532,437,468</u>	<u>2,891,907</u>
Total Assets	<u>\$ 734,406,606</u>	<u>\$ 693,088,968</u>	<u>\$ 41,317,638</u>
Deferred Outflows	<u>\$ 115,367,000</u>	<u>\$ 106,678,000</u>	<u>\$ 8,689,000</u>
Current Liabilities	\$ 116,595,445	\$ 105,268,837	\$ 11,326,608
Net Pension Liability	639,194,000	740,779,000	(101,585,000)
Net OPEB Liability	164,150,000		164,150,000
Other Noncurrent Liabilities	<u>25,788,695</u>	<u>15,786,872</u>	<u>10,001,823</u>
Total Liabilities	<u>\$ 945,728,140</u>	<u>\$ 861,834,709</u>	<u>\$ 83,893,431</u>
Deferred Inflows	<u>\$ 99,400,000</u>	<u>\$ 36,076,000</u>	<u>\$ 63,324,000</u>
Net Position:			
Invested in Capital Assets	\$ 535,329,375	\$ 532,437,468	\$ 2,891,907
Restricted for:			
Capital Projects	6,661,276	-	6,661,276
Grants	1,431,040	954,050	476,990
Cafeterias	11,657,774	9,290,189	2,367,585
Textbooks	8,013,741	7,120,780	892,961
Unrestricted (Deficit)	<u>(758,447,740)</u>	<u>(647,946,228)</u>	<u>(110,501,512)</u>
Total Net Position (Deficit)	<u><u>\$ (195,354,534)</u></u>	<u><u>\$ (98,143,741)</u></u>	<u><u>\$ (97,210,793)</u></u>

The largest portion of the School Board's net position reflects its investment in capital assets (e.g., land, buildings, equipment, vehicles). The School Board uses these assets (e.g., schools, buses) for elementary and secondary educational purposes; consequently, these assets are not available for future spending.

An additional portion of the School Board's net position represents resources that are subject to external restrictions on their use. The \$758,447,740 unrestricted deficit reflects the effects of GASB Statement No. 68 (Accounting and Financial Reporting for Pensions) and Statement No. 75

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

(Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions). At June 30, 2018 the Net Pension Liability is \$639,194,000 and the Net OPEB Liability is \$164,150,000.

CHANGES IN NET POSITION

The School Board's revenues of \$878,962,138 exceeded expenses of \$830,174,931 by \$48,787,207 during Fiscal Year 2018. The implementation of GASB Statement No. 75 during Fiscal Year 2018 required a restatement of beginning net position for the net OPEB liability and related deferred outflow and inflow of resources. The restatement decreased net position by \$145,998,000. Prior year financial statements were not restated. Changes in Net Position (with comparative amounts for the year ended June 30, 2017), is illustrated as follows:

Changes in Net Position			
	2018	2017	Variance
Revenues			
Program Revenues:			
Charges for Services	\$ 14,324,576	\$ 14,417,518	\$ (92,942)
Operating Grants	164,134,388	146,611,635	17,522,753
General Revenues:			
Local Government	437,309,444	369,406,287	67,903,157
State Basic Aid	178,412,666	178,909,703	(497,037)
State Sales Tax	74,264,875	73,084,563	1,180,312
Federal Impact Aid	9,452,678	11,264,563	(1,811,885)
Interest Earnings	414,180	245,828	168,352
Miscellaneous	<u>649,331</u>	<u>450,772</u>	<u>198,559</u>
Total Revenues	<u>\$ 878,962,138</u>	<u>\$ 794,390,869</u>	<u>\$ 84,571,269</u>
Expenses			
Instruction	\$ 606,761,992	\$ 556,632,508	\$ 50,129,484
Admin, Attendance, & Health	22,901,450	22,840,163	61,287
Pupil Transportation	35,690,694	32,950,076	2,740,618
Operations and Maintenance	91,293,238	91,477,591	(184,353)
Cafeterias	27,773,627	27,285,112	488,515
Technology	<u>45,753,930</u>	<u>43,036,289</u>	<u>2,717,641</u>
Total Expenses	<u>\$ 830,174,931</u>	<u>\$ 774,221,739</u>	<u>\$ 55,953,192</u>
Change in Net Position	\$ 48,787,207	\$ 20,169,130	\$ 28,618,077
Net Position (Deficit) -			
July 1	(98,143,741)	(118,312,871)	20,169,130
Net Position (Deficit) -			
July 1 restatment	<u>(145,998,000)</u>	-	<u>(145,998,000)</u>
Net Position			
(Deficit) – June 30	<u>\$ (195,354,534)</u>	<u>\$ (98,143,741)</u>	<u>\$ (97,210,793)</u>

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Total revenue increased by \$84,571,269 (10.6%). This is a result of:

- Local government revenue source increased by \$67,903,157 (18.4%); mainly due to an increase in bond sales for capital projects as well as additional funding for the expansion of kindergarten/pre-k programs; and
- Operating grants increased by \$17,522,753 (12.0%) as a result of State increases in funding for Supplemental Lottery Per Pupil Allocation, VRS retirement reimbursement, compensation supplement and textbook funding.

Total expenses increased by \$55,953,192 (7.2%). This is a result of:

- Instruction expenses increased by \$50,129,484 (9.0%); mainly due to increased personnel costs as result of a 2% raise and increased VRS retirement costs, the net book value increase of the school buildings transferred to the City under the “tenancy in common” (Note 4B), an increase in compensated absences due to a change in policy and the expansion of pre-k/ kindergarten programs.
- Pupil Transportation expenses increased by \$2,740,618 (8.3%) due to increase in capital outlay for Regular Education and Special Education bus replacements.
- Technology expenses increased \$2,717,641 (6.3%) due to an expansion of technology initiatives.

Governmental Activities

The following illustration presents the cost of the governmental activities: Instruction; Administration, Attendance and Health; Pupil Transportation; Operations and Maintenance; Cafeterias; and Technology during Fiscal Years 2018 and 2017. The illustration also shows each activity’s net cost (total cost less charges for services, operating grants, and capital grants). The net cost shows the financial impact that is placed on the School Board’s general revenue sources (local government, federal and state aid, interest earnings, and other nonspecific revenue sources).

Total and Net Cost of Governmental Activities				
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
<u>Expenses</u>				
Instruction	\$ 606,761,992	\$ 471,673,371	\$ 556,632,508	\$ 436,416,421
Admin, Attendance, & Health	22,901,450	22,896,937	22,840,163	22,840,163
Pupil Transportation	35,690,694	35,530,694	32,950,076	32,950,076
Operations and Maintenance	91,293,238	90,789,731	91,477,591	91,025,420
Cafeterias	27,773,627	(3,095,785)	27,285,112	(2,626,106)
Technology	45,753,930	33,921,019	43,036,289	32,586,612
Total Expenses	<u>\$ 830,174,931</u>	<u>\$ 651,715,967</u>	<u>\$ 774,221,739</u>	<u>\$ 613,192,586</u>

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE SCHOOL BOARD’S FUNDS

As noted earlier, the School Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the School Board’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School Board’s financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the School Board’s net resources available for spending at the end of the fiscal year.

As of June 30, 2018, the School Board’s governmental funds reported combined fund balances of \$45,911,266, an increase of \$16,534,241 in comparison with the prior fiscal year. Of the total amount of the combined fund balances, 2.78% or \$1,278,410 is nonspendable (i.e., inventories and prepaid items), 60.47% or \$27,763,831 is restricted (e.g., federal and state grantor agencies, capital projects bond proceeds from local government, cafeterias, textbook adoptions), 19.60% or \$8,995,966 is committed (e.g., capital projects contracts, communication towers/technology, vending, equipment replacement), 17.15% or \$7,873,059 is assigned (e.g., instructional technology, athletics, instruction, pupil transportation, operations and maintenance, technology),

General Fund

The General Fund is the general operating fund of the School Board that is used to account for all of the financial resources, except those required to be accounted for in another fund. At June 30, 2018, the fund balance of the General Fund was \$8,518,371. Of this amount, \$645,312 is nonspendable (i.e., prepaid items) and \$7,873,059 is assigned (e.g., instructional technology, athletics, instruction, administration, attendance, and health, pupil transportation, operations and maintenance, technology).

General Fund Budget Amendment

<u>Amount</u>	<u>Purpose</u>
\$ 10,454,980	There was a supplemental budget amendment, other than for encumbrances, during fiscal year 2018. The General Fund budget amendment (e.g. school buses, vehicles, equipment replacement, technology infrastructure) was funded through an increase in revenue from the local government.

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

General Fund Original Budget to Final Budget Difference Reconciliation

General Fund:

\$ 8,438,331– FY 2017 Outstanding Encumbrances Appropriated
10,454,980 – Budget Amendment (See above)
\$ 18,893,311 – Original Budget to Final Budget Difference (including the Other Financing
Uses budget)

General Fund Final Budget to Actual Expenditures Variance Reconciliation

Instruction Category:

\$ 1,116,755 – Outstanding Encumbrances as of June 30, 2018
10,887,590 – Remaining Available Balance (1.9% of the category budget less transfers)
\$ 12,004,345 – Final Budget to Actual Expenditures Variance

The remaining available balance, which is not expected to affect future services, was mainly in the Elementary Classroom (personnel services and fringe benefits); Technical and Career Education (personnel services and fringe benefits); Special Education (personnel services and fringe benefits); Alternative Education (personnel services and fringe benefits); Office of the Principal – Elementary (personnel services); and Middle School Classroom (personnel services, supplies and capital outlay) budget units.

Administration, Attendance and Health Category:

\$ 71,957 – Outstanding Encumbrances as of June 30, 2018
1,289,610 – Remaining Available Balance (5.1% of the category budget less transfers)
\$ 1,361,567 – Final Budget to Actual Expenditures Variance

The remaining available balance, which is not expected to affect future services, was mainly in Budget and Finance (personnel services and fringe benefits); Human Resources (personnel services and fringe benefits); Benefits Office (purchased services); and Health Services (personnel services and fringe benefits).

Pupil Transportation Category:

\$ 844,280 – Outstanding Encumbrances as of June 30, 2018
1,005,931 – Remaining Available Balance (2.1% of the category budget less transfers)
\$ 1,850,211 – Final Budget to Actual Expenditures Variance

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The remaining available balance, which is not expected to affect future services, was mainly in the Vehicle Operations (personnel services, vehicle equipment and supplies); Vehicle Operations – Special Education (personnel services, fringe benefits and fuel) budget units.

Operations and Maintenance Category:

\$ 3,668,463 – Outstanding Encumbrances as of June 30, 2018
3,691,186 – Remaining Available Balance (3.9% of the category budget less transfers)
\$ 7,359,649 – Final Budget to Actual Expenditures Variance

The remaining available balance, which is not expected to affect future services, was mainly in the School Plant (personnel services and utility services), Custodial Services (personnel services and fringe benefits) and Vehicle Services (fuel and non-pupil transportation) budget units.

Technology Category:

\$ 1,750,175 – Outstanding Encumbrances as of June 30, 2018
1,476,264 – Remaining Available Balance (3.6% of the category budget less transfers)
\$ 3,226,439 – Final Budget to Actual Expenditures Variance

The remaining available balance, which is not expected to affect future services, was mainly in the Elementary Classroom Technology, Instructional Technology and Technology Maintenance budget units.

Transfers:

\$ 3,012,488 – Final Budget to Actual Expenditures Variance

Transfers are budgeted in the Instructional and Technology Categories and presented separately as required for reporting purposes. The budget is mainly for the local match requirements of federal and state grants budgeted in the Grants Special Revenue Fund.

Special Revenue Funds

The Special Revenue funds are used to account for the proceeds of specific revenue sources (other than capital projects), which are legally restricted or committed to be expended for specified purposes. These funds are used to finance designated programs and are generally not available for other purposes. The School Board's Special Revenue funds are as follows:

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Major Funds:

School Grants – accounts for certain private, Commonwealth of Virginia, and Federal grants (with matching local funds, if required).

School Cafeterias – accounts for the revenues (e.g., Commonwealth of Virginia, Federal Government) and expenditures associated with the food services operations of the school division.

Nonmajor Funds:

School Textbooks – accounts for the financing (e.g., Commonwealth of Virginia) and acquisitions of textbooks and related materials used in the school division.

School Communication Towers/Technology – accounts for the rent receipts (long-term contracts with telecommunication companies) relating to the communication towers constructed on School Board property and technology related expenditures.

School Vending Operations – accounts for receipts (long-term exclusive contract with a vending company) relating to the bottled drinks vending operations of the school division and expenditures (including school-level allocations).

School Equipment Replacement – accounts for the financing (e.g., local government) and acquisition of various replacement equipment.

School Grants Fund: During Fiscal Year 2018, revenues and other financing sources totaled \$45,104,946 and expenditures totaled \$44,627,956. This resulted in an increase in the fund balance of \$476,990, due to a net increase in local match requirements. The remaining fund balance will be used for the required local match of Commonwealth of Virginia approved FY 2018 grant proceeds to be disbursed in FY 2019.

School Cafeterias Fund: During Fiscal Year 2018, revenues totaled \$30,964,572 and expenditures totaled \$28,486,783. This resulted in an increase in the fund balance of \$2,477,789. The remaining fund balance will be used for future equipment replacement and various personnel initiatives.

Nonmajor Special Revenue Funds: During Fiscal Year 2018, revenues totaled \$5,211,557 and expenditures totaled \$4,671,518. This resulted in a combined increase in the fund balances of all nonmajor Special Revenue funds of \$540,039. The increase in the combined fund balance was in the School Textbook and School Vending Operations Funds while the School Equipment and the School Communication Towers/Technology Funds incurred a planned decrease in fund balance. The

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

remaining fund balances of these nonmajor Special Revenue funds will be used in the future for technology purposes, equipment replacements and other appropriate needs.

Proprietary Funds – Internal Service Funds

The Internal Service funds are used to account for the financing of goods and/or services provided by one department or agency to other departments or agencies of the governmental unit (and to other governmental units), on a cost-reimbursement basis. The School Board operates Internal Service funds for the school division’s Risk Management and Self-Insured Health Care Benefits programs.

During Fiscal Year 2018, total revenues including nonoperating revenues amounted to \$156,763,508. Expenses totaled \$142,933,170. This resulted in an increase in net position of \$13,830,338 due to a favorable claims experience during the plan year creating a positive impact on the School Health Insurance Fund Net Position Balance.

Capital Projects Fund (Major Fund)

During Fiscal Year 2018, revenues including other financing sources totaled \$54,098,912 and expenditures totaled \$39,764,324. This resulted in an increase in the fund balance of \$14,334,588 due to increased bond sales by the City.

Proceeds from public improvement charter bond issues, State Literary Fund Loans, Virginia Public School Authority financing, local funding sources, and construction grants (including lottery proceeds) from the Commonwealth of Virginia are accounted for in the Capital Projects Fund until improvement projects are completed. The City provides the aforementioned sources of revenues (classified as From Local Government in the financial statements, except interest earnings and Commonwealth of Virginia revenues).

When capital projects are completed, the costs of the improvements (meeting the capitalization threshold) are transferred from construction in progress to the appropriate capital asset account. The various significant active capital projects for the current fiscal year are presented below.

John B. Dey Elementary School Modernization
Princess Anne Middle School Replacement
Thoroughgood Elementary School Replacement

Renovations/Replacements-HVAC Systems
Renovations/Replacements-Reroofing
Energy Performance Contracts

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

CAPITAL ASSETS

Section 15.2-1800.1 of the Code of Virginia, as amended, affects the reporting of local School Board capital assets and related debt for financial reporting purposes. Under this legislation, the City has a “tenancy in common” with the School Board whenever the City incurs “on-behalf of” debt for any school property which is payable over more than one year. For financial reporting purposes, the City will report the Net Book Value of School Board property equal to the total outstanding principal balance of the applicable “on-behalf of” debt at June 30, 2018. The below illustration reflects capital assets remaining with the School Board (net of those that have been transferred between the School Board and the City as the outstanding principal balance changes).

The School Board’s investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$535,329,375 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements other than buildings, machinery/equipment and vehicles. The total increase in the School Board’s investment in capital assets for the current fiscal year was .54%, as follows:

Capital Assets (net of accumulated depreciation) As of June 30, 2018 and 2017			
	2018	2017	Percentage Change
Land	\$ 39,048,224	\$ 39,048,224	-
Construction in Progress	22,123,760	4,434,661	398.98%
Buildings and Improvements	431,951,501	456,540,155	(5.39)%
Equipment and Vehicles	<u>42,205,890</u>	<u>32,414,428</u>	30.21%
Total Capital Assets (net)	<u>\$ 535,329,375</u>	<u>\$ 532,437,468</u>	.54%

The increase in Construction in Progress is mainly due to the John B. Dey Elementary School Modernization and Princess Anne Middle School Replacement projects.

Additional information on the School Board’s capital assets is presented in Note 4 of this report.

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

ECONOMIC FACTORS

The unemployment rate for Virginia Beach continues to be below the Metropolitan Statistical Area (MSA) and U.S. rates and is now also below the Commonwealth of Virginia (state) rate. At June 2018, the unemployment rate was 3.6% for Virginia Beach, 4.2% for the MSA, 3.8% for the state, and 4.4% for the U.S. There has been a steady decline in the unemployment rate in Virginia Beach since 2010 (Bureau of Labor Statistics).

The per capita personal income for Virginia Beach has increased an average of 1.5% per year since 2012. Based on the most recent data available, Virginia Beach had a per capita personal income of \$53,432 in 2016, which was 0.9% greater than the per capita income for the state at \$52,957, and 8.5% greater than the nation’s at \$49,246 (U.S. Department of Commerce, Bureau of Economic Analysis). Virginia Beach median household income in 2017 increased 2.1% to \$72,586 from \$71,117 in 2016. Median household income for the City has increased an average of 2.0% per year since 2011 (U.S. Census Bureau, 2017 American Community Survey).

Factors Influencing Future Budgets

- Employee health care costs
- Employee postemployment benefits
- Inadequate state and federal aid
- Unfunded state and federal mandates
- Competitive salaries and pay raises
- Various magnet schools and academies
- Public charter schools
- Implementation of Full Day Kindergarten
- Expansion of Pre-Kindergarten
- Global and national economic conditions
- Student enrollment slightly declining

REQUESTS FOR INFORMATION

This Comprehensive Annual Financial Report is designed to provide a general overview of the School Board’s finances and to demonstrate the School Board’s commitment to financial accountability, stewardship, and transparency. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Business Services, Virginia Beach City Public Schools, 2512 George Mason Drive, P.O. Box 6038, Virginia Beach, Virginia 23456-0038.



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BASIC FINANCIAL STATEMENTS

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments (Notes 1J1 and 6)	\$ 174,501,200
Accounts Receivable	2,950,531
Due from Commonwealth (Note 2A)	14,224,249
Due from Federal Government (Note 2B)	6,005,385
Inventories (Note 1F)	625,054
Prepaid Items (Note 1J5)	770,812
Total Current Assets	<u>\$ 199,077,231</u>
Noncurrent Assets:	
Capital Assets (Note 4):	
Land	\$ 39,048,224
Buildings, Improvements, Equipment, and Vehicles (net of accumulated depreciation)	474,157,391
Construction in Progress	22,123,760
Total Noncurrent Assets	<u>\$ 535,329,375</u>
TOTAL ASSETS	<u>\$ 734,406,606</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 8)	
Deferred Outflows from Pensions	\$ 88,179,000
Deferred Outflows from OPEB	<u>27,188,000</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 115,367,000</u>
LIABILITIES	
Current Liabilities:	
Salaries Payable (Note 7C)	\$ 60,347,759
Vouchers and Accounts Payable	20,612,271
Deposits Payable	75,000
Due to Commonwealth	21,066
Due to Federal Government	87,914
Unearned Revenue (Note 3)	10,021,890
Long-term Liabilities (due within one year) (Note 5A)	25,429,545
Total Current Liabilities	<u>\$ 116,595,445</u>
Noncurrent Liabilities:	
Net Pension Liability (Notes 5A and 8)	639,194,000
Net OPEB Liability (Notes 5A and 8)	164,150,000
Other Long-term Liabilities (due in more than one year) (Notes 1G, 5A, and 9)	<u>25,788,695</u>
TOTAL LIABILITIES	<u>\$ 945,728,140</u>
DEFERRED INFLOWS OF RESOURCES (Note 8)	
Deferred Inflows from Pensions	\$ 93,226,000
Deferred Inflows from OPEB	<u>6,174,000</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 99,400,000</u>
NET POSITION (DEFICIT) (Note 1I)	
Investment in Capital Assets	\$ 535,329,375
Restricted for: (Note 10D)	
Capital Projects	6,661,276
Grants	1,431,040
Cafeterias	11,657,774
Textbooks	8,013,741
Unrestricted (Deficit)	<u>(758,447,740)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (195,354,534)</u>

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

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

	Expenses	Program Revenues			Net (Expenses) Revenues and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 606,761,992	\$ 2,062,220	\$ 133,026,401	\$ -	\$ (471,673,371)
Administration, Attendance, & Health	22,901,450	-	4,513	-	(22,896,937)
Pupil Transportation	35,690,694	-	160,000	-	(35,530,694)
Operations and Maintenance	91,293,238	499,341	4,166	-	(90,789,731)
Cafeterias	27,773,627	10,620,849	20,248,563	-	3,095,785
Technology	45,753,930	1,142,166	10,690,745	-	(33,921,019)
Total Governmental Activities	<u>\$ 830,174,931</u>	<u>\$ 14,324,576</u>	<u>\$ 164,134,388</u>	<u>\$ -</u>	<u>\$ (651,715,967)</u>

General Revenues:

Local Sources:

Local Government	\$ 437,309,444
Miscellaneous	649,331

Federal and State Aid not Restricted
to Specific Purposes:

State Basic Aid	178,412,666
State Sales Tax	74,264,875
Federal Impact Aid	9,452,678

Interest Earnings	414,180
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Total General Revenues	<u>\$ 700,503,174</u>
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Change in Net Position	\$ 48,787,207
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Total Net Position - July 1	<u>(98,143,741)</u>
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Restatement of July 1 Net Position (Note 1N)	<u>(145,998,000)</u>
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Total Net Position (Deficit) - June 30	<u>\$ (195,354,534)</u>
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The accompanying notes are an integral part of the basic financial statements.

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

	General	School Grants	School Cafeterias	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments (Notes 1J1 and 6)	\$ 58,662,992	\$ -	\$ 12,408,346	\$ 18,000,620	\$ 12,042,640	\$ 101,114,598
Accounts Receivable	568,669	117,705	28,043	-	34,498	748,915
Due from Other Funds (Note 10B)	1,864,145	-	-	-	-	1,864,145
Due from Commonwealth (Note 2A)	10,713,400	3,510,849	-	-	-	14,224,249
Due from Federal Government (Note 2B)	-	5,033,566	971,819	-	-	6,005,385
Inventories (Note 1F)	-	-	625,054	-	-	625,054
Prepaid Items (Note 1J5)	645,312	-	8,044	-	-	653,356
TOTAL ASSETS	\$ 72,454,518	\$ 8,662,120	\$ 14,041,306	\$ 18,000,620	\$ 12,077,138	\$ 125,235,702
LIABILITIES AND FUND BALANCES						
Liabilities:						
Salaries Payable (Note 7C)	\$ 56,040,766	\$ 3,322,809	\$ 947,534	\$ 25,652	\$ -	\$ 60,336,761
Vouchers and Accounts Payable	7,338,265	853,045	371,636	6,021,618	196,591	14,781,155
Deposits Payable	-	-	-	-	75,000	75,000
Due to Other Funds (Note 10B)	-	1,864,145	-	-	-	1,864,145
Due to Commonwealth	-	21,066	-	-	-	21,066
Due to Federal Government	-	-	-	87,914	-	87,914
Unearned Revenue (Note 3)	557,116	1,170,015	431,264	-	-	2,158,395
TOTAL LIABILITIES	\$ 63,936,147	\$ 7,231,080	\$ 1,750,434	\$ 6,135,184	\$ 271,591	\$ 79,324,436
Fund Balances: (Notes 1H and 10D)						
Nonspendable	\$ 645,312	\$ -	\$ 633,098	\$ -	\$ -	\$ 1,278,410
Restricted	-	1,431,040	11,657,774	6,661,276	8,013,741	27,763,831
Committed	-	-	-	5,204,160	3,791,806	8,995,966
Assigned	7,873,059	-	-	-	-	7,873,059
TOTAL FUND BALANCES	\$ 8,518,371	\$ 1,431,040	\$ 12,290,872	\$ 11,865,436	\$ 11,805,547	\$ 45,911,266
TOTAL LIABILITIES AND FUND BALANCES	\$ 72,454,518	\$ 8,662,120	\$ 14,041,306	\$ 18,000,620	\$ 12,077,138	\$ 125,235,702

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

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Amounts reported for governmental activities in the Statement of Net Position in Exhibit A-1 are different from amounts reported for governmental funds in this exhibit because:

Total Fund Balances - Governmental Funds (this exhibit)		\$ 45,911,266
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

	\$ 978,422,473	
Cost of Capital Assets		
less: Accumulated Depreciation	443,093,098	535,329,375

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of the following:

Compensated Absences		(33,919,240)
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Internal Service Funds are used to account for the risk management and health insurance programs; and related charges to the various governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

	\$ 75,705,674	
Total Assets		
less: Total Liabilities	31,004,609	44,701,065
Total Net Position		

Governmental Accounting Standards Board Statement Number 68 on Accounting and Financial Reporting for Pensions was implemented in Fiscal Year 2015. Pensions are not reported in the governmental funds (Note 8).

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

Governmental Accounting Standards Board Statement Number 75 on Accounting and Financial Reporting for OPEB was implemented in Fiscal Year 2018. OPEB is not reported in the governmental funds (Note 8).

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

Total Net Position of Governmental Activities in the Statement of Net Position (Exhibit A-1)		\$ (195,354,534)
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The accompanying notes are an integral part of the basic financial statements.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the Statement of Activities in Exhibit A-2 are different from amounts reported for governmental funds in this exhibit because:

Net Changes in Fund Balances - Governmental Funds (this exhibit) \$ 16,534,241

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlay exceeded depreciation expense (including other transactions (e.g., loss on disposals)) for the fiscal year (Note 10C).

23,542,210

Compensated absences (annual, sick, and personal leave) are reported in governmental funds as expenditures, which are measured by the amount of financial resources used (essentially, the amounts actually paid). However, for governmental activities those costs are shown and measured by the net of the amounts of leave used and earned for the fiscal year in the Statement of Activities.

	Leave Used	\$ 12,211,075	
	Leave Earned	<u>(25,478,353)</u>	(13,267,279)

Internal Service Funds are used to account for the risk management and health insurance programs, and related charges to the various governmental funds. The change in net position for the Internal Service Funds for the fiscal year is reported with governmental activities in the Statement of Activities.

	Risk Management	\$ 762,005	
	Health Insurance	<u>13,068,333</u>	13,830,338

Section 15.2-1800.1 of the Code of Virginia, as amended, affects the reporting of local School Board capital assets and related debt for financial reporting purposes. Under this legislation, the City has a "tenancy in common" with the School Board whenever the City incurs "on-behalf of" debt for any school property owned by the School Board which is payable over more than one year. For financial reporting purposes, the City will report the Net Book Value of School Board property (the School Board incurs the depreciation expense) equal to the total outstanding principal balance of the applicable "on-behalf of" debt at June 30, 2018. This amount is the applicable Net Book Value change and depreciation expense for the fiscal year.

(20,650,303)

Governmental Accounting Standards Board Statement Number 68 on Accounting and Financial Reporting for Pensions was implemented in Fiscal Year 2015. This amount is the Pension Expense and Deferred Outflow (pension contributions paid) for the fiscal year (Note 8).

	Pension Expense	\$ 101,585,000	
	Deferred Inflow	(57,150,000)	
	Deferred Outflow	<u>(18,499,000)</u>	25,936,000

Governmental Accounting Standards Board Statement Number 75 on Accounting and Financial Reporting for OPEB was implemented in Fiscal Year 2018. This amount is the OPEB Expense and Deferred Outflow (OPEB contributions paid) for the fiscal year (Note 8).

	OPEB Expense	\$ (18,152,000)	
	Deferred Inflow	(6,174,000)	
	Deferred Outflow	<u>27,188,000</u>	<u>2,862,000</u>

Change in Net Position of governmental activities in the Statement of Activities (Exhibit A-2) \$ 48,787,207

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

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

	Governmental Activities: Internal Service Funds
<hr/>	
<u>ASSETS</u>	
Current Assets:	
Cash and Investments (Notes 1J1 and 6)	\$ 73,386,602
Accounts Receivable	2,201,616
Prepaid Items (Note 1J5)	<u>117,456</u>
TOTAL ASSETS	<u>\$ 75,705,674</u>
 <u>LIABILITIES</u>	
Current Liabilities:	
Salaries Payable	\$ 10,998
Vouchers and	
Accounts Payable	5,831,116
Unearned Revenue (Note 3)	7,863,495
Estimated Claims and	
Judgments (due within one year)	
(Notes 5A and 9)	<u>12,974,250</u>
Total Current Liabilities	<u>\$ 26,679,859</u>
Noncurrent Liabilities:	
Estimated Claims and	
Judgments (due in more than one year)	
(Notes 5A and 9)	<u>4,324,750</u>
TOTAL LIABILITIES	<u>\$ 31,004,609</u>
 <u>NET POSITION</u>	
Unrestricted	<u>\$ 44,701,065</u>
TOTAL NET POSITION	<u><u>\$ 44,701,065</u></u>

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

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

	Governmental Activities: Internal Service Funds
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 155,861,656
Miscellaneous Revenue	167,452
Total Operating Revenue	\$ 156,029,108
<u>OPERATING EXPENSES</u>	
Personnel Services	\$ 636,717
Fringe Benefits	246,203
Purchased Services	1,766,363
Other Charges (Note 1J2)	140,283,887
Total Operating Expenses	\$ 142,933,170
<u>OPERATING INCOME (LOSS)</u>	\$ 13,095,938
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	\$ 509,561
Federal Government (FEMA)	224,839
Total Nonoperating Revenues (Expenses)	\$ 734,400
<u>CHANGES IN NET POSITION</u>	\$ 13,830,338
<u>TOTAL NET POSITION - JULY 1</u>	30,870,727
<u>TOTAL NET POSITION - JUNE 30</u>	\$ 44,701,065

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

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

	Governmental Activities: Internal Service Funds
<u>CASH FLOWS FROM OPERATING</u>	
<u>ACTIVITIES:</u>	
Receipts from Users	\$ 154,743,359
Payments to Vendors for Goods/Services	(137,326,831)
Payments to Employees for Services	(873,921)
Net Cash Provided By Operating Activities	<u>\$ 16,542,607</u>
<u>CASH FLOWS FROM NONCAPITAL</u>	
<u>FINANCING ACTIVITIES:</u>	
Intergovernmental Receipts	\$ 224,839
<u>CASH FLOWS FROM INVESTING</u>	
<u>ACTIVITIES:</u>	
Interest Received on Investments	<u>509,561</u>
<u>NET INCREASE IN</u>	
<u>CASH AND INVESTMENTS</u>	
	\$ 17,277,007
<u>CASH AND INVESTMENTS,</u>	
<u>BEGINNING OF YEAR</u>	
	<u>56,109,595</u>
<u>CASH AND INVESTMENTS,</u>	
<u>END OF YEAR</u>	
	<u>\$ 73,386,602</u>
<u>RECONCILIATION OF OPERATING</u>	
<u>INCOME TO NET CASH</u>	
<u>PROVIDED BY OPERATING</u>	
<u>ACTIVITIES:</u>	
Operating Income	<u>\$ 13,095,938</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
(Increase) Decrease in Assets	
Accounts Receivable	\$ (1,296,890)
Prepaid Items	(101,385)
Increase (Decrease) in Liabilities	
Salaries Payable	8,999
Vouchers and Accounts Payable	2,216,804
Unearned Revenue	11,141
Estimated Claims and Judgments	<u>2,608,000</u>
Total Adjustments	<u>\$ 3,446,669</u>
Net Cash Provided By Operating Activities	<u>\$ 16,542,607</u>

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

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

	Other Postemployment Benefits Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and Investments (Notes 1J1 and 6)	\$ 30,396,819	\$ 19,331,595
Accounts Receivable	-	75,238
TOTAL ASSETS	<u>\$ 30,396,819</u>	<u>\$ 19,406,833</u>
<u>LIABILITIES</u>		
Vouchers and Accounts Payable	\$ -	\$ 19,406,833
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 19,406,833</u>
<u>NET PENSION</u>		
Net Position Restricted for Postemployment Benefits Other than Pensions	<u>\$ 30,396,819</u>	

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

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Other Postemployment Benefits Trust Fund
<u>ADDITIONS</u>	
Contributions:	
Employer	\$ 7,369,401
Investment Earnings:	
Increase (Decrease) in the Fair Value of Investments	\$ 2,597,704
Total Additions	\$ 9,967,105
<u>DEDUCTIONS</u>	
Benefits	\$ 6,679,101
Administrative Expenses	25,409
Total Deductions	\$ 6,704,510
Change in Net Position	\$ 3,262,595
Net Position at Beginning of Year	27,134,224
Net Position at End of Year	\$ 30,396,819

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



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SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
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JUNE 30, 2018

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SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The present City of Virginia Beach, Virginia (City) was formed on January 1, 1963 by the merger of Princess Anne County and the former smaller City of Virginia Beach. The elected eleven-member School Board of the City of Virginia Beach, Virginia (the School Board), vested with the legislative powers, appoints the Superintendent who is the executive and administrative head of the public school division.

The accounting policies of the School Board conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies of the School Board:

A. Government-Wide and 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, which comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses, as appropriate.

The basic financial statements and required supplementary information include both the government-wide (based upon the School Board as a whole) financial statements (i.e., Statement of Net Position and Statement of Activities) and fund financial statements. While the previous reporting model emphasized fund types (i.e., the total of all funds of a particular fund type), the reporting model emphasizes either the School Board as a whole or a major individual fund (within the basic financial statements and required supplementary information).

In the government-wide Statement of Net Position, the governmental activities column is presented on a full accrual and economic resources basis. This basis incorporates long-term assets and receivables, and long-term debt and obligations.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of an activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific activity. Program revenues are those that are directly associated with the specific activity (e.g., Instruction, Pupil Transportation, Cafeterias). Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular activity. Taxes and other items 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.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Fund financial statements are provided for governmental funds, proprietary funds (i.e., internal service funds), and fiduciary funds (i.e., agency funds). By definition, the assets of the fiduciary funds are being held for the benefit of a third party and cannot be used to address activities or obligations of the government; therefore, these funds are excluded from the government-wide financial statements. Furthermore, the internal service funds have been incorporated into the governmental activities column in the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School Board reports the following major governmental funds:

General Fund - is the general operating fund of the School Board which is used to account for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from the Federal Government (including impact aid and grants), Commonwealth of Virginia (including basic aid, grants, and sales tax), and the City of Virginia Beach.

School Grants Special Revenue Fund - accounts for certain private, Commonwealth of Virginia, and Federal grants (with matching local funds, if applicable).

School Cafeterias Special Revenue Fund - accounts for sales and proceeds from the school cafeterias.

Capital Projects Fund - is used to account for the financial resources for the acquisition or construction of major capital facilities.

Additionally, the School Board reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources, other than for the above special revenue funds, which are restricted or committed to be expended for specified purposes. The Textbook Fund accounts for the financing (e.g., Commonwealth of Virginia) and acquisitions of textbooks and related materials used in the school division. The Communication Towers/Technology Fund accounts for rent receipts relating to the communication towers constructed on School Board property. The Vending Operations Fund accounts for receipts and expenditures relating to soft drink vending operations. The Equipment Replacement Fund accounts for financial resources provided for equipment replacement cycle for selected capital equipment for schools and central offices.

Proprietary Funds/Internal Service Funds - are used to account for the financing of goods and/or services provided by one department or agency to other departments or agencies of the governmental unit (and to other governmental units), on a cost-reimbursement basis. The School Board has established Internal Service Funds for the Risk Management and Health Insurance programs.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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, other governmental units, and/or other funds. The Fiduciary Funds are Agency Funds (Payroll Deductions, Fringe Benefits, and School Activity Funds) and the Other Postemployment Benefit Trust Fund for Retiree Health Benefits. The Agency Funds do not involve the measurement of results of operations, as they are custodial in nature (assets equal liabilities). The Other Postemployment Benefit Trust Fund accounts for assets in essentially the same manner as a Proprietary Fund using the economic resources measurement focus.

B. Financial Reporting Entity

The School Board is responsible for elementary and secondary education within the City. Members of the School Board are elected by the voters and serve staggered terms on the School Board. The City Council approves the School Board's operating budget, levies the necessary taxes to finance 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 appropriations 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; Technology) as prescribed by the Code of Virginia, as amended.

The School Board is considered a component unit of the City of Virginia Beach and, accordingly, the financial position and results of operations of the School Board are also presented in the City's Comprehensive Annual Financial Report.

The School Board uses the following criteria in determining reportable component units (legally, separate organizations): 1) significance of their operational or financial relationship with the School Board, 2) for which the School Board is financially accountable, and 3) whose relationship with the School Board is such that exclusion would cause the School Board's financial statements to be misleading or incomplete. The School Board has no component units.

C. Capital Assets

Capital assets, which include land, buildings (e.g., schools, portables), improvements other than buildings (e.g., parking lots, curbs and gutters, sidewalks, drainage systems, fences), machinery and equipment, and vehicles (including school buses) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School Board as assets with an initial, individual cost of \$5,000 or more. Capital assets are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements. Depreciation is recorded on the capital assets on a government-wide basis using the straight-line method with the following estimated useful lives:

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Buildings	50 years
Portables	25 years
Improvements other than Buildings	20 years
Machinery and Equipment	5 – 20 years
Vehicles	8 -12 years

All capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value in the year donated.

D. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The effects of interfund activity have been eliminated from the government-wide financial statements; however, interfund services (e.g., risk management, health insurance) provided and used are not eliminated (elimination of these charges would distort the reported function expenses and program revenues).

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The Agency funds are used to account for the assets held by the School Board as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds do not involve the measurement of results of operations, as they are custodial in nature (assets equal liabilities).

The modified accrual basis of accounting is used by all governmental fund types and the full accrual basis of accounting is used by the agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (for the most part, revenues are considered available, if they are collected within 90 days of the end of the fiscal year). Expenditures are recorded when the related fund liability is incurred, if measurable.

The following is a list of the major revenue sources, which meet the "susceptible to accrual" criteria:

- Commonwealth of Virginia
- State Sales Taxes
- Federal Government

All Proprietary Funds are reported under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Internal Service Funds are charges for services. Operating expenses for the Internal Service Funds include administrative expenses, insurance premiums, and claims payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for the same purpose, restricted resources are used first, where practicable and permitted.

The School Board reports unearned revenue on its government-wide financial statements, when revenues are received prior to the period in which all eligibility requirements have been met. Unearned revenue at the fund level arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

E. Encumbrances

Encumbrance accounting, in which purchase orders, contracts, and other commitments for the expenditure of monies are recorded (reduces the applicable available appropriation), is followed in the General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding do not constitute expenditures until expended or accrued as liabilities.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

F. Inventories

All inventories are reported using the weighted average cost inventory method. Reported inventories are accounted for under the consumption method (i.e., recorded as expenditures when used) in the governmental funds.

The School Cafeteria Fund's inventory includes United States Department of Agriculture (USDA) commodities under the Donated Commodity Program (operated as an adjunct to the National School Lunch Program). This program provides free agricultural products for use in the preparation of school lunches. The contributions are recorded in the financial statements as revenue upon receipt (title of products pass upon delivery) and expenditures at the time of consumption of the products based on the estimated wholesale market value (provided by the USDA). Other inventories are reported using the weighted average cost inventory method.

G. Deferred Outflows and 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. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. The Statement of Net Position reports deferred outflows and inflows of resources related to pensions and OPEB (See A-1 and Note 8).

H. Accrued Compensated Leave

Annual leave, according to a graduated scale based on years of employment, is credited to each employee as it accrues. In general, administrative personnel may accrue a maximum of 50 days. Instructional personnel may accrue a maximum of 8 personal leave days. Upon employment termination, payment is made by the School Board to the respective employee on the unused portion.

School Board employees are granted one sick leave day per month and may accumulate an unlimited number of sick leave days. However, no payment is made by the School Board on the unused portion upon employment termination, except on the condition of retirement. School Board retirees are paid for their unused sick leave.

An accrual has been made in the financial statements for certain accumulated annual, personal, and sick leave days. This estimate includes salary, and the related Social Security and Medicare taxes.

The estimated amount of accrued compensated leave for the School Board's governmental activities is reported in the government-wide financial statements. See Note 5B for the estimated amounts related thereto.

Accrued compensated leave is typically liquidated by the General Fund, or the applicable special revenue (e.g., School Cafeterias) or internal service (e.g., Risk Management) fund.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

I. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School Board is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification 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, for example, inventories and prepaid items.

Restricted - The restricted fund balance classification is used when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the School Board to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School Board can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification, includes amounts, if applicable, that can be used only for the specific purposes imposed by a resolution adopted by the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - The assigned fund balance classification represents amounts intended to be used by the School Board for specific purposes. Assigned amounts are established by the School Board (see Note 10D).

Unassigned - 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 (there was none for fiscal year 2018).

The School Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

J. Net Position

The difference between assets and deferred outflows, and liabilities and deferred inflows in the government-wide statement of net position must be labeled as net position. In addition, net position must be subdivided into three components: net investment in capital assets; restricted net position; and unrestricted net position, as follows:

Investment in Capital Assets - The investment in capital assets component presents the net position that comprise the capital assets (net of accumulated depreciation).

Restricted Net Position - The restricted net position component presents the net position that is restricted when constraints placed on the net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - The unrestricted net position component consists of net position that does not meet the “investment in capital assets” or “restricted net position” definition.

K. Miscellaneous

1. **Cash and Investments**

The School Board’s cash and investments are pooled and invested with the City’s centralized cash and investment pool (see Note 6). Cash invested at June 30 is included in the various cash accounts reflected in the financial statements. Investments are stated at amortized cost or fair value. Interest earnings on investments are allocated to certain funds based upon the average monthly cash balance of each fund.

2. **Proprietary Funds’ Other Charges**

The Proprietary Funds’ Other Charges category mainly consists of premiums and claims payments (including current estimated claims and judgments) in the Risk Management and Health Insurance Internal Service Funds.

3. **Statement of Cash Flows**

For purposes of the Statement of Cash Flows, all highly liquid debt instruments and certificates of deposit, regardless of maturity date, are grouped into cash and temporary investments. The proprietary funds participate in the City’s centralized cash and investment pool (see Note 6); therefore, separate information on cash equivalents (i.e., investments with original maturities of three months or less upon acquisition) for the fund is not available.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

4. Long-Term Obligations

All long-term liabilities (see Note 5) are reported in the government-wide financial statements.

5. Prepaid Items

Prepaid items are certain required/negotiated payments made during Fiscal Year 2018 for goods/services to be delivered/rendered (and recorded as an expenditure/expense on a consumption basis, accordingly) during the following fiscal year(s).

6. Debt Service

The School Board has debt service payments on debt incurred by the City “on behalf of” the School Board (see Note 4B for related information). However, information on the School Board and City debt service payments and outstanding debt as a whole are presented in the City’s Comprehensive Annual Financial Report.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

M. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 8 and the Required Supplementary Information (RSI) section), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

The Virginia Retirement System (VRS) Teacher Retirement Plan is a multiple employer cost-sharing plan. The VRS Political Subdivision Retirement Plan is a multiple employer, agent plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS Teacher Retirement Plan and the Political Subdivision Retirement Plan and the additions to/deductions from these 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.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
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N. Other Postemployment Benefits

1. Retiree Health Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, and OPEB expense, information about the fiduciary net position of the Other Post-Employment Benefit Trust Fund and the additions to/deductions from the OPEB net fiduciary position have been determined on the same basis as they were reported by the VML/VACo Pooled OPEB Trust. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Teacher Employee Health Insurance Credit Program

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

3. Group Life Insurance

For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

4. Teacher Employee and Political Subdivision Employee Virginia Local Disability Program

For purposes of measuring the net Teacher Employee and Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee and Political Subdivision Employee Virginia Local Disability Program OPEB, and the Teacher Employee and Political Subdivision Employee OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee and Political Subdivision Employee Virginia Local Disability Program; and the

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additions to/deductions from the VRS Teacher Employee and Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2018, the School Board adopted the following new accounting standard issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (an amendment of GASB Statement No. 45)

Issued in June 2015, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that other entities provide. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. As a result, net position for the governmental activities at July 1, 2017 was restated to decrease net position by \$145,998,000.

2. RECEIVABLES

A. Due from Commonwealth

The following revenues were due from the Commonwealth of Virginia at June 30, 2018:

State Share Sales Tax	\$ 6,174,029
Special Education – Regional Program	4,539,371
Technology Initiative	2,182,000
Dual Enrollment - TCC	348,280
Juvenile Detention Center	284,781
VA ELearning Backpack Bayside	227,094
VA ELearning Backpack Kempsville	206,381
VA ELearning Backpack Green Run	190,240
Other Grants, Entitlements, and Shared Revenues	<u>72,073</u>
Total Due From Commonwealth (Exhibit A-3 and A-1)	<u><u>\$ 14,224,249</u></u>

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B. Due from Federal Government

The following revenues were due from various federal agencies at June 30, 2018:

Adult Basic Education	\$ 86,268
Carl Perkins	708,250
DoDEA MCASP	17,705
DoDEA Special Education	32,252
McKinney Homeless	21,794
National School Meal Program	939,499
Preschool Incentive	37,767
Title I	2,205,480
Title II	312,339
Title IV	144,166
Title VI-B	1,332,819
VPI+ Preschool Expansion	77,752
Other Grants, Entitlements, and Shared Revenues	89,294
Total Due From Commonwealth (Exhibit A-3 and A-1)	<u>\$ 6,005,385</u>

3. UNEARNED REVENUE

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue consists of the following as of June 30, 2018:

General Fund – Summer School Tuition	\$ 557,116
School Grants Fund – Early Reading Intervention, Algebra Readiness, VA Initiative At Risk Four Year Old, Project Graduation , and other grants	1,170,015
Other Governmental Funds – School Cafeterias – Charges for Services	<u>431,264</u>
Total Unearned Revenue – Governmental Funds (Exhibit A-3)	<u>\$ 2,158,395</u>
School Health Insurance Internal Service Fund – Prepayment of July health insurance premiums (Exhibit A-5)	7,863,495
Total Unearned Revenue – Governmental Activities (Exhibit A-1)	<u>\$ 10,021,890</u>

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4. CAPITAL ASSETS

A. Summary of Changes in Capital Assets

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

B. Tenancy in Common with the City on Certain School Buildings

Section 15.2-1800.1 of the Code of Virginia, as amended, affects the reporting of local School Board capital assets and related debt for financial reporting purposes. Under this legislation, the City has a “tenancy in common” with the School Board whenever the City incurs “on behalf of” debt for any school property owned by the School Board which is payable over more than one year. For financial reporting purposes, the City will report the Net Book Value of School Board property (the School Board incurs the depreciation expense) equal to the total outstanding principal balance of the applicable “on behalf of” debt at June 30, 2018, as follows:

School Buildings reported by the City	\$ 346,376,756
Less: Accumulated Depreciation	<u>40,559,453</u>
 Net Book Value reported by the City	 <u>\$ 305,817,303</u>

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C. Depreciation Expense on Capital Assets

Depreciation expense was charged to governmental activities, as follows:

Instruction	\$ 23,471,943
Admin, Attendance, & Health	2,595
Pupil Transportation	3,873,360
Operations and Maintenance	645,807
Cafeterias	325,718
Technology	<u>3,389,242</u>
 Total Depreciation Expense	 <u><u>\$ 31,708,665</u></u>

Note: Approximately \$7 million of the depreciation expense is on buildings owned by the School Board and reported by the City, and the net accumulated depreciation change/transfer on buildings owned by the School Board and previously reported by the City as a result of the Tenancy in Common provisions disclosed in Note 4B.

5. LONG-TERM LIABILITIES

A. Summary of Changes in Long-Term Liabilities

	Restated Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2018</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Accrued Compensated Leave (Note 5B)	\$ 20,651,961	\$ 25,478,353	\$ 12,211,074	\$ 33,919,240	\$12,455,295
Estimated Claims and Judgments (Notes 9A and 9C)	14,691,000	140,284,000	137,676,000	17,299,000	12,974,250
Net Pension Liability (Note 8A)	740,779,000	107,126,000	208,711,000	639,194,000	-
Net OPEB Liability (Note 8B-E)	<u>145,998,000</u>	<u>33,752,000</u>	<u>15,600,000</u>	<u>164,150,000</u>	<u>-</u>
 Long-Term Liabilities	 <u><u>\$ 922,119,961</u></u>	 <u><u>\$ 306,640,353</u></u>	 <u><u>\$ 374,198,074</u></u>	 <u><u>\$ 854,562,240</u></u>	 <u><u>\$25,429,545</u></u>

Note: Long-term liabilities are typically liquidated by the General Fund, or the applicable special revenue (e.g., School Cafeterias) or internal service (e.g., Risk Management) fund.

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B. Accrued Compensated Leave

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

<u>Compensated Leave</u>	
Annual	\$ 10,431,218
Sick	18,646,404
Personal	<u>4,841,618</u>
Total	<u>\$ 33,919,240</u>

6. DEPOSITS AND INVESTMENTS

The Constitution of Virginia and the Code of Virginia, as amended, require the election of a City Treasurer. The City’s Charter provides that the City Treasurer is the custodian of City cash and has powers and duties prescribed by general law. Cash and temporary investments pertaining to the School Board’s funds (except school activity account funds) are pooled and invested with the cash and temporary investments of the City. The bank balance of the City’s deposits, which includes the School Board’s cash pooled with the City, is covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Information to categorize investments for the School Board only, by the level of risk assumed, is unavailable for disclosure. However, information on the pooled deposits and investments (including the investments stated at amortized cost and the investments stated at fair value) for the School Board and City as a whole is presented in the City’s Comprehensive Annual Financial Report and below, as follows:

A. Deposits

Custodial credit risk for deposits policy – All cash of the City including the School Board Component Unit (excluding the School Board’s School Activity Accounts) is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by Federal Depository Insurance.

The City has compensating balance arrangements with two financial institutions. Bank of America provides services to the City while a \$3.5 million balance is maintained in a demand deposit account. A fluctuating checking account balance based on monthly investment services is a requirement of Branch Banking & Trust (BB&T).

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical

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measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using level 3 inputs).

As of June 30, 2018, the City had the following recurring investments. Except for the investments in the State Non-Arbitrage Program (SNAP), Virginia Investment Pool (VIP), and Local Government Investment Pool (LGIP), all investments are in an internal investment pool.

	<u>June 30, 2018</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level3)</u>	<u>Weighted Average Maturities (in months)</u>
<u>Investments at Fair Value:</u>					
Money Market funds	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	0.01
Commercial Paper	177,350,646	-	177,350,646	-	0.94
U. S. Government Securities	387,692,168	-	387,692,168	-	0.41
	<u>\$ 575,042,814</u>	\$ -	\$ 575,042,814	\$ -	
<u>Investments Measured at other than Fair Value:</u>					
Certificates of Deposits	\$ 70,035,294				0.37
State Non Arbitrage Program – SNAP	28,389,438				0.03
State Treasurer's Local Government Pool (LGIP)	112,000,000				0.12
Virginia Investment Pool (VIP)	10,251,480				0.01
Virginia Investment Pool (VIP) - Liquidity Pool	150,699,080				0.01
Total Fair Value	<u>\$ 371,375,292</u>				
Total Investments					
Portfolio Weighted Average Maturity	<u>\$ 946,418,106</u>				<u>0.49</u>

Reconciliation of total deposits and investments at June 30, 2018:

	<u>Primary Government</u>	<u>School Board Component Unit</u>	<u>Total</u>
Cash and Investments	\$ 789,558,291	\$ 174,501,200	\$ 964,059,491
Restricted Cash and Cash Equivalents	150,132,634	-	150,132,634
Fiduciary Funds	467,073	19,331,595	19,798,668
Total	<u>\$ 940,157,998</u>	<u>\$ 193,832,795</u>	\$ 1,133,990,793
Less: Cash on Deposit			<u>(187,572,687)</u>
Total Market Value of Investments at June 30, 2018			<u>\$ 946,418,106</u>

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The City has investments in U.S. Government securities valued at \$387.7 million (Level 2 inputs). These investments are classified in Level 2 at the fair value hierarchy and are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the City's custodian bank.

Investments in Money Market Funds (Level 2 inputs) and Commercial Paper (Level 2 inputs) are classified in Level 2 of the fair value hierarchy and are valued in accordance with pricing sources by the City's custodian bank.

The remaining investments are measured in accordance with existing GASB standards and at amortized costs totaled \$371,375,292 at June 30, 2018. Investments within the SNAP Investment Pool are held there to meet the debt service reserve requirements of the bond covenants and therefore cannot be withdrawn for any other purpose. Investments within the Local Government Investment Pool (LGIP) have no restrictions on withdrawals and can be obtained upon demand. Investments in the Virginia Investment Pool (VIP) fall within two primary funds, 1-3 Year High Quality Bond Fund and Stable NAV Liquidity Pool. The 1-3 High Quality Bond Fund redemptions are available twice a month and participants are required to provide 5 days' notice. Redemptions greater than \$5 million are requested to be submitted 60 days in advance and if the redemption is greater than 10% of the portfolio's net asset value without the 60 days' notice, the redemption can be executed over time. The Stable NAV Liquidity Pool has no restrictions on withdrawals and funds are available the same day.

B. Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits maximum final stated maturities of investments to five years. In addition, the City will structure the investment portfolio so that securities mature to meet cash requirements and by investing operating funds primarily in shorter-term securities.

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements. Reverse and escrow funds may be invested in securities exceeding five years to maturity if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

The City assumes all investments will be held until maturity or until called at their par value. However, an investment may be sold at an earlier date to meet certain obligations or if the investment's credit quality drops. This makes the City's investments sensitive to market rate fluctuations. To mitigate the impact of market rate fluctuations, the City maintains enough

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liquidity to meet its short-term needs with a smaller portion invested in long-term government-sponsored organizations and high-quality corporate notes.

C. Credit Risk

Credit risk is the risk an investor is subject to as a result of the credit quality of investments in debt securities. Statutes, as well as the City’s investment policy, authorize the City to invest in obligations of the United States or agencies thereof; the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank); the Asian Development Bank; the African Development Bank; commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers’ acceptance instruments; repurchase agreements which are collateralized with securities approved for direct investment; State Treasurer's Local Government Investment Pool (LGIP); and corporate notes with at least a rating of Aa by Moody's or AA by Standard and Poor's.

The LGIP is an externally managed investment pool that is not registered with the Securities Exchange Commission but is managed as a “2a-7 like pool”. Pursuant to the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The LGIP values portfolio securities by the amortized cost method and on a monthly basis this valuation is compared to current market to monitor any variance. The fair value of the City’s position in the pool is the same as the value of the pool shares.

Custodial credit risk for investments policy – For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that all investments be clearly marked as to ownership and to the extent possible, be registered in the name of the City. In addition, the City pre-qualifies the financial institutions, brokers/dealers, intermediaries and advisors with which the City will do business.

The City’s rated debt investments as of June 30, 2018 were rated by Standard & Poor’s and Moody’s and/or an equivalent national rating organization and the ratings are presented below using the respective rating scale from both agencies.

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

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Concentration of Credit Risk: Concentration of credit risk represents the risk of investments in any one issue that represents 5% or more of investments. The City's investment policy limits the amount it can invest in commercial paper and bankers' acceptance instruments. By policy, investments in commercial paper are limited to 35% of the total available for investment, and not more than 5% of the total available for investment can be invested in any one issuing corporation. Bankers' acceptance instruments shall not exceed 50% of the total investment portfolio's book value on the date of acquisition.

At June 30, 2018, investments in bankers' acceptance instruments and U.S. Government Securities are recorded at fair value. All other investments are reported utilizing amortized cost due to maturity dates less than one year. The fair valuing of bankers' acceptance instruments and U.S. Government Securities at June 30, 2018 resulted in a net increase of \$701,048.

All City and School Board Funds participate in a centralized cash and investment pool. Interest earnings on investments are allocated to the appropriate funds based upon the average monthly cash balance of each fund. As of June 30, 2018, \$939 in interest income from investments associated with one fund was assigned to another fund.

7. COMMITMENTS AND CONTINGENCIES

A. Litigation

The School Board, as of June 30, 2018, is a named defendant in various lawsuits. The School Board is vigorously defending all cases, and expects no losses will be incurred which would have a material effect on the School Board's financial position.

B. Intergovernmental Grants, Entitlements, and Shared Revenues

The School Board participates in a number of federal and state grants, entitlements, and shared revenues programs. These programs are subject to program compliance audits by the applicable federal or state agency or their representatives. Furthermore, the U.S. Congress passed legislation entitled the "Single Audit Act Amendments of 1996" which requires most governmental recipients of federal assistance to have an annual independent organization wide financial and compliance audit. The results thereof are incorporated in the City's Comprehensive Annual Financial Report. The amounts, if any, of expenditures that may be disallowed by these audits cannot be determined at this time, although the School Board expects such amounts, if any, to be immaterial.

C. Salaries Payable

The outstanding Salaries Payable amount represents salaries due (in July and August 2018) to school employees (e.g., teachers) who have opted to be paid over a twelve-month period; and

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salaries that are due (e.g., for services rendered in June 2018 and not paid until July 2018) to substitutes, part-time employees, and other school personnel.

D. Construction Projects

The School Board has active construction projects and related contractual commitments as of June 30, 2018, as follows:

<u>Constuction in Progress</u>	<u>Commitments</u>
\$22,123,760	\$18,402,017

E. Encumbrances

The School Board has encumbrances such as purchase orders, contracts, and other commitments for the expenditure of monies for goods and/or services not received as of June 30, 2018. These outstanding encumbrances (listed below) do not constitute expenditures until expended or accrued as liabilities and, therefore, are not reflected in the accompanying financial statements.

<u>Fund</u>	<u>Amount of Encumbrances</u>
General	\$ 7,451,630
Capital Projects	18,402,017
Other Governmental	426,899
Total	\$ 26,280,546

8. RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS

A. Virginia Retirement System

1. Plan Description

All full-time, salaried permanent (professional) employees of Virginia Beach City Public Schools (VBCPS) are automatically covered by the VRS Teacher Retirement Plan, upon employment. All full-time, salaried permanent (non-professional) employees of VBCPS are automatically covered by the VRS Political Subdivision Retirement Plan, upon employment. These plans are administered by the Virginia Retirement System (the System or 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.

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

PLAN 1 Retirement Plan Provisions	PLAN 2 Retirement Plan Provisions	HYBRID Retirement Plan Provisions
<p><u>Plan 1</u> 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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><u>Plan 2</u> 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. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><u>Hybrid Retirement Plan</u> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p> <p>The defined benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula.</p> <p>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.</p> <p>In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</p>

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PLAN 1 Retirement Plan Provisions	PLAN 2 Retirement Plan Provisions	HYBRID Retirement Plan Provisions
<p><u>Eligible Members</u> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><u>Hybrid Opt-In Election</u> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the VRS Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><u>Eligible Members</u> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><u>Hybrid Opt-In Election</u> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><u>Eligible Members</u> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • School division employees • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014 <p><u>*Non-Eligible Members</u> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><u>Retirement Contributions</u> Employees contribute 5% of their compensation each month to</p>	<p><u>Retirement Contributions</u> Same as Plan 1.</p>	<p><u>Retirement Contributions</u> A member’s retirement benefit is funded through mandatory and</p>

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<p>their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>		<p>voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><u>Creditable Service</u> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><u>Creditable Service</u> Same as Plan 1.</p>	<p><u>Creditable Service</u> <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

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

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		<p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50 % vested and may withdraw 50 % of employer contributions. • After three years, a member is 75 % vested and may withdraw 75 % of employer contributions. • After four or more years, a member is 100 % vested and may withdraw 100 % of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p><u>Calculating the Benefit</u> The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><u>Calculating the Benefit</u> See definition under Plan 1.</p>	<p><u>Calculating the Benefit</u> <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

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<p><u>Average Final Compensation</u> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><u>Average Final Compensation</u> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><u>Average Final Compensation</u> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><u>Service Retirement Multiplier</u> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p><u>Service Retirement Multiplier</u> Same as Plan1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p>	<p><u>Service Retirement Multiplier</u> <u>Defined Benefit Component:</u> The retirement multiplier is 1.00%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p><u>Normal Retirement Age</u> Age 65</p>	<p><u>Normal Retirement Age</u> Normal Social Security retirement age.</p>	<p><u>Normal Retirement Age</u> <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><u>Earliest Unreduced Retirement Eligibility</u> Members who are not in hazardous duty positions are</p>	<p><u>Earliest Unreduced Retirement Eligibility</u> Members who are not in hazardous duty positions are</p>	<p><u>Earliest Unreduced Retirement Eligibility</u> <u>Defined Benefit Component:</u> Members are eligible for an</p>

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<p>eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><u>Earliest Reduced Retirement Eligibility</u> Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><u>Earliest Reduced Retirement Eligibility</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p><u>Earliest Reduced Retirement Eligibility</u> <u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><u>Cost-of-Living Adjustment (COLA) in Retirement</u> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4 %) up to a maximum COLA of 5 %.</p>	<p><u>Cost-of-Living Adjustment (COLA) in Retirement</u> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p>	<p><u>Cost-of-Living Adjustment (COLA) in Retirement</u> <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

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<p><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.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member involuntarily separates from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act 	<p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

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<p>or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.</p> <p>Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><u>Disability Coverage</u> Eligible school divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><u>Purchase of Prior Service</u> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave, or VRS refunded service as 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</p>	<p><u>Purchase of Prior Service</u> Same as Plan 1.</p>	<p><u>Purchase of Prior Service</u> <u>Defined Benefit Component:</u></p> <ul style="list-style-type: none"> Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final

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buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.		<p>compensation.</p> <ul style="list-style-type: none"> Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

2. Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following Nonprofessional employees (non-teacher) were covered by the benefit terms of the pension plan:

Nonprofessional Employees (non-teacher):

Inactive Members or Their Beneficiaries	
Currently Receiving Benefits	1,513
Inactive Members:	
Vested Inactive Members	283
Non-Vested Inactive Members	758
Inactive Members Active Elsewhere in VRS	400
Total Inactive Members	<u>1,441</u>
Active Members	<u>2,073</u>
Total Covered Employees	<u><u>5,027</u></u>

3. Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees,

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employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. For the Professional Plan (Teacher Retirement Plan), each school division's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the school division were \$65,402,518 and \$57,698,763 for the years ended June 30, 2018 and June 30, 2017, respectively.

For the Nonprofessional (non-teacher) employees, the school division is contractually required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The school division contribution rate for the fiscal year ended 2018 was 7.02% of annual covered payroll. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. When combined with employee contributions, this 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. Contribution to the pension plan from the school division were \$2,969,741 and \$2,956,311 for the years ended June 30, 2018 and June 30, 2017, respectively.

4. Net Pension Liability

At June 30, 2018, the school division reported a net pension liability of \$625,579,000 for its proportionate share of the Net Pension Liability of the Teacher Retirement Plan (Professional). The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 5.08685% as compared to 5.12286% at June 30, 2016.

In addition, the school division's Net Pension Liability for the Nonprofessional (non-teacher) Retirement Plan was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. At June 30, 2018, the school division reported a liability of \$13,615,000 for the Nonprofessional (non-teacher) Retirement Plan.

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5. Pension Expense

For the year ended June 30, 2018, the school division recognized pension expense of \$41,220,000 of the Teacher Retirement Plan (Professional). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

In addition, for the year ended June 30, 2018, the school division recognized pension expense of \$1,410,000 for the Nonprofessional (non-teacher) Retirement Plan.

6. Deferred Outflows/Inflows of Resources

At June 30, 2018, for the Teacher Retirement Plan (Professional), the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 44,297,000
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	22,728,000
Change in Assumptions	9,129,000	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	1,917,000	14,696,000
Employer Contributions Subsequent to the Measurement Date	<u>65,403,000</u>	-
Total	<u>\$ 76,449,000</u>	<u>\$ 81,721,000</u>

\$65,403,000 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Fiscal Year Ended June 30	Deferred Amounts
2019	\$ (29,506,000)
2020	\$ (5,278,000)
2021	\$ (10,354,000)
2022	\$ (22,738,000)
2023	\$ (2,799,000)
Total	<u>\$ (70,675,000)</u>

In addition, at June 30, 2018, for the Nonprofessional (non-teacher) Retirement Plan, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 920,000	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	7,840,000	10,657,000
Change in Assumptions	-	848,000
Employer Contributions Subsequent to the Measurement Date	2,970,000	-
Total	<u>\$ 11,730,000</u>	<u>\$ 11,505,000</u>

\$2,970,000 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	Deferred Amounts
2019	(\$1,829,000)
2020	\$965,000
2021	\$66,000
2022	(\$1,947,000)
2023	\$ -
Total	<u>(\$2,745,000)</u>

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7. Actuarial Assumptions

Professional/Teacher Retirement Plan

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

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

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

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

Nonprofessional (non-teacher) Retirement Plan

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

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

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

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths 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.

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Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

8. 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

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for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

9. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Professional/Teacher Retirement Plan and Nonprofessional (non-teacher) Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed 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,

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the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1.00% Decrease 6.00%	Current Discount Rate 7.00%	1.00% Increase 8.00%
School Division's Proportionate Share of the Net Pension Liability for the VRS Teacher Retirement Plan	\$ 934,199,000	\$ 625,579,000	\$ 370,288,000

In addition, the following presents the net pension liability of the Nonprofessional (non-teacher) Retirement Plan using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease 6.00%	Current Discount Rate 7.00%	1.00% Increase 8.00%
School Division's Net Pension Liability (Asset) for the NonProfessional (non-teacher) Retirement Plan	\$ 39,619,000	\$ 13,615,000	\$ (8,266,000)

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11. Combining Pension Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Statement of Net Position

	Virginia Retirement System		
	Professional Plan	Nonprofessional Plan	Combined Totals
Net Pension Liability	\$ 625,579,000	\$ 13,615,000	\$ 639,194,000
Pension Expense	\$ 41,220,000	\$ 1,410,000	\$ 42,630,000
Deferred Outflows of Resources:			
Differences in Expected and Actual Experience	\$ -	\$ 920,000	\$ 920,000
Net Differences between Projected and Actual Earnings on Pension Plan Investments	-	7,840,000	7,840,000
Change in Assumptions	9,129,000	-	9,129,000
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	1,917,000	-	1,917,000
Employer Contributions Subsequent to the Measurement Date	65,403,000	2,970,000	68,373,000
Total Deferred Outflows of Resources	<u>\$ 76,449,000</u>	<u>\$ 11,730,000</u>	<u>\$ 88,179,000</u>
Deferred Inflows of Resources:			
Differences in Expected and Actual Experience	\$ 44,297,000	\$ -	\$ 44,297,000
Net Difference between Projected and Actual Earnings on Pension Plan Investments	22,728,000	10,657,000	33,385,000
Change in Assumptions	-	848,000	848,000
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	14,696,000	-	14,696,000
Total Deferred Inflows of Resources	<u>\$ 81,721,000</u>	<u>\$ 11,505,000</u>	<u>\$ 93,226,000</u>

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12. Changes in Net Pension Liability – Nonprofessional (non-teacher) Retirement Plan

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balance - July 1, 2016	\$213,128,951	\$190,273,898	\$22,855,053
Changes for the fiscal year:			
Service Cost	\$ 4,027,098		\$ 4,027,098
Interest	14,519,133		14,519,133
Diff between Expected/Actual Experience	1,300,649		1,300,649
Assumption Changes	(1,332,150)		(1,332,150)
Contribution - Employer	-	\$ 2,959,847	(2,959,847)
Contribution - Employee	-	2,124,981	(2,124,981)
Net Investment Income	-	22,825,346	(22,825,346)
Benefit Payments	(11,066,537)	(11,066,537)	-
Refunds of contributions	(358,994)	(358,994)	-
Administrative Expenses	-	(135,200)	135,200
Other Changes	-	(20,191)	20,191
Net Changes	<u>\$ 7,089,199</u>	<u>\$ 16,329,252</u>	<u>\$ (9,240,053)</u>
Balance - June 30, 2017	<u>\$220,218,150</u>	<u>\$206,603,150</u>	<u>\$13,615,000</u>

13. Pension Plan Fiduciary Net Position – Teacher Retirement Plan

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

B. Other Postemployment Benefits – Retiree Health Benefits

1. Plan Description

The City and School Board Other Postemployment Benefit (OPEB) Plans are each a single-employer, defined benefit plan, administered by the City and School Board in accordance with State and City statutes. Section 15.2-1500 of the Virginia State Code provides that every locality shall provide for the governmental functions of the locality, including employment of the officers

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and other employees. In connection with this employment, the School Board has established certain plans to provide post-employment benefits other than pensions as defined in Section 15.2-1545 of the Virginia Code to retirees and their spouses and eligible dependents.

In accordance with Article 8, Chapter 15, Subtitled II of Title 15.2 of the Virginia Code, the City and School Board have elected to establish a trust for the purpose of accumulating and investing assets to fund OPEB. The School Board, in accordance with this election, has joined the Virginia Pooled OPEB Trust Fund (Trust) established by the Virginia Municipal League and the Virginia Association of Counties in 2008 for the purpose of accumulating and investing assets to fund post-employment benefits other than pensions for counties, cities, towns, school divisions, and other authorized political subdivision of the Commonwealth of Virginia.

The Trust's Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Trust pursuant to the Trust Agreement. The Board of Trustees is composed of nine members. Trustees are members of Local Finance Boards of participating employers and are elected for staggered three-year terms by the participants in the Trust. In accordance with Section 15.2-1547 of the Virginia Code, City Council appointed the City's Deferred Compensation Board Trust as the OPEB's Local finance Board to serve as the trustee of the City and School Board with respect to the OPEB trust. The board includes City employees, an appointee from City council, a member of the Sheriff's Office, a member of the School Board, and the Schools' Chief Financial Officer. The trust does not administer the retiree health benefits of each participating employer. Deposits to the trust are irrevocable and held solely for the payment of OPEB benefits for the City and School Board.

2. Plan Membership

The membership as of January 1, 2018 includes:

Active Plan Members	10,161
Retirees and Surviving Spouses currently receiving benefits	628
Spouse of Current Retirees currently receiving benefits	<u>55</u>
	<u>10,844</u>

3. Benefits Provided

The School Board provides health insurance benefits for their retirees. These benefits are provided through a self-insured program. Employees that retire under VRS guidelines with at least 25 years of service with the City and/or School Board as well as those who retire on a work-related disability compensable under the Workers' Compensation Act before age 65 are eligible for health insurance coverage. This benefit is payable until the retiree becomes eligible for Medicare.

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4. Contributions

Contribution requirements of the City, School Board, and plan members are established and may be amended by the respective legislative bodies. The required contributions were actuarially determined and are based upon projected pay as you go financing requirements with an additional amount to prefund benefits. For the period ending June 30, 2018, the School Board's OPEB cost of \$7,369,400 was equal to its actuarially determined employer contribution. The School Board placed in its OPEB Trust a total of \$690,300. Plan members from each organization contributed \$3,044, \$2,082, and \$1,445 for the POS Premier, POS Standard, and POS Basic plans respectively, annually for retiree-only point of service coverage. The School Board retirees with coverage for their spouses contributed \$10,182, \$7,940, and \$6,455 for the POS Premier, POS Standard, and POS Basic plans, respectively, annually until Medicare eligibility. The School Board has determined that all current employees and retirees shall contribute to the cost of their health care coverage and no level of benefit shall be provided free of charge. Rates are calculated by an actuary with the City and School Board health care consultant and finalized by the Benefits Executive Committee, comprised of City and School executive leadership.

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2018 is presented below:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of ARC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2016	\$4,462,800	100%	\$ -
June 30, 2017	\$4,542,400	100%	\$ -
June 30, 2018	\$7,369,400	100%	\$ -

5. Investments Policy, Target Allocation, Rate of Return

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the Virginia Pooled OPEB Trust Fund Board of Trustees. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan.

The best estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2018.

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Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Core Fixed Income	19.60%	1.17%	0.99%
High Yield Bonds	1.40%	3.38%	2.77%
Large Cap US Equities	26.00%	5.53%	4.14%
Small Cap US Equities	10.00%	6.58%	4.57%
Developed Foreign Equities	13.00%	6.43%	4.66%
Emerging Market Equities	5.00%	8.76%	5.64%
Private Equity	5.00%	9.10%	6.63%
Hedge Funds/Absolute Return	10.00%	3.03%	2.63%
Real Estate (REITS)	7.00%	5.05%	3.86%
Commodities	3.00%	3.37%	1.78%
Total	<u>100.00%</u>		
Assumed Inflation		2.60%	2.60%
Portfolio Real Mean Return		4.97%	4.22%
Portfolio Nominal Mean Return		7.57%	6.93%
Portfolio Standard Deviation			12.55%
Long-Term Expected Rate of Return			7.00%

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 9.56%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

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6. Net OPEB Liability

The components of the net OPEB liability of the School Board at June 30, 2018, were as follows:

Net OPEB Liability	June 30, 2017	June 30, 2018
Total OPEB Liability	\$ 72,462,906	\$ 93,821,157
Fiduciary Net Position	(27,134,224)	(30,396,819)
Net OPEB Liability	\$ 45,328,682	\$ 63,424,338
Fiduciary Net Position as a % of Total OPEB Liability	37.45%	32.40%
Covered Payroll	\$ 426,884,300	\$ 444,517,100
Net OPEB Liability as a % of Covered Payroll	10.62%	14.27%

7. Actuarial Methods and Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of January 1, 2018, calculated based on the discount rate and actuarial assumptions below, and projected forward to the measurement date of June 30, 2018. There have been no significant changes between the valuation date and the fiscal year end.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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Inflation	2.50%
Salary Increases	5.35% up to 2 years of service, 4.75% 3 years of service, 4.45% 4-6 years of service, 4.35% 7 years of service, 4.25% 8 years of service, 4% 9-10 years of service, 3.65% 11-19 years of service, 3.50% for 20 or more years of service, including inflation
Long-Term Expected Rate of Return	7.00%
Healthcare Cost Trend Rates	Rates consistent with information from the Getzen Trend Model; 6.50% in 2018, 5.80% in 2019, 5.10% in 2020, then grading to an ultimate rate of 4.30% for 2082 and after
Actuarial Cost Method	Projected Unit Credit
Mortality	<p>Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older with Scale BB to 2020; males 95% of rates; females 105% of rates. 20% of deaths are assumed to be service related</p> <p>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 70-90.</p> <p>Post- Disablement: RP-2014 Disables Mortality Rates projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.</p>

8. Discount Rate

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

	June 30, 2017	June 30, 2018
Discount Rate	7.00%	7.00%
Long-Term Expected Rate of Return, Net of Investment Expense	7.00%	7.00%
Municipal Bond Rate	N/A	N/A

The plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the long-term expected rate of return.

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9. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 72,462,906	\$ 27,134,224	\$ 45,328,682
Changes for the year:			
Service Cost	\$ 1,239,627		\$ 1,239,627
Interest on Total OPEB Liability	5,027,382		5,027,382
Changes of Benefit Terms	-		-
Effect of Economic/Demographic Gains or (Losses)	1,400,273		1,400,273
Effect of Assumption Changes or Inputs	20,370,070		20,370,070
Employer Contributions		\$ 7,369,401	(7,369,401)
Net Investment Income		1,922,273	(1,922,273)
Investment Gains or Losses		675,431	(675,431)
Benefit Payments	(6,679,101)	(6,679,101)	-
Administrative Expenses		(25,409)	25,409
Net Change in Total OPEB Liability	\$ 21,358,251	\$ 3,262,595	\$ 18,095,656
Balance at June 20, 2018	<u>\$ 93,821,157</u>	<u>\$ 30,396,819</u>	<u>\$ 63,424,338</u>

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

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$7,217,298.

OPEB Expense	<u>June 30, 2018</u>
Service Cost	\$ 1,239,627
Interest on Total OPEB Liability	5,027,382
Effect of Plan Changes	-
Administrative Expenses	25,409
Member Contributions	-
Expected Investment Return net of Investment Expenses	(1,922,273)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	191,818
Recognition of Assumption Changes or Inputs	2,790,421
Recognition of Investment Gains or Losses	(135,086)
OPEB Expense	<u>\$ 7,217,298</u>

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

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

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

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

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

11. Sensitivity Analysis

The following presents the Net OPEB liability of the School Board, calculated using the discount rate of 7.00%, as well as what the School Board's Net 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%	Discount Rate 7.00%	1.00% Increase 8.00%
Total OPEB Liability	\$ 101,294,517	\$ 93,821,157	\$ 86,974,275
Fiduciary Net Position	(30,396,819)	(30,396,819)	(30,396,819)
Net OPEB Liability	\$ 70,897,698	\$ 63,424,338	\$ 56,577,456

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

	Current		
	1.00% Decrease	Trend Rate	1.00% Increase
Total OPEB Liability	\$ 84,902,922	\$ 93,821,157	\$ 104,169,429
Fiduciary Net Position	(30,396,819)	(30,396,819)	(30,396,819)
Net OPEB Liability	\$ 54,506,103	\$ 63,424,338	\$ 73,772,610

C. Other Postemployment Benefits – Teacher Employee Health Insurance Credit Program

1. Plan Description

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

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

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TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <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: <ul style="list-style-type: none"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

2. Plan Membership

The membership as of June 30, 2017 includes:

Active Plan Members	149,018
Inactive Members or their Beneficiaries currently receiving benefits	62,413
Inactive Members entitled to but not yet receiving benefits	1,914
	213,345

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3. Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$5,023,000 and \$4,435,363 for the years ended June 30, 2018 and June 30, 2017, respectively.

4. Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of \$64,231,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 5.06312% as compared to 5.12255% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$5,126,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

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At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	116,000
Change in assumptions	-	660,000
Changes in proportionate share	-	655,000
Employer contributions subsequent to the measurement date	5,023,000	-
Total	\$ 5,023,000	\$ 1,431,000

\$5,023,000 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30

FY 2019	\$(228,000)
FY 2020	\$(228,000)
FY 2021	\$(228,000)
FY 2022	\$(228,000)
FY 2023	\$(199,000)
Thereafter	\$(320,000)

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5. Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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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

6. Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,364,702
Plan Fiduciary Net Position	<u>96,091</u>
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,268,611</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%

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

7. Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return

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

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

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

8. Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year 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. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore

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the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	1.00% Decrease 6.00%	Current Discount Rate 7.00%	1.00% Increase 8.00%
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 71,689,000	\$ 64,231,000	\$ 57,893,000

10. Teacher Employee HIC OPEB Fiduciary Net Position

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

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D. Other Postemployment Benefits – Group Life Insurance

1. Plan Description

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic 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 Group Life Insurance Program OPEB.

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

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Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

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

Reduction in benefit Amounts

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

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

2. Plan Membership

The membership as of July 1, 2017 includes:

Active Plan Members	362,678
Inactive Members or their Beneficiaries currently receiving benefits	<u>173,134</u>
	<u>535,812</u>

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3. Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity for Professionals (Teachers) was \$2,131,438 and \$2,087,447 for the years ended June 30, 2018 and June 30, 2017, respectively. Contribution to the Group Life Insurance Program from the entity for Nonprofessionals was \$234,625 and \$230,517 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entities reported a liability for Professionals (Teachers) of \$32,750,000 and for Nonprofessionals of \$3,617,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion for Professionals (Teachers) was 2.17633% and for Nonprofessionals .24033% as compared to 2.18332% for Professionals (Teachers) and .24341% for Nonprofessionals at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$348,000 for Professionals (Teachers) and \$33,000 for Nonprofessionals. 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, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the Professional (Teacher) GLI OPEB from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 726,000
Net difference between projected and actual earnings on Teacher GLI OPEB plan investments	-	1,232,000
Change in assumptions	-	1,687,000
Changes in proportionate share	-	103,000
Employer contributions subsequent to the measurement date	2,792,000	-
Total	<u>\$ 2,792,000</u>	<u>\$ 3,748,000</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 81,000
Net difference between projected and actual earnings on Teacher GLI OPEB plan investments	-	136,000
Change in assumptions	-	186,000
Changes in proportionate share	-	46,000
Employer contributions subsequent to the measurement date	308,000	-
Total	<u>\$ 308,000</u>	<u>\$ 449,000</u>

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\$2,792,000 and \$308,000 reported as deferred outflows of resources related to the Professional (Teacher) and Nonprofessional GLI OPEB, respectively, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Professional (Teacher) and Nonprofessional GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30 - Professional (Teacher)		Year ended June 30 - Nonprofessional	
FY 2019	\$ (770,000)	FY 2019	\$ (91,000)
FY 2020	\$ (770,000)	FY 2020	\$ (91,000)
FY 2021	\$ (770,000)	FY 2021	\$ (91,000)
FY 2022	\$ (770,000)	FY 2022	\$ (91,000)
FY 2023	\$ (462,000)	FY 2023	\$ (57,000)
Thereafter	\$ (206,000)	Thereafter	\$ (28,000)

5. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

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than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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.

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Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

6. Net GLI OPEB Liability

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

	Group Life Insurance <u>OPEB Program</u>
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	<u>1,437,586</u>
Employers’ Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

7. 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

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by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

8. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 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. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease 6.00%	Current Discount Rate 7.00%	1.00% Increase 8.00%
Employer's proportionate share of the Professional (Teacher) Group Life Insurance Program	\$ 42,359,000	\$ 32,750,000	\$ 24,960,000
Net OPEB Liability			
Employer's proportionate share of the Nonprofessional Group Life Insurance Program	\$ 4,678,000	\$ 3,617,000	\$ 2,756,000
Net OPEB Liability			

10. Group Life Insurance Program Fiduciary Net Position

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

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E. Other Postemployment Benefits – Virginia Local Disability Program

1. Plan Description

The Virginia Retirement System (VRS) Teacher Employee and Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. All full-time, salaried permanent (professional) employees of public school divisions and full-time, salaried general employees of political subdivisions 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 Teacher Employee Virginia Local Disability Program or the VRS Political Subdivision Employee Virginia Local Disability Program respectively. These plans are administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

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

TEACHER EMPLOYEE AND POLICIAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee and Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> • Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS. • Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee and Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:</p>

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Short-Term Disability –

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability –

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program 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.

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2. Plan Membership

Virginia Local Disability Program - Teachers

The plan membership as of June 30, 2017 includes:

Active Plan Members	5,001
Inactive Members or their Beneficiaries currently receiving benefits	<u>1</u>
	<u>5,002</u>

Virginia Local Disability Program - Political Subdivisions

The plan membership as of June 30, 2017 includes:

Active Plan Members	4,675
Inactive Members or their Beneficiaries currently receiving benefits	<u>0</u>
	<u>4,675</u>

3. Contributions

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions and political subdivisions by the Virginia General Assembly. Each school division's and political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.31% and 0.60%, respectively of covered employee compensation for employees in the VRS Teacher Employee Virginia Local Disability Program or the VRS Political Subdivision Employee Virginia Local, respectively.

This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Virginia Local Disability Program were \$194,449 and \$143,865 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$71,950 and \$ 57,365 for the years ended June 30, 2018 and June 30, 2017, respectively.

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4. Teacher Employee and Political Subdivision Virginia Local Disability Program OPEB Liabilities, Teacher Employee and Political Subdivision Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee and Political Subdivision Virginia Local Disability Program OPEB

At June 30, 2018, the school division reported a liability of \$98,000 for its proportionate share of the VRS Teacher Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Virginia Local Disability Program was 16.44512% as compared to 14.96181% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Virginia Local Disability Program OPEB expense of \$119,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 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, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Virginia Local Disability Program OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher VLDP OPEB plan investments	1,000	-
Change in assumptions	9,000	-
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	194,000	-
Total	\$ 204,000	\$ -

\$194,000 reported as deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

Year ended June 30

FY 2019	\$ 1,000
FY 2020	\$ 1,000
FY 2021	\$ 1,000
FY 2022	\$ 1,000
FY 2023	\$ 6,000
Thereafter	\$ -

In addition, at June 30, 2018, the political subdivision reported a liability of \$30,000 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2017 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision

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Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of that date. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 5.20662% as compared to 5.41742% at June 30, 2016.

For the year ended June 30, 2018, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$53,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 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, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher VLDP OPEB plan investments	1,000	-
Change in assumptions	-	5,000
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	72,000	-
Total	<u>\$ 73,000</u>	<u>\$ 5,000</u>

\$72,000 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee

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VLDP OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

Year ended June 30	
FY 2019	\$ (4,000)
FY 2020	\$ -
FY 2021	\$ -
FY 2022	\$ -
FY 2023	\$ -
Thereafter	\$ -

5. Actuarial Assumptions

Teacher Employee Virginia Local Disability Program

The total Teacher Employee VLDP OPEB liability for the VRS Teacher Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

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Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Political Subdivision Employee Virginia Local Disability Program

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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Inflation	2.5 percent
Salary increases, including inflation –	
Political Subdivision Employees	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of plan investment expenses, including inflation*

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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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 year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	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 year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change

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6. Net VLDP OPEB Liability

Teacher Employee Virginia Local Disability Program

The net OPEB liability (NOL) for the Teacher Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Teacher Employee VLDP OPEB <u>Plan</u>
Total Teacher Employee VLDP OPEB Liability	\$ 873
Plan Fiduciary Net Position	<u>279</u>
Teacher Employee net VLDP OPEB Liability (Asset)	<u>\$ 594</u>
 Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability	 31.96%

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

Political Subdivision Employee Virginia Local Disability Program

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

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	Political Subdivision Employee VLDP OPEB <u>Plan</u>
Total Political Subdivision VLDP OPEB Liability	\$ 914
Plan Fiduciary Net Position	<u>351</u>
Political Subdivision net VLDP OPEB Liability (Asset)	<u>\$ 563</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	38.40%

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

7. Long-Term Expected Rate of Return

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

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

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

8. Discount Rate

The discount rate used to measure the total Teacher Employee VLDP OPEB and the Political Subdivision Employee VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee VLDP OPEB and the Political Subdivision Employee VLDP OPEB plans' 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 VLDP OPEB liability and the total Political Subdivision Employee VLDP OPEB liability.

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

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

	1.00% Decrease 6.00%	Current Discount Rate 7.00%	1.00% Increase 8.00%
School division's proportionate share of the VRS Teacher Employee VLDP OPEB Plan Net VLDP OPEB Liability	\$ 113,000	\$ 98,000	\$ 81,000
Political Subdivisin's proportionate share of the VRS Political Subdivision VLDP OPEB Plan Net VLDP OPEB Liability	\$ 34,000	\$ 30,000	\$ 26,000

10. VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Virginia Local Disability Program's Fiduciary Net Position and the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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F. Combining OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Statement of Net Position

	OPEB Trust	Virginia Retirement System			Combined Totals
	Retiree Health	Teacher Employee HIC	Group Life Insurance	Virginia Local Disability Program	
Net OPEB Liability	\$ 63,424,338	\$ 64,231,000	\$ 36,367,000	\$ 128,000	\$ 164,150,338
OPEB Expense	\$ 7,217,298	\$ 5,126,000	\$ 381,000	\$ 172,000	\$ 12,896,298
Deferred Outflows of Resources:					
Differences in Expected and Actual Experience	\$ 1,208,455	\$ -	\$ -	\$ -	\$ 1,208,455
Net Differences between Projected and Actual Earnings on Investments	-	-	-	2,000	2,000
Change in Assumptions	17,579,649	-	-	9,000	17,588,649
Employer Contributions Subsequent to the Measurement Date	-	5,023,000	3,100,000	266,000	8,389,000
Total Deferred Outflows of Resources	\$ 18,788,104	\$ 5,023,000	\$ 3,100,000	\$ 277,000	\$ 27,188,104
Deferred Inflows of Resources:					
Differences in Expected and Actual Experience	\$ -	\$ -	\$ 807,000	\$ -	\$ 807,000
Net Difference between Projected and Actual Earnings on Investments	540,345	116,000	1,368,000	-	2,024,345
Change in Assumptions	-	660,000	1,873,000	5,000	2,538,000
Changes in Proportionate Share	-	655,000	149,000	-	804,000
Total Deferred Inflows of Resources	\$ 540,345	\$ 1,431,000	\$ 4,197,000	\$ 5,000	\$ 6,173,345

9. RISK MANAGEMENT AND HEALTH CARE BENEFITS

A. School Self-Insurance Program

The School Board is self-insured for a portion of its risks. The self-insurance coverage for Fire and Property Insurance is \$100,000 per occurrence (includes unnamed windstorm and earthquake damage) and 1% of the total insured value of the damaged covered property when such loss or damage results from a named windstorm (minimum deductible – \$250,000 per occurrence); Boiler and Machinery Breakdown coverage is \$10,000 per occurrence; School Leaders Liability (errors and omissions) coverage is \$350,000 per occurrence; Student Professional is \$2,350,000 and International Travel Liability coverage is \$1,000,000 per claim; Crime (Employee Dishonesty) coverage is \$100,000 per occurrence; Environmental Impairment and Cyber Liability coverage has a \$1,000,000 each claim / aggregate; General Liability and Wrongful Act coverage is \$350,000 per occurrence; Automobile Liability coverage (engine on) is \$450,000 per occurrence; Automobile Physical Damage coverage (engine off) is \$60,000 per occurrence; General and Automobile Liability has a \$4,000,000 excess limit per occurrence; and Workers' Compensation Excess coverage is \$850,000 per claim.

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Commercial insurance is purchased to cover the amount in excess of the above self-insured levels for specific losses. When economically feasible, commercial insurance is purchased to cover certain exposures completely. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years and the insurance coverage is substantially the same as in recent prior fiscal years.

Claims processing and payments for all insurance claims are made through commercial carriers and third-party administrators. The School Board uses the information provided by the third-party administrators to aid in the determination of self-insurance liabilities. The computed liability as of June 30, 2018 is \$7,971,000 (undiscounted), as follows:

Fiscal Year	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2015-16	\$ 8,590,000	\$ 5,052,000	\$ 6,088,000	\$ 7,554,000
2016-17	\$ 7,554,000	\$ 5,838,000	\$ 6,025,000	\$ 7,367,000
2017-18	\$ 7,367,000	\$ 5,828,000	\$ 5,224,000	\$ 7,971,000

B. Surety Bonds

All School Board employees are covered by a faithful performance bond in the amount of \$100,000 to protect the School Board in the event of fraudulent acts.

C. Self-Insured Health Care Benefits Program

Effective January 1, 2000, the School Board established a self-insured health care benefits program for all School Board and City employees. Certain claims expenses paid on behalf of each employee during a single policy year are covered by excess loss insurance with a specific stop-loss limit of \$600,000. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

Claims processing and payments for all health care claims are made through third-party administrators. The School Board uses the information provided by the third-party administrators and a health care benefits consultant to aid in the determination of self-insurance liabilities. The computed liability as of June 30, 2018 is \$9,328,000 (undiscounted), as follows:

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Fiscal Year	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2015-16	\$ 8,528,000	\$132,638,000	\$133,627,000	\$7,539,000
2016-17	\$ 7,539,000	\$132,594,000	\$132,809,000	\$7,324,000
2017-18	\$ 7,324,000	\$134,456,000	\$132,452,000	\$9,328,000

**10. CERTAIN INTERFUND TRANSACTIONS, EXHIBITS A-4 TO A-2 RECONCILIATION
FOR CAPITAL OUTLAY AND FUND BALANCE CLASSIFICATIONS**

A. Interfund Transfers

The following are the School Board's interfund transfers in and transfers out that occurred during fiscal year 2018:

Fund	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ -	\$ 3,653,090
School Grants		
Special Revenue	3,653,090	-
Total per Exhibit A-4	<u>\$ 3,653,090</u>	<u>\$ 3,653,090</u>

Purpose: Operational support during Fiscal Year 2017-18

B. Interfund Receivables and Payables

The following are the School Board's interfund receivables and payables as of June 30, 2018:

Fund	Interfund Receivables (Due from Other Funds)	Interfund Payables (Due to Other Funds)
General Fund	\$ 1,864,145	\$ -
School Grants		
Special Revenue	-	1,864,145
Total per Exhibit A-3	<u>\$ 1,864,145</u>	<u>\$ 1,864,145</u>

Purpose: Eliminate School Grants fund negative cash balance at June 30, 2018
(expected to be repaid within one year)

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

C. Exhibits A-4 to A-2 Reconciliation for Capital Outlay

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures (Exhibit A-4). However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities (Exhibit A-2). Below is the amount by which capital outlay exceeded depreciation expense (including other transactions (e.g., loss on disposals)) for the fiscal year.

Capital Outlay:	
Capital Projects Fund	\$ 31,833,597
General Fund	17,197,561
Grants Special Revenue Fund	55,910
School Cafeterias Special Revenue Fund	110,519
School Communication Towers/Technology Special Revenue Fund	<u>18,280</u>
Total Capital Outlay	\$ 49,215,867
Less:	
Depreciation Expense	\$(31,708,665)
Depreciation Expense and Accumulated Depreciation change/transfer related to the Tenancy in Common by the City on certain School Buildings (Notes 4B&C)	7,326,314
Loss on Disposals	<u>(1,291,306)</u>
Total Depreciation Expense and Other	<u>\$(25,673,657)</u>
Total Amount by which Capital Outlay Exceeded Depreciation Expense and Other (Exhibit A-4)	<u><u>\$ 23,542,210</u></u>

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

D. Fund Balance Classifications

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned (Note 1H) based primarily on the extent to which the School Board is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all of the other governmental funds are presented below.

	General	School Grants	School Cafeterias	Capital Projects	Nonmajor Governmental	Total Governmental Funds
<u>Nonspendable</u>						
Inventories and Prepays Items	\$ 645,312	\$ -	\$ 633,098	\$ -	\$ -	\$ 1,278,410
<u>Restricted</u>						
Federal And State Grantor Agencies	\$ -	\$ 1,431,040	\$ -	\$ -	\$ -	\$ 1,431,040
Capital Projects						
Bond Proceeds Balance	-	-	-	6,661,276	-	6,661,276
State DOE/Textbooks	-	-	-	-	8,013,741	8,013,741
USDA/Cafeterias Charges	-	-	11,657,774	-	-	11,657,774
Total Restricted	\$ -	\$ 1,431,040	\$ 11,657,774	\$ 6,661,276	\$ 8,013,741	\$ 27,763,831
<u>Committed</u>						
Capital Projects Contracts	\$ -	\$ -	\$ -	\$ 5,204,160	\$ -	\$ 5,204,160
Communication Towers/Technology	-	-	-	-	2,627,084	2,627,084
Vending Operations/School Allocations	-	-	-	-	64,986	64,986
Equipment Replacement	-	-	-	-	1,099,736	1,099,736
Total Committed	\$ -	\$ -	\$ -	\$ 5,204,160	\$ 3,791,806	\$ 8,995,966
<u>Assigned</u>						
Instructional Technology	\$ 421,429	\$ -	\$ -	\$ -	\$ -	\$ 421,429
School Athletics	394,082	-	-	-	-	394,082
Green Run Collegiate						
Public Charter	19,102	-	-	-	-	19,102
Instruction Category	707,538	-	-	-	-	707,538
Administration, Attendance and Health Category	71,957	-	-	-	-	71,957
Pupil Transportation Category	844,280	-	-	-	-	844,280
Operations and Maintenance Category	3,668,463	-	-	-	-	3,668,463
Technology Category	1,746,208	-	-	-	-	1,746,208
Total Assigned	\$ 7,873,059	\$ -	\$ -	\$ -	\$ -	\$ 7,873,059
Total Fund Balances	\$ 8,518,371	\$ 1,431,040	\$ 12,290,872	\$ 11,865,436	\$ 11,805,547	\$ 45,911,266

REQUIRED SUPPLEMENTARY INFORMATION

RETIREMENT AND OTHER POSTEMPLOYMENT BENEFITS

Schedule of Employer's Share of Net Pension Liability – Professional Employees
Schedule of Changes in the Net Pension Liability and Related Ratios – Nonprofessional Employees
Schedule of Employer Pension Contributions – Professional Employees
Schedule of Employer Pension Contributions – Nonprofessional Employees
Schedule of Changes in Net OPEB Liability and Related Ratios - Retiree Health
Schedule of Annual Contributions - Retiree Health
Schedule of Investment Returns - Retiree Health
Schedule of Employer's Share of Net OBEB Liability – HIC
Schedule of Employer's Share of Net OBEB Liability – GLI
Schedule of Employer's Share of Net OBEB Liability – VLDP
Schedule of Employer Contributions – HIC
Schedule of Employer Contributions – GLI
Schedule of Employer Contributions – VLDP

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is the general operating fund of the School Board which is used to account for all of the financial resources, except those required to be accounted for in another fund.

SCHOOL GRANTS SPECIAL REVENUE FUND

The School Grants Fund accounts for certain private, Commonwealth of Virginia, and Federal grants (with matching local funds, if required).

SCHOOL CAFETERIAS SPECIAL REVENUE FUND

The School Cafeterias Fund accounts for the revenues (e.g., Commonwealth of Virginia, Federal Government) and expenditures associated with the food services operations of the school division.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
PROFESSIONAL EMPLOYEES
JUNE 30, 2018**

Schedule of Employer's Share
of Net Pension Liability

Professional/Teacher Retirement Plan

Date	(a) Employer's Proportion of the Net Pension Liability	(b) Employer's Proportionate Share of the Net Pension Liability	(c) Employer's Covered Employee Payroll	(d) Employer's Proportionate Share of the NPL as a % of its Covered Employee Payroll (b)/(c)	(e) Plan Fiduciary Net Position as a % of the Total Pension Liability
June 30, 2015	5.16303%	\$623,937,000	\$377,297,007	165.37%	70.88%
June 30, 2016	5.19364%	\$653,690,000	\$385,231,385	169.69%	70.68%
June 30, 2017	5.12286%	\$717,924,000	\$387,364,218	185.34%	68.28%
June 30, 2018	5.08685%	\$625,579,000	\$393,579,555	158.95%	72.92%

Notes to Schedule:

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

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

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
NONPROFESSIONAL EMPLOYEES
FOR THE YEAR ENDED JUNE 30, 2018

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 4,027,098	\$ 4,079,432	\$ 4,089,939	\$ 4,171,321
Interest	14,519,133	14,020,741	13,574,596	13,051,394
Diff Between Expected and Actual Experien	1,300,649	264,387	(747,303)	-
Change in Assumptions	(1,332,150)	-	-	-
Benefit Payments	(11,066,537)	(10,581,181)	(9,558,643)	(9,003,617)
Refunds of Contributions	(358,994)	(482,631)	(465,012)	(469,524)
Net Change in Total Pension Liability	\$ 7,089,199	\$ 7,300,748	\$ 6,893,577	\$ 7,749,574
Total Pension Liability - Beginning	213,128,951	205,828,203	198,934,626	191,185,052
Total Pension Liability - Ending (a)	<u>\$220,218,150</u>	<u>\$213,128,951</u>	<u>\$205,828,203</u>	<u>\$198,934,626</u>
Plan Fiduciary Net Position				
Employer Contributions	\$ 2,959,847	\$ 3,876,348	\$ 3,739,486	\$ 3,646,317
Employee Contributions	2,124,981	2,113,676	2,041,468	2,000,972
Net Investment Income	22,825,346	3,214,427	8,507,018	25,850,848
Benefit Payments	(11,066,537)	(10,581,181)	(9,558,643)	(9,003,617)
Refunds of Contributions	(358,994)	(482,631)	(465,012)	(469,524)
Administrative Expenses	(135,200)	(120,635)	(118,985)	(141,126)
Other Changes	(20,191)	(1,394)	(1,792)	1,363
Net Change in Fiduciary Net Position	\$ 16,329,252	\$ (1,981,390)	\$ 4,143,540	\$ 21,885,233
Fiduciary Net Position, Beginning	190,273,898	192,255,288	188,111,748	166,226,515
Fiduciary Net Position, Ending (b)	<u>\$206,603,150</u>	<u>\$190,273,898</u>	<u>\$192,255,288</u>	<u>\$188,111,748</u>
Net Pension Liability - Nonprofessional Employees (a) - (b)	<u>\$ 13,615,000</u>	<u>\$ 22,855,053</u>	<u>\$ 13,572,915</u>	<u>\$ 10,822,878</u>
Plan Fiduciary Net Position as a % of Total Pension Liability (b)/(a)	<u>93.82%</u>	<u>89.28%</u>	<u>93.41%</u>	<u>94.56%</u>
Covered Employee Payroll (c)	<u>\$ 44,260,959</u>	<u>\$ 43,230,375</u>	<u>\$ 41,802,052</u>	<u>\$ 40,427,033</u>
Net Pension Liability as a % of Covered Employee Payroll - Nonprofessional	<u>30.76%</u>	<u>52.87%</u>	<u>32.47%</u>	<u>26.77%</u>

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

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
PROFESSIONAL EMPLOYEES
JUNE 30, 2018

Schedule of Employer Pension Contributions

Professional Employees

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contributions as a % of Covered Employee Payroll (b) / (d)
June 30, 2009	\$ 35,091,117	\$ -	\$ -	\$398,310,068	-
June 30, 2010	\$ 24,481,748	\$ -	\$ -	\$391,372,694	-
June 30, 2011	\$ 15,177,733	\$ -	\$ -	\$386,201,856	-
June 30, 2012	\$ 23,959,120	\$ -	\$ -	\$378,501,098	-
June 30, 2013	\$ 44,228,510	\$ -	\$ -	\$379,318,265	-
June 30, 2014	\$ 43,992,831	\$ 43,992,831	\$ -	\$377,297,007	11.66%
June 30, 2015	\$ 55,858,551	\$ 55,858,551	\$ -	\$385,231,385	14.50%
June 30, 2016	\$ 54,463,409	\$ 54,463,409	\$ -	\$387,364,218	14.06%
June 30, 2017	\$ 57,698,763	\$ 57,698,763	\$ -	\$393,579,555	14.66%
June 30, 2018	\$ 65,402,518	\$ 65,402,518	\$ -	\$400,750,722	16.32%

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

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits.

Changes of assumptions – VRS adopted updated assumptions based on the experience study for the period June 30, 2012 to June 30, 2016. The changes are summarized below:

- Update to a more current mortality table – RP2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement age from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- No change to salary scale

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
NONPROFESSIONAL EMPLOYEES
JUNE 30, 2018

Schedule of Employer Pension Contributions

Nonprofessional Employees

Date	(a) Contractually Required Contributions	(b) Contributions in Relation to Contractually Required Contributions	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Employer's Covered Employee Payroll	(e) Contributions as a % of Covered Employee Payroll (b) / (d)
June 30, 2009	\$ 2,831,929	\$ -	\$ -	\$ 42,649,526	-
June 30, 2010	\$ 2,729,315	\$ -	\$ -	\$ 41,104,135	-
June 30, 2011	\$ 2,426,088	\$ -	\$ -	\$ 38,755,403	-
June 30, 2012	\$ 2,495,274	\$ -	\$ -	\$ 39,860,613	-
June 30, 2013	\$ 3,671,537	\$ -	\$ -	\$ 40,302,269	-
June 30, 2014	\$ 3,645,565	\$ 3,645,565	\$ -	\$ 40,017,176	9.11%
June 30, 2015	\$ 3,732,422	\$ 3,732,422	\$ -	\$ 40,970,605	9.11%
June 30, 2016	\$ 3,857,605	\$ 3,857,605	\$ -	\$ 42,344,732	9.11%
June 30, 2017	\$ 2,956,311	\$ 2,956,311	\$ -	\$ 42,112,697	7.02%
June 30, 2018	\$ 2,969,741	\$ 2,969,741	\$ -	\$ 42,303,998	7.02%

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

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits.

Changes of assumptions – VRS adopted updated assumptions based on the experience study for the period June 30, 2012 to June 30, 2016. The changes are summarized below:

- Update to a more current mortality table – RP2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement age from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- No change to salary scale

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
JUNE 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability		
Service Cost	\$ 1,239,627	\$ 1,529,672
Interest on Total OPEB Liability	5,027,382	4,928,893
Changes of Benefit Terms	-	-
Effect of Economic/Demographic Gains or (Losses)	1,400,273	-
Effect of Assumption Changes or Inputs	20,370,070	-
Benefit Payments	<u>(6,679,101)</u>	<u>(5,661,710)</u>
Net Change in Total OPEB Liability	21,358,251	796,855
Total OPEB Liability, Beginning	<u>72,462,906</u>	<u>71,666,051</u>
Total OPEB Liability, Ending (a)	<u>\$ 93,821,157</u>	<u>\$ 72,462,906</u>
Fiduciary Net Position		
Employer Contributions	\$ 7,369,401	\$ 5,661,710
Net Investment Income	1,922,273	3,098,316
Investment Gains or Losses	675,431	-
Benefit Payments	(6,679,101)	(5,661,710)
Administrative Expenses	<u>(25,409)</u>	<u>(24,357)</u>
Net Change in Fiduciary Net Position	3,262,595	3,073,959
Fiduciary Net Position, Beginning	<u>27,134,224</u>	<u>24,060,265</u>
Fiduciary Net Position, Ending (b)	<u>\$ 30,396,819</u>	<u>\$ 27,134,224</u>
 Net OPEB Liability, Ending (a) - (b)	 <u>\$ 63,424,338</u>	 <u>\$ 45,328,682</u>
 Fiduciary Net Position as a % of Total OPEB Liability	 32.40%	 37.45%
 Covered Payroll	 \$ 444,517,100	 \$ 426,884,300
 Net OPEB Liability as a % of Covered Payroll	 14.27%	 10.62%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required and until a 10-year trend is complied, OPEB plans should present information for those years for which information is available.

This schedule is presented using the optional format of combining the required schedules in GASB 74 paragraphs 36a and 36b.

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH
SCHEDULE OF ANNUAL CONTRIBUTIONS
LAST TEN FISCAL YEARS
JUNE 30, 2018**

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2009	\$ 8,829,800	\$ 8,829,800	\$ -	\$440,959,600	2.00%
2010	\$ 8,881,900	\$ 8,881,900	\$ -	\$432,476,800	2.05%
2011	\$ 8,881,900	\$ 8,881,900	\$ -	\$432,476,800	2.05%
2012	\$ 7,721,500	\$ 7,721,500	\$ -	\$409,662,700	1.88%
2013	\$ 7,858,100	\$ 7,858,100	\$ -	\$409,662,700	1.92%
2014	\$ 5,700,900	\$ 5,700,900	\$ -	\$421,065,100	1.35%
2015	\$ 5,832,200	\$ 5,832,200	\$ -	\$421,065,100	1.39%
2016	\$ 4,462,800	\$ 5,748,000	\$(1,285,200)	\$426,884,300	1.35%
2017	\$ 4,542,400	\$ 5,661,700	\$(1,119,300)	\$426,884,300	1.33%
2018	\$ 7,369,400	\$ 7,369,400	\$ -	\$444,517,100	1.66%

*Employer contributions include trust contributions and explicit subsidy payments provided directly to retirees from the School Board's own resources. They also include estimated implicit subsidy payments for retirees from the School Board's own resources.

Notes to the Schedule:

Valuation Timing:

Actuarial valuations for OPEB funding purposes are performed biennially as of January 1.
The most recent valuation was performed as of January 1, 2018.

Methods and Assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Closed
Amortization Period	28 Years Remaining as of January 1, 2018
Amortization Growth Rate	none noted
Asset Valuation Method	Market Value
Inflation	2.50%
Payroll Growth	None assumed
Discount Rate	7.00%
Retirement Age	VRS Plan 1: 65 and VRS Plans2/Hybrid: Normal Social Security Retirement Age
Mortality	Based on the RP-2014 Employee Mortality Table for Males or Females as appropriate, with adjustments for mortality improvements based on Scale BB

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS
JUNE 30, 2018**

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	N/A
2015	N/A
2016	N/A
2017	12.89%
2018	9.56%

Notes to Schedule:

This schedule is intended to show information for 10 years. The first year for this presentation is 2017; additional years will be presented as they become available.

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
HEALTH INSURANCE CREDIT PROGRAM (HIC)
JUNE 30, 2018**

	<u>2018</u>
Employer's Proportion of the Net HIC OPEB Liability (Asset)	5.06312%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 64,231,000
Employer's Covered Payroll	\$ 399,582,254
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	16.07%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	7.04%

Notes to Schedule:

This schedule is intended to show information for 10 years. The first year for this presentation is 2018; additional years will be presented as they become available.

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

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
GROUP LIFE INSURANCE PROGRAM (GLI)
JUNE 30, 2018**

Group Life Insurance Program - Teachers

	<u>2018</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	2.17633%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 32,750,000
Employer's Covered Payroll	\$ 401,432,134
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

Group Life Insurance Program - Political Subdivision

Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.24033%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 3,617,000
Employer's Covered Payroll	\$ 44,330,131
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

Notes to Schedule:

This schedule is intended to show information for 10 years. The first year for this presentation is 2018; additional years will be presented as they become available.

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

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
VIRGINIA LOCAL DISABILITY PROGRAM (VLDP)
JUNE 30, 2018**

Virginia Local Disability Program - Teachers

	<u>2018</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	16.44512%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 98,000
Employer's Covered Payroll	\$ 46,408,200
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.21%
Plan Fiduciary Net Position as a Percentage of the Total Teacher VLDP OPEB Liability	31.96%

Virginia Local Disability Program - Political Subdivision

Employer's Proportion of the Net VLDP OPEB Liability (Asset)	5.20662%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 30,000
Employer's Covered Payroll	\$ 9,560,850
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.31%
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	38.40%

Notes to Schedule:

This schedule is intended to show information for 10 years. The first year for this presentation is 2018; additional years will be presented as they become available.

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

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS (OPEB)
LAST TEN FISCAL YEARS
JUNE 30, 2018

Health Insurance Credit Program HIC

Fiscal Year Ending June 30	Contractually Required Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2018	\$5,023,000	\$ 5,023,000	\$ -	\$ 408,375,692	1.23%
2017	\$4,914,862	\$ 4,435,363	\$ 479,499	\$ 399,582,254	1.11%
2016	\$4,609,056	\$ 4,140,339	\$ 468,717	\$ 390,598,006	1.06%
2015	\$4,556,498	\$ 4,093,125	\$ 463,373	\$ 386,143,862	1.06%
2014	\$4,417,613	\$ 4,191,068	\$ 226,545	\$ 377,573,722	1.11%
2013	\$4,440,741	\$ 4,213,011	\$ 227,730	\$ 379,550,508	1.11%
2012	\$4,075,643	\$ 2,264,246	\$1,811,397	\$ 377,374,381	0.60%
2011	\$4,150,250	\$ 2,305,695	\$1,844,555	\$ 384,282,424	0.60%
2010	\$4,366,561	\$ 2,882,490	\$1,484,071	\$ 277,162,513	1.04%
2009	\$4,445,315	\$ 4,286,554	\$ 158,761	\$ 396,903,109	1.08%

Notes to Schedule:

Methods and Assumptions used to determine contribution rates (from the July 1, 2016 valuation):

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years, 20 years, 19 years, 18 years
Asset Valuation Method	5 year moving average
Inflation	2.50%
Salary increases, including price inflation	Teachers: 3.50 to 5.95 percent Political Subdivision - General Employees: 3.50 to 5.35 percent
Long-term Rate of Return, net of investment expense, including price inflation	7.00%
Healthcare Cost Trend Rate	N/A

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS (OPEB)
LAST TEN FISCAL YEARS
JUNE 30, 2018

Group Life Insurance Program - Teacher

Fiscal Year Ending June 30	Contractually Required Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2018	\$2,131,438	\$ 2,131,438	\$ -	\$ 409,891,865	0.52%
2017	\$2,087,447	\$ 2,087,447	\$ -	\$ 401,432,134	0.52%
2016	\$2,079,432	\$ 1,883,259	\$ 196,173	\$ 392,345,632	0.48%
2015	\$2,053,604	\$ 1,859,868	\$ 193,736	\$ 387,472,533	0.48%
2014	\$2,011,839	\$ 1,822,043	\$ 189,796	\$ 379,592,250	0.48%
2013	\$2,020,542	\$ 1,829,925	\$ 190,617	\$ 381,234,424	0.48%
2012	\$1,670,960	\$ 1,063,338	\$ 607,622	\$ 379,763,714	0.28%
2011	\$1,702,047	\$ 1,083,121	\$ 618,926	\$ 386,828,969	0.28%
2010	\$1,413,188	\$ 752,881	\$ 660,307	\$ 278,844,851	0.27%
2009	\$1,438,844	\$ 1,079,133	\$ 359,711	\$ 399,678,773	0.27%

Group Life Insurance Program - Political Subdivision

Fiscal Year Ending June 30	Contractually Required Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2018	\$ 234,625	\$ 234,625	\$ -	\$ 45,120,109	0.52%
2017	\$ 230,517	\$ 230,517	\$ -	\$ 44,330,131	0.52%
2016	\$ 231,831	\$ 209,960	\$ 21,871	\$ 43,741,730	0.48%
2015	\$ 221,058	\$ 200,204	\$ 20,854	\$ 41,709,123	0.48%
2014	\$ 214,578	\$ 194,335	\$ 20,243	\$ 40,486,356	0.48%
2013	\$ 214,874	\$ 194,603	\$ 20,271	\$ 40,542,262	0.48%
2012	\$ 177,366	\$ 112,869	\$ 64,497	\$ 40,310,446	0.28%
2011	\$ 180,009	\$ 114,551	\$ 65,458	\$ 40,911,148	0.28%
2010	\$ 149,737	\$ 81,292	\$ 68,445	\$ 30,108,222	0.27%
2009	\$ 154,052	\$ 115,539	\$ 38,513	\$ 42,792,139	0.27%

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS (OPEB)
LAST TEN FISCAL YEARS
JUNE 30, 2018**

Notes to Schedule:

Methods and Assumptions used to determine contribution rates (from July 1, 2016 valuation):

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll Closed
Amortization Period	27 years, 20 years, 19 years, 18 years
Asset Valuation Method	5 year moving average
Inflation	2.50%
Salary increases, including price inflation	Teachers: 3.50 to 5.95 percent Political Subdivision - General Employees: 2.50 to 5.35 percent
Long-term Rate of Return, net of investment expense, including price invlation	7.00%
Healthcare Cost Trend Rate	N/A

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS (OPEB)
LAST TEN FISCAL YEARS
JUNE 30, 2018

Virginia Local Disability Program - Teacher

Fiscal Year Ending June 30	Contractually Required Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2018	\$ 194,449	\$ 194,449	\$ -	\$ 62,725,531	0.31%
2017	\$ 143,865	\$ 143,865	\$ -	\$ 46,408,200	0.31%
2016	\$ 80,152	\$ 80,152	\$ -	\$ 27,638,756	0.29%
2015	\$ 44,612	\$ 44,612	\$ -	\$ 15,383,610	0.29%
2014	\$ 2,253	\$ 2,253	\$ -	\$ 776,969	0.29%

Virginia Local Disability Program - Political Subdivision

Fiscal Year Ending June 30	Contractually Required Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2018	\$ 71,950	\$ 71,950	\$ -	\$ 11,991,585	0.60%
2017	\$ 57,365	\$ 57,365	\$ -	\$ 9,560,850	0.60%
2016	\$ 40,146	\$ 40,146	\$ -	\$ 6,691,000	0.60%
2015	\$ 18,242	\$ 18,242	\$ -	\$ 3,040,304	0.60%
2014	\$ 1,611	\$ 1,611	\$ -	\$ 268,436	0.60%

Notes to Schedule:

Methods and Assumptions used to determine contribution rates (from July 1, 2016 valuation):

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll Closed
Amortization Period	27 years, 20 years, 19 years, 18 years
Asset Valuation Method	5 year moving average
Inflation	2.50%
Salary increases, including price inflation	Teachers: 3.50 to 5.95 percent Political Subdivision - General Employees: 2.50 to 5.35 percent
Long-term Rate of Return, net of investment expense, including price inflation	7.00%
Healthcare Cost Trend Rate	N/A

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
REVENUES					
<u>From Use of Money and Property</u>					
Rents	\$ 450,000	\$ 450,000	\$ 499,341	\$ 49,341	\$ 451,300
<u>Charges for Services</u>					
Tuition and Educational Fees	\$ 1,481,100	\$ 1,481,100	\$ 1,329,238	\$ (151,862)	\$ 1,214,428
<u>Miscellaneous Revenue</u>					
Sale of Salvage	\$ 12,000	\$ 12,000	\$ 126,266	\$ 114,266	\$ 87,877
Insurance Proceeds	-	-	61,608	61,608	-
Donations	-	-	24,402	24,402	12,000
Miscellaneous	224,703	224,703	206,229	(18,474)	216,191
Indirect Costs	600,000	600,000	701,222	101,222	645,768
Athletics	504,000	504,000	557,532	53,532	526,140
Instructional Technology	-	-	124,606	124,606	95,873
Total Miscellaneous Revenue	\$ 1,340,703	\$ 1,340,703	\$ 1,801,865	\$ 461,162	\$ 1,583,849
<u>From Local Government</u>					
City - General Fund	\$ 386,184,156	\$ 396,639,135	\$ 373,757,171	\$ (22,881,964)	\$ 355,678,765
City - School Reserve Fund	8,803,897	8,803,897	8,803,897	-	5,000,000
City for Consolidated Benefits Office	735,538	735,538	735,538	-	635,538
Total From Local Government	\$ 395,723,591	\$ 406,178,570	\$ 383,296,606	\$ (22,881,964)	\$ 361,314,303
<u>From Commonwealth</u>					
Basic Aid	\$ 177,972,380	\$ 177,972,380	\$ 178,412,666	\$ 440,286	\$ 178,909,703
Reimbursement-Social Security	10,570,014	10,570,014	10,597,014	27,000	10,606,709
Reimbursement-Retirement	24,270,378	24,270,378	24,332,374	61,996	21,906,933
Reimbursement-Life Insurance	731,770	731,770	733,639	1,869	734,311
Remedial Education	4,675,199	4,675,199	4,687,141	11,942	4,691,429
Remedial Education-Summer School	228,268	228,268	240,747	12,479	245,921
Special Education	19,107,333	19,107,333	19,156,141	48,808	19,173,666
Special Education-Regional Program	9,949,380	9,949,380	9,315,527	(633,853)	9,135,013
Special Education-Homebound	160,664	160,664	154,090	(6,574)	157,513
Special Education-Foster Children	-	-	165,920	165,920	272,597
Foster Home Children	434,143	434,143	167,694	(266,449)	132,354
Vocational	1,870,079	1,870,079	1,874,856	4,777	1,876,572
Vocational-Occupational/Tech	324,137	324,137	193,609	(130,528)	166,852
Vocational-Adult Education	-	-	43,711	43,711	45,403
Sales Tax	73,718,340	73,718,340	74,264,875	546,535	73,084,563
Class Size Initiative	4,578,114	4,578,114	4,544,238	(33,876)	4,551,750
At-Risk Initiative	2,955,530	2,955,530	3,010,507	54,977	2,961,005
English as a Second Language	636,990	636,990	716,216	79,226	613,673
Supplemental Lottery per Pupil Alloc	11,232,540	11,232,540	11,182,703	(49,837)	2,144,187
Salary Supplement	1,795,175	1,795,175	1,723,755	(71,420)	-
Gifted and Talented Aid	1,951,387	1,951,387	1,956,372	4,985	1,958,162
Other State Funds	-	-	1,615	1,615	-
Total From Commonwealth	\$ 347,161,821	\$ 347,161,821	\$ 347,475,410	\$ 313,589	\$ 333,368,316
<u>From Federal Government</u>					
Public Law 874	\$ 9,935,191	\$ 9,935,191	\$ 6,813,731	\$ (3,121,460)	\$ 10,080,214
Public Law 874-Special Education	-	-	569,955	569,955	585,273
Dept of the Navy-NJROTC	100,000	100,000	309,329	209,329	306,341
Department of Defense	1,500,000	1,500,000	1,490,759	(9,241)	-
Dept of Defense-Special Education	-	-	578,233	578,233	599,076
Medicaid Reimbursement	664,809	664,809	2,396,833	1,732,024	1,787,121
Medicaid Reimbursement-Transportation	-	-	291,372	291,372	105,947
Other Federal Funds	-	-	164,180	164,180	405
Total From Federal Government	\$ 12,200,000	\$ 12,200,000	\$ 12,614,392	\$ 414,392	\$ 13,464,377
Total Revenues	\$ 758,357,215	\$ 768,812,194	\$ 747,016,852	\$ (21,795,342)	\$ 711,396,573

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
EXPENDITURES					
Instruction					
Elementary Classroom	\$ 151,160,294	\$ 145,395,873	\$ 143,337,897	\$ 2,057,976	\$ 139,273,011
Senior High Classroom	76,686,462	76,677,872	76,421,703	256,169	73,607,766
Technical and Career Education	19,161,799	19,157,384	17,076,604	2,080,780	16,183,968
Gifted Education and Academy Programs	14,423,782	14,379,212	14,219,545	159,667	13,605,368
Special Education	95,621,574	94,962,443	93,358,590	1,603,853	89,736,757
Summer School	2,006,768	2,000,965	1,842,134	158,831	1,921,729
General Adult Education	1,955,149	1,906,440	1,867,247	39,193	1,819,595
Alternative Education - Renaissance	6,984,923	6,985,187	6,342,291	642,896	6,124,555
Student Activities	3,418,667	3,414,285	3,393,121	21,164	3,277,971
Student Athletics	5,099,823	5,668,779	5,070,537	598,242	4,683,593
Office/Principal - Elementary	26,173,178	26,075,296	25,563,940	511,356	25,152,674
Office/Principal - Senior High	11,761,620	11,788,721	11,607,617	181,104	11,123,596
Office/Principal - Tech & Career	669,481	671,579	642,687	28,892	621,343
Guidance Services	17,224,562	17,139,886	17,139,374	512	16,446,563
Social Work Services	4,035,799	4,177,523	4,170,914	6,609	4,100,945
Media and Communications	2,105,117	1,944,176	1,790,855	153,321	1,914,974
Instructional Support	12,546,558	13,131,320	12,730,907	400,413	12,395,567
Instructional Professional Growth & Innovation	1,270,557	1,108,257	968,793	139,464	1,022,225
Opportunity & Achievement	89,860	89,860	73,771	16,089	44,542
Special Education Support	3,665,293	3,643,031	3,606,924	36,107	3,472,663
Gifted Educ & Academy Programs Support	2,325,250	2,360,941	2,312,208	48,733	2,153,791
Media Services Support	13,288,668	13,080,685	12,980,306	100,379	12,610,614
Planning Innovation & Accountability	2,644,071	2,510,707	2,239,881	270,826	2,319,031
Middle School Classroom	60,729,744	60,875,839	59,278,558	1,597,281	56,597,431
Remedial Education	8,266,085	8,260,870	8,146,235	114,635	7,880,794
Office/Principal - Middle Schools	10,722,847	10,965,670	10,961,318	4,352	10,465,416
Homebound Services	412,268	412,268	309,968	102,300	375,846
Technical and Career Ed Support	1,027,071	1,002,580	925,674	76,906	914,411
Student Leadership	1,426,623	1,445,894	1,431,886	14,008	1,384,906
Psychological Services	4,631,619	4,631,619	4,584,738	46,881	3,410,786
Audiological Services	476,513	501,959	485,127	16,832	544,753
School Leadership	1,854,752	1,925,786	1,845,847	79,939	1,720,029
Alternative Education	1,408,675	1,409,241	1,367,724	41,517	1,302,004
Green Run Collegiate Public Charter	3,440,666	3,401,541	3,004,423	397,118	2,998,739
Total Instruction	\$ 568,716,118	\$ 563,103,689	\$ 551,099,344	\$ 12,004,345	\$ 531,207,956
Admin, Attendance, & Health					
Board, Legal, & Governmental	\$ 1,135,904	\$ 1,135,904	\$ 1,098,517	\$ 37,387	\$ 1,047,520
Office of the Superintendent	1,043,134	1,053,211	958,846	94,365	903,192
Department of Budget & Finance	5,108,648	5,113,259	4,741,231	372,028	4,586,959
Department of Human Resources	5,254,448	5,213,714	4,864,276	349,438	4,831,295
Internal Audit	466,766	466,766	435,728	31,038	426,778
Purchasing	1,126,065	1,142,065	1,089,778	52,287	1,034,886
Professional Growth & Innovation	889,795	865,590	816,806	48,784	799,596
Consolidated Benefits Office	2,332,686	2,245,663	2,042,295	203,368	2,058,610
Health Services	7,909,740	7,904,348	7,742,476	161,872	7,561,774
Green Run Collegiate Public Charter	11,000	11,000	-	11,000	-
Total Admin, Attendance, & Health	\$ 25,278,186	\$ 25,151,520	\$ 23,789,953	\$ 1,361,567	\$ 23,250,610
Pupil Transportation					
Management	\$ 2,545,712	\$ 2,589,964	\$ 2,505,007	\$ 84,957	\$ 2,363,850
Vehicle Operation	21,032,933	29,622,171	28,572,469	1,049,702	21,168,066
Vehicle Operation - Special Education	6,122,972	8,572,633	7,979,474	593,159	5,612,533
Vehicle Maintenance	3,291,110	3,291,110	3,243,213	47,897	2,994,277
Monitoring Services	2,947,319	3,546,418	3,505,501	40,917	3,368,956
Green Run Collegiate Public Charter	260,766	260,766	227,187	33,579	283,954

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
Total Pupil Transportation	\$ 36,200,812	\$ 47,883,062	\$ 46,032,851	\$ 1,850,211	\$ 35,791,636
<u>Operations and Maintenance</u>					
Facility Planning & Construction	\$ 813,472	\$ 831,979	\$ 794,310	\$ 37,669	\$ 805,403
School Plant	44,933,193	47,272,258	43,525,990	3,746,268	42,978,129
Distribution Services	1,733,085	1,679,335	1,643,209	36,126	1,611,383
Grounds Services	4,167,908	4,731,908	4,731,908	-	4,167,908
Custodial Services	28,757,647	28,350,601	26,462,927	1,887,674	26,905,686
Safety and Loss Control	7,322,020	7,275,150	7,068,696	206,454	6,525,509
Vehicle Services	1,241,815	2,845,934	1,468,793	1,377,141	1,730,641
Telecommunications	1,048,121	1,059,263	1,010,280	48,983	1,012,381
Green Run Collegiate Public Charter	19,400	19,400	66	19,334	233
Total Operations & Maintenance	\$ 90,036,661	\$ 94,065,828	\$ 86,706,179	\$ 7,359,649	\$ 85,737,273
<u>Technology</u>					
Instruction	\$ 16,456,170	\$ 20,360,513	\$ 19,628,881	\$ 731,632	\$ 15,601,599
Admin, Attendance & Health	1,623,303	1,660,460	1,457,702	202,758	1,471,848
Pupil Transportation	451,033	449,033	441,734	7,299	416,841
Operations and Maintenance	13,331,441	17,934,682	15,655,248	2,279,434	14,088,646
Green Run Collegiate Public Charter	31,615	70,740	65,424	5,316	56,937
Total Technology	\$ 31,893,562	\$ 40,475,428	\$ 37,248,989	\$ 3,226,439	\$ 31,635,871
Total Expenditures	\$ 752,125,339	\$ 770,679,527	\$ 744,877,316	\$ 25,802,211	\$ 707,623,346
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	\$ 6,231,876	\$ (1,867,333)	\$ 2,139,536	\$ 4,006,869	\$ 3,773,227
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers Out	\$ (6,326,455)	\$ (6,665,578)	\$ (3,653,090)	\$ 3,012,488	\$ (3,323,272)
Sale of Capital Assets	15,000	15,000	218,389	203,389	127,226
Total Other Financing Sources (Uses)	\$ (6,311,455)	\$ (6,650,578)	\$ (3,434,701)	\$ 3,215,877	\$ (3,196,046)
<u>NET CHANGE IN FUND BALANCE</u>	\$ (79,579)	\$ (8,517,911)	\$ (1,295,165)	\$ 7,222,746	\$ 577,181
<u>FUND BALANCE - JULY 1</u>	9,813,536	9,813,536	9,813,536	-	9,236,355
<u>FUND BALANCE - JUNE 30</u>	\$ 9,733,957	\$ 1,295,625	\$ 8,518,371	\$ 7,222,746	\$ 9,813,536

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
REVENUES					
Miscellaneous	\$ 440,958	\$ 709,765	\$ 394,638	\$ (315,127)	\$ 286,034
From Commonwealth	12,665,288	14,051,684	10,000,695	(4,050,989)	7,325,128
From Federal Government	35,236,533	37,815,438	31,056,523	(6,758,915)	31,948,094
Contingency	7,200,000	1,672,721	-	(1,672,721)	-
Total Revenues	<u>\$ 55,542,779</u>	<u>\$ 54,249,608</u>	<u>\$ 41,451,856</u>	<u>\$ (12,797,752)</u>	<u>\$ 39,559,256</u>
EXPENDITURES					
Instruction					
Adult Education & Family Literacy Act - FY16	\$ -	\$ -	\$ -	\$ -	\$ 18,825
Adult Education & Family Literacy Act - FY17	-	13,443	13,443	-	356,545
Adult Education & Family Literacy Act - FY18	356,545	321,376	321,376	-	-
Advanced Placement Program FY17	-	-	-	-	71,370
Advanced Placement Program FY18	66,497	-	-	-	-
Algebra Readiness FY16	-	-	-	-	77,425
Algebra Readiness FY17	-	126,289	126,289	-	828,770
Algebra Readiness FY18	976,857	984,174	586,532	397,642	-
Asia Society Confucius Classroom Network FY13	-	2,865	776	2,089	-
Assessment for Learning Project FY16	-	38,731	5,929	32,802	7,667
Career & Tech Ed Innov Prg Equip Alloc FY18	-	37,500	37,500	-	-
Career Switcher Program Mentor Reimb. FY17	-	-	-	-	20,000
Career Switcher Program Mentor Reimb. FY18	15,000	32,000	28,200	3,800	-
C. Perkins Secondary Program Reserve FY17	-	-	-	-	18,077
C. Perkins Secondary Program Reserve FY18	-	11,632	11,632	-	-
C. Perkins Vocational & Tech. Act FY16	-	-	-	-	25,775
C. Perkins Vocational & Tech. Act FY17	-	47,751	47,751	-	394,817
C. Perkins Vocational & Tech. Act FY18	627,400	641,698	543,111	98,587	-
DoDEA MCASP Operation GRIT FY17	56,254	67,733	67,733	-	142,018
DoDEA MCASP Operation GRIT FY18	245,201	257,201	224,324	32,877	-
DoDEA MCASP Operation PRIDE FY15	-	-	-	-	5,611
DoDEA MCASP Operation PRIDE FY16	-	60,223	60,223	-	354,352
DoDEA S-FLEP FY15	-	-	-	-	2,988
DoDEA Special Education FY16	-	1,330	1,330	-	131,036
DoDEA Special Education FY17	192,709	127,883	127,883	-	156,094
DoDEA Special Education FY18	283,299	254,232	168,256	85,976	-
Dual Enrollment - TCC FY17	-	-	-	-	507,676
Dual Enrollment - TCC FY18	501,886	693,021	693,021	-	-
Early Reading Initiative FY16	-	-	-	-	187,543
Early Reading Initiative FY17	-	269,918	269,918	-	1,181,980
Early Reading Initiative FY18	1,449,288	1,661,194	1,135,727	525,467	-
General Adult Education FY17	-	-	-	-	34,586
General Adult Education FY18	34,586	30,993	30,993	-	-
Green Run Collegiate Support FY17	-	-	-	-	10,000
HS Program Planning FY17 GRHS	-	6,124	6,124	-	43,876
HS Program Planning FY18 GRHS	-	50,000	50,000	-	-
IDEA Co-Teaching Initiative Three Oaks FY17 Pt1	-	-	-	-	4,891
IDEA Co-Teaching Initiative Three Oaks FY17 Pt2	-	-	-	-	3,750
IDEA Co-Teaching Initiative Three Oaks FY18 Pt1	-	10,000	9,865	135	-
IDEA Co-Teaching Initiative Three Oaks FY18 Pt2	-	5,000	5,000	-	-
Inclusion Leadership Support-Salem HS FY13	-	457	-	457	-
Inclusion Project Mini-Grant FY18	-	2,000	-	2,000	-
Industry Credentials for Students FY17	-	-	-	-	70,253
Industry Credentials for Students FY18	70,253	72,688	72,688	-	-
Industry Credentials for Students STEM FY17	-	-	-	-	27,099
Industry Credentials for Students STEM FY18	27,099	27,296	27,296	-	-
ISAEP FY17	-	5,369	5,369	-	61,974
ISAEP FY18	62,869	66,117	66,117	-	-
Jail Education Program FY17	-	-	-	-	209,353
Jail Education Program FY18	167,076	154,290	131,671	22,619	-
Jail Education Program FY18 LQ	-	233,206	46,518	186,688	-
Juvenile Detention Center FY17	-	-	-	-	942,538
Juvenile Detention Center FY18	741,822	800,476	780,125	20,351	-

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
Juvenile Detention Center FY18 LQ	\$ -	\$ 781,947	\$ 284,732	\$ 497,215	\$ -
LTG (RET) Pete Taylor Partnership Excell. FY14	-	3,500	3,500	-	328
McKinney Homeless FY15	-	-	-	-	3,122
McKinney Homeless FY16	-	-	-	-	13,487
McKinney Homeless FY17	35,001	65,396	52,324	13,072	2,493
McKinney Homeless FY18	69,100	71,820	4,398	67,422	-
MTSS-B Evaluation FY16	207,849	223,073	11,587	211,486	101,518
MyCAA - ALC Courses FY17	-	-	-	-	3,333
MyCAA - ALC Courses FY18	5,000	632	632	-	-
MyCAA - LPN Program FY17	-	-	-	-	1,000
MyCAA - LPN Program FY18	10,000	500	500	-	-
Nat'l Board Certified Teachers Stipend FY17	-	-	-	-	317,500
Nat'l Board Certified Teachers Stipend FY18	335,000	290,000	290,000	-	-
Nat'l Math & Science Initiative (NMSI) FY18	-	133,195	133,195	-	-
Network Improvement Community (NIC)	-	15,000	750	14,250	-
New Teacher Mentor FY17	-	-	-	-	40,649
New Teacher Mentor FY18	29,622	30,403	30,403	-	-
NJROTC FY17	-	-	-	-	51,871
NIROTC FY18	-	48,794	48,794	-	-
NNSY 2018 Summer STEM Camp	-	10,000	-	10,000	-
ODU Research Foundation Cyber Sec Internships	-	4,500	4,200	300	1,500
Opportunity Inc. - STEM FY16	-	-	-	-	30,352
Opportunity Inc. - STEM (ISY) FY17	41,584	-	-	-	84,845
Opportunity Inc. - STEM (ISY) FY18	130,000	153,600	112,176	41,424	-
Opportunity Inc. - STEM (OSY) FY17	14,555	-	-	-	91,666
Opportunity Inc. - STEM (OSY) FY18	149,500	150,226	48,838	101,388	-
Opportunity Inc. - Adult Learning Center FY16	-	-	-	-	6,860
Opportunity Inc. - Adult Learning Center FY17	13,128	-	-	-	60,843
Opportunity Inc. - Adult Learning Center FY18	91,291	107,060	62,836	44,224	-
Positive Behavior Interventions & Support FY14	-	-	-	-	53
Positive Behavior Interventions & Support FY16	-	-	-	-	873
Positive Behavior Interventions & Support FY17	-	10,373	10,373	-	12,527
Positive Behavior Interventions & Support FY18	-	25,000	17,040	7,960	-
Post 9/11 GI Bill FY17	-	-	-	-	1,086
Post 9/11 GI Bill FY18	-	2,714	2,714	-	-
Preschool Incentive FY16	-	-	-	-	74,328
Preschool Incentive FY17	42,836	48,608	48,608	-	438,237
Preschool Incentive FY18	492,068	481,966	362,391	119,575	-
Project Graduation FY17	-	14,910	14,831	79	7,482
Project Graduation FY18	37,500	3,768	-	3,768	-
Project Hope - City Wide SCA FY14	-	3,479	605	2,874	705
Race to GED FY17	-	-	-	-	64,188
Race to GED FY18	64,188	66,160	65,441	719	-
Region II Superintendents Escrow	-	9,465	513	8,952	-
RISE Program Instructional Support FY18	-	81,531	14,408	67,123	-
Risk Management FY18	-	4,000	4,000	-	-
SASED MTSS-B FY17	-	-	-	-	9,740
School Security Equipment FY17	-	-	-	-	60,591
School Security Equipment FY18	56,314	9,490	9,490	-	-
Startalk Elementary Chinese Academy FY16	-	-	-	-	59,858
Startalk Elementary Chinese Academy FY17	62,220	63,227	59,325	3,902	17,863
Startalk Elementary Chinese Academy FY18	81,306	86,773	19,759	67,014	-
STEM Teacher Recruitment/Retention FY17	-	-	-	-	7,000
STEM Teacher Recruitment/Retention FY18	-	17,000	12,000	5,000	-
Title I Distinguished School Rosemont FY17	-	-	-	-	8,500
Title I Part A 128-15 FY16	-	-	-	-	2,797,412
Title I Part A 128-16 FY17	2,701,243	2,019,359	2,017,792	1,567	8,098,834
Title I Part A 128-17 FY18	10,821,466	11,485,998	8,862,060	2,623,938	-
Title I Part D Subpart 1 FY16	-	-	-	-	6,486
Title I Part D Subpart 1 FY17	4,878	10,048	10,048	-	10,952
Title I Part D Subpart 1 FY18	21,000	21,000	7,889	13,111	-

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
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FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
Title I Part D Subpart 2 FY15	\$ -	\$ -	\$ -	\$ -	\$ 28,093
Title I Part D Subpart 2 FY16	15,087	20,822	20,822	-	122,494
Title I Part D Subpart 2 FY17	174,824	173,984	136,729	37,255	367
Title I Part D Subpart 2 FY18	174,824	258,637	-	258,637	-
Title II NCLB128-14 FY15	-	-	-	-	18,824
Title II NCLB128-15 FY16	24,642	32,138	32,138	-	124,029
Title II NCLB128-16 FY17	139,843	197,639	178,819	18,820	1,931,293
Title II NCLB128-17 FY18	2,128,931	1,644,937	1,592,497	52,440	-
Title III Part A Immigrant & Youth FY16	6,000	4,000	4,000	-	20,170
Title III Part A Language Acquisition FY16	-	-	-	-	81,582
Title III Part A Language Acquisition FY17	58,409	88,323	88,323	-	26,568
Title III Part A Language Acquisition FY18	114,742	104,702	26,181	78,521	-
Title IV Part A FY18	-	277,126	94,344	182,782	-
Title IV Part B 21st CCLC-GRC FY16	-	-	-	-	66,299
Title IV Part B 21st CCLC-GRC FY17	34,874	91,175	67,009	24,166	51,139
Title IV Part B 21st CCLC-Lynn ES FY17	-	13,437	13,437	-	76,107
Title IV Part B 21st CCLC-Lynn ES FY18	106,273	95,660	87,537	8,123	-
Title IV Part B 21st CCLC-Williams ES FY15	-	-	-	-	232
Title IV Pell FY17	-	-	-	-	52,392
Title IV Pell FY18	-	42,374	42,374	-	-
Title VI B PL 105-14 FY15	-	-	-	-	71,551
Title VI B PL 105-15 FY16	-	-	-	-	74,362
Title VI B PL 105-16 FY17	107,767	1,136,439	1,136,439	-	13,395,377
Title VI B PL 105-17 FY18	14,531,816	14,534,690	12,507,851	2,026,839	-
VA Beach Historic Preserv Research Prog FY16	-	-	-	-	1,480
VA Geographic Alliance FY11	-	-	-	-	36
VA Initiative-At Risk Four-Year Olds FY16	-	-	-	-	213,910
VA Initiative-At Risk Four-Year Olds FY17	-	373,445	373,445	-	3,867,161
VA Initiative-At Risk Four-Year Olds FY18	4,312,000	4,673,375	4,267,791	405,584	-
VA Star FY12	-	-	-	-	504
Virginia Middle School Teacher Corps. FY17	-	-	-	-	10,000
Virginia Middle School Teacher Corps. FY18	10,000	-	-	-	-
Virtual VA Advanced Placement FY16	-	11,537	-	11,537	-
Virtual VA Advanced Placement FY17	-	9,072	-	9,072	-
VPI+ Preschool Expansion FY18	-	650,477	572,880	77,597	-
VPI+ Preschool Expansion	-	65,940	-	65,940	-
Workplace Readiness Skills Comm Exam FY17	-	-	-	-	16,729
Workplace Readiness Skills Comm Exam FY18	16,286	16,850	16,850	-	-
Contingency	7,200,000	1,672,721	-	1,672,721	-
Total Instruction	\$ 50,547,608	\$ 49,858,225	\$ 39,590,338	\$ 10,267,887	\$ 38,635,670
Technology					
Algebra Readiness FY17	\$ -	\$ 33,250	\$ 33,250	\$ -	\$ 7,520
Algebra Readiness FY18	3,000	10,000	-	10,000	-
Career & Technical Education Equipment FY17	-	-	-	-	81,780
Career & Technical Education Equipment FY18	81,780	82,361	82,361	-	-
C. Perkins Vocational & Tech. Act FY16	-	-	-	-	122,964
C. Perkins Vocational & Tech. Act FY17	-	-	-	-	356,832
C. Perkins Vocational & Tech. Act FY18	172,000	209,473	165,139	44,334	-
CTE Special State Equip Allocation FY17	-	-	-	-	64,045
CTE Special State Equip Allocation FY18	64,045	64,500	64,500	-	-
DoDEA MCASP Operation GRIT FY17	-	4,950	4,950	-	97,654
DoDEA MCASP Operation GRIT FY18	12,088	88	-	88	-
DoDEA MCASP Operation PRIDE FY15	-	-	-	-	4,240
DoDEA MCASP Operation PRIDE FY16	-	-	-	-	224,658
DoDEA Special Education FY16	-	7,550	7,550	-	29,983
DoDEA Special Education FY17	2,554	19,587	19,587	-	-
DoDEA Special Education FY18	3,877	32,943	32,943	-	-
Early Reading Initiative FY16	-	-	-	-	81,193
Early Reading Initiative FY17	-	69,560	69,560	-	126
Early Reading Initiative FY18	62,500	382,821	6,593	376,228	-
Green Run Collegiate Support FY17	-	12,500	12,500	-	-

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
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with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
IDEA Co-Teaching Initiative Three Oaks FY17 Pt2	\$ -	\$ -	\$ -	\$ -	\$ 3,859
ISAEF FY18	-	232	232	-	-
Jail Education Program FY18	-	825	825	-	-
Juvenile Detention Center FY17	-	-	-	-	28,135
Juvenile Detention Center FY18	9,395	32,256	26,935	5,321	-
Juvenile Detention Center FY18 LQ	-	9,014	50	8,964	-
McKinney Homeless FY17	-	2,110	2,081	29	-
McKinney Homeless FY18	900	1,180	505	675	-
MTSS-B Evaluation FY16	-	7,858	7,858	-	-
Nat'l Math & Science Initiative (NMSI) FY18	-	359	359	-	-
Opportunity Inc. - STEM FY16	-	-	-	-	340
Opportunity Inc. - STEM (OSY) FY17	400	-	-	-	410
Opportunity Inc. - STEM (OSY) FY18	500	374	374	-	-
Opportunity Inc. - Adult Learning Center FY18	-	6,380	6,380	-	-
Positive Behavior Interventions & Support FY17	-	2,100	2,100	-	-
Preschool Incentive FY16	-	-	-	-	2,730
Preschool Incentive FY17	4,132	5,703	5,703	-	20
Preschool Incentive FY18	500	10,607	10,607	-	-
Project Graduation FY17	-	14,107	6,214	7,893	38,500
Project Graduation FY18	-	33,732	-	33,732	-
SASED MTSS-B FY17	-	-	-	-	1,360
School Security Equipment FY17	-	-	-	-	61,136
School Security Equipment FY18	65,414	66,500	66,500	-	-
Startalk Elementary Chinese Academy FY16	-	-	-	-	379
Startalk Elementary Chinese Academy FY17	475	108	108	-	16
Startalk Elementary Chinese Academy FY18	487	1,380	1,134	246	-
Technology Initiative FY15	-	-	-	-	52,496
Technology Initiative FY16	90,000	66,218	66,218	-	423,180
Technology Initiative FY17	2,618,400	2,610,315	2,305,485	304,830	8,085
Technology Initiative FY18	2,618,400	2,618,400	-	2,618,400	-
Title I Part A 128-15 FY16	-	-	-	-	1,439,940
Title I Part A 128-16 FY17	675,982	1,056,609	991,305	65,304	163,049
Title I Part A 128-17 FY18	395,595	466,633	57,880	408,753	-
Title I Part D Subpart 2 FY15	-	-	-	-	13,684
Title I Part D Subpart 2 FY16	10,576	15,852	15,852	-	5,340
Title I Part D Subpart 2 FY17	10,000	10,493	2,807	7,686	-
Title I Part D Subpart 2 FY18	10,000	14,000	-	14,000	-
Title IV Part A FY18	-	20,902	586	20,316	-
Title IV Part B 21st CCLC-GRC FY15	-	-	-	-	15,411
Title IV Part B 21st CCLC-GRC FY16	-	-	-	-	2,499
Title IV Part B 21st CCLC-Lynn ES FY17	-	16,540	16,540	-	489
Title IV Part B 21st CCLC-Lynn ES FY18	300	-	-	-	-
VA Elearning Backpack Bayside FY15	-	21,780	21,780	-	-
VA Elearning Backpack Bayside FY16	-	6,703	6,703	-	40,241
VA Elearning Backpack Bayside FY17	265,440	45,042	45,042	-	220,398
VA Elearning Backpack Bayside FY18	265,440	250,080	243,019	7,061	-
VA Elearning Backpack Green Run FY15	-	17,028	17,028	-	-
VA Elearning Backpack Green Run FY16	-	540	540	-	35,203
VA Elearning Backpack Green Run FY17	235,200	33,813	33,813	-	201,387
VA Elearning Backpack Green Run FY18	235,200	210,720	210,524	196	-
VA Elearning Backpack Kempsville FY15	-	16,276	16,276	-	-
VA Elearning Backpack Kempsville FY16	-	502	502	-	34,719
VA Elearning Backpack Kempsville FY17	197,280	8,973	8,973	-	188,305
VA Elearning Backpack Kempsville FY18	197,280	230,880	221,433	9,447	-
VA Initiative-At Risk Four-Year Olds FY17	-	71,394	71,394	-	-
VPI+ Preschool Expansion FY18	-	54,522	47,020	7,502	-
VPI+ Preschool Expansion	-	9,900	-	9,900	-
Total Technology	<u>\$ 8,309,140</u>	<u>\$ 8,998,523</u>	<u>\$ 5,037,618</u>	<u>\$ 3,960,905</u>	<u>\$ 4,052,306</u>
Total Expenditures	<u>\$ 58,856,748</u>	<u>\$ 58,856,748</u>	<u>\$ 44,627,956</u>	<u>\$ 14,228,792</u>	<u>\$ 42,687,976</u>

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
<u>EXCESS (DEFICIENCY) OF REVENUES</u>					
<u>OVER (UNDER) EXPENDITURES</u>	\$ (3,313,969)	\$ (4,607,140)	\$ (3,176,100)	\$ 1,431,040	\$ (3,128,720)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	<u>3,313,969</u>	<u>4,607,140</u>	<u>3,653,090</u>	<u>(954,050)</u>	<u>3,323,272</u>
<u>NET CHANGE IN FUND BALANCE</u>	\$ -	\$ -	\$ 476,990	\$ 476,990	\$ 194,552
<u>FUND BALANCE - JULY 1</u>	<u>954,050</u>	<u>954,050</u>	<u>954,050</u>	<u>-</u>	<u>759,498</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 954,050</u>	<u>\$ 954,050</u>	<u>\$ 1,431,040</u>	<u>\$ 476,990</u>	<u>\$ 954,050</u>

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL CAFETERIAS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
REVENUES					
From Use of Money and Property	\$ 25,750	\$ 25,750	\$ 89,560	\$ 63,810	\$ 39,202
Charges for Services	11,620,238	11,620,238	9,978,067	(1,642,171)	10,189,999
Miscellaneous	350,000	350,000	648,382	298,382	721,184
From Commonwealth	500,000	500,000	658,930	158,930	651,642
From Federal Government	18,086,468	18,086,468	19,589,633	1,503,165	18,348,393
Total Revenues	<u>\$ 30,582,456</u>	<u>\$ 30,582,456</u>	<u>\$ 30,964,572</u>	<u>\$ 382,116</u>	<u>\$ 29,950,420</u>
EXPENDITURES					
Cafeterias					
Personnel Services	\$ 10,122,611	\$ 10,122,611	\$ 8,612,790	\$ 1,509,821	\$ 8,409,534
Fringe Benefits	4,501,594	4,501,594	3,523,948	977,646	3,416,930
Purchased Services	402,932	402,932	385,470	17,462	158,651
Other Charges	74,802	74,802	55,079	19,723	78,011
Materials and Supplies	16,157,311	16,157,311	15,690,530	466,781	15,380,324
Capital Outlay	350,000	350,000	110,519	239,481	180,509
Total Cafeterias	<u>\$ 31,609,250</u>	<u>\$ 31,609,250</u>	<u>\$ 28,378,336</u>	<u>\$ 3,230,914</u>	<u>\$ 27,623,959</u>
Technology					
Purchased Services	\$ 70,000	\$ 70,000	\$ 71,579	\$ (1,579)	\$ 70,836
Materials and Supplies	-	-	36,868	(36,868)	79,582
Total Technology	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 108,447</u>	<u>\$ (38,447)</u>	<u>\$ 150,418</u>
Total Expenditures	<u>\$ 31,679,250</u>	<u>\$ 31,679,250</u>	<u>\$ 28,486,783</u>	<u>\$ 3,192,467</u>	<u>\$ 27,774,377</u>
EXCESS (DEFICIENCY) OF					
REVENUES OVER (UNDER)					
EXPENDITURES	<u>\$ (1,096,794)</u>	<u>\$ (1,096,794)</u>	<u>\$ 2,477,789</u>	<u>\$ 3,574,583</u>	<u>\$ 2,176,043</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,096,794)</u>	<u>\$ (1,096,794)</u>	<u>\$ 2,477,789</u>	<u>\$ 3,574,583</u>	<u>\$ 2,176,043</u>
FUND BALANCE - JULY 1	<u>9,813,083</u>	<u>9,813,083</u>	<u>9,813,083</u>	<u>-</u>	<u>7,637,040</u>
FUND BALANCE - JUNE 30	<u>\$ 8,716,289</u>	<u>\$ 8,716,289</u>	<u>\$ 12,290,872</u>	<u>\$ 3,574,583</u>	<u>\$ 9,813,083</u>



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SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

A. Budget Information

The following presents the procedures followed by the School Board in establishing the budgetary data reflected in the financial statements and other budget information:

1. The Superintendent is required by Section 22.1-92 of the Code of Virginia, as amended, to prepare and submit to the City Council, with the approval of the School Board, the estimate of the amount of money deemed to be needed during the next fiscal year for the support of the public schools of the school division. Before the School Board gives final approval to its operating and capital improvement program budgets, the School Board is required to hold at least one public hearing.
2. The City Manager is required by the City Charter to present a proposed operating budget to the City Council, which includes the School Board's operating budget, at least 90 days before the beginning of each fiscal year, which begins July 1. The proposed operating budget must be balanced with projected expenditures equal to estimated revenues and/or the required financing from the proper fund balances. The necessary budget ordinances are also submitted at this time.
3. The City Council is required by the City Charter to hold a public hearing on the budget at which time all interested persons are given an opportunity to comment.
4. If the proposed operating budget is not legally adopted by the City Council upon one reading of the budget ordinances by June 1, the operating budget is automatically adopted as proposed.
5. Annual budgets are legally adopted for the General and Special Revenue funds. The budgets for these funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). The level of budgetary control (that is, the level at which appropriated budget expenditures cannot exceed the appropriated amount) for the General Fund and Special Revenue funds is established at the individual fund level.
6. Additional appropriations require one reading of the ordinance for approval by the School Board and the City Council, and must be offset by additional estimated revenues and/or a transfer from the proper undesignated fund balances. Additional appropriations, which exceed 1% of the total estimated revenues shown in the adopted City budget, require one reading by City Council for approval after a public hearing.
7. The Superintendent is authorized to transfer appropriations up to a maximum of \$250,000. Transfers in excess of \$250,000 require one reading by the School Board for approval.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

8. The accounting system is employed as a budgetary management control device to monitor the individual schools and departments. In addition, certain controls are exercised administratively on the General Fund (e.g., budget units, personnel positions, and certain line-items; and the appropriations related thereto). A budget unit is an activity (e.g., Elementary Classroom, Gifted Education and Academy Programs) of a category (e.g., Instruction). In addition, certain controls are exercised on the Special Revenue Funds (e.g., federal and state grants; and the appropriations related thereto).

9. Unexpended appropriations lapse (except for the School Capital Projects Fund) and are closed to the proper fund balances at the end of each fiscal year (June 30). However, the General Fund's fund balance (i.e., total assets (e.g., cash) less liabilities (e.g., salaries payable), outstanding encumbrances and prepaid items) is paid back (i.e., reverts) to the City (\$22,881,964 Fiscal Year 2018) before the aforementioned closing process. Appropriations for the subsequent fiscal year are increased in the amount necessary to satisfy the outstanding encumbrances at June 30.

10. Capital Projects for the School Board and City are budgeted separately from the Operating Budget. Since the School Board and City have hundreds of projects in its Capital Improvement Program and the City has an annual limitation (without a referendum) on the amount of bonds that may be issued, allocations for capital projects represent funding by phases of a number of projects based upon their anticipated execution of contractual obligations. The appropriations for Capital Projects do not parallel the School Board's fiscal year. Upon approval by the School Board, the School Board's Capital Improvement Program appropriation requests are submitted to the City Council. The appropriations require one reading of the ordinance for approval after public hearings on the Capital Improvement Program. The accounting, encumbering, and controlling of the funds are based upon the project length of each individual project which may be over several years. Therefore, budgetary comparisons are not presented for Capital Projects in this report. Appropriations reallocated to new or existing capital projects require one reading of the ordinance by City Council for approval.

B. Budget Amendments

There was a supplemental budget amendment, other than for encumbrances, for \$10,454,980 for the General Fund during fiscal year 2018. The General Fund budget amendment was funded through an increase in revenue from the local government of \$2,886,883 for school bus replacement; \$2,068,000 for special education school bus replacement; \$250,000 for additional other vehicles (vans); \$573,000 for white fleet vehicle replacement; \$564,000 for replacement equipment and/or vehicles for landscape services; \$1,029,000 for technology infrastructure;

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

\$628,600 for technology initiative to provide access for all students; \$600,000 for copier/multifunction device replacement; \$550,000 for interactive white board replacement; \$418,400 for e-rate local match requirement; \$325,000 for baseball/softball field lights; and \$562,097 for the Athletic Fund.

C. Pension and Other Employee Benefits

Multiple year trend information for the VRS Teacher Retirement Plan, the VRS Political Subdivision Retirement Plan, Other Post-Employment Benefit (OPEB) Trust Fund, VRS Teacher Employee Health Insurance Credit Program (HIC), VRS Group Life Insurance Program (GLI), VRS Teacher Employee Virginia Local Disability Program (VLDP), and VRS Political Subdivision Employee Virginia Local Disability Program (VLDP) is presented as required supplementary information. This information is intended to help users assess the funding status on a going concern basis, and the progress made in accumulating assets to pay benefits when due.

Additional information pertaining to the Pension and OPEB plans presented are located in note 8 of the Notes to the Basic Financial Statements.

D. VRS OPEB Plan Changes of Benefits and Funding Terms

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

E. Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates are determined every two years. The last determination of the actuarial contribution rates was as of June 30, 2015 payable for the fiscal years 2017 and 2018. For the non-Political Subdivision plans the amortization period of the unfunded liability less the deferred contribution begins at 30 years on June 30, 2013 and will decrease by one each year until reaching 0 years. Each subsequent year, a new base will be added to the unfunded liability and will be amortized over a closed 2- year period. For the Political Subdivision plans the amortization period of the unfunded begins at 30 years on June 30, 2013 and will decrease by one each year until reaching 0 years. Each subsequent year, a new base will be added to the unfunded liability and will be amortized over a closed 20 year period.

F. VRS OPEB Plan Changes of Assumptions

VRS adopted updated assumptions based on the experience study for the period June 30, 2012 to June 30, 2016. For the Virginia Local Disability Program, there were multiple changes:

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

1. The definition of disability was changed from “Own Occupation” to “Any Occupation” beginning with the twenty-fifth month of disability.
2. Benefit offset rates for newly disabled members were increased to reflect recent experience.
3. Extended the period in which those members without offsets are assumed to eventually receive an offset. The rate at which members without offsets are assumed to receive offsets were updated to reflect recent experience.
4. The percentage of members receiving a Social Security offset was decreased from 73.8 percent to 70.5 percent to reflect recent experience. Members who receive Social Security offset are eligible to receive an additional one percent employer contribution.

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

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



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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted or dedicated to be expended for specified purposes. The School Board has the following Special Revenue Funds:

School Textbooks – accounts for the financing (e.g., Commonwealth of Virginia) and acquisition of textbooks and related materials used in the school division.

School Communication Towers/Technology – accounts for the rent receipts (long-term contracts with telecommunication companies) relating to the communication towers constructed on School Board property and technology related expenditures.

School Vending Operations – accounts for the receipts (long-term exclusive contract with a vending company) relating to the bottled drinks vending operations of the school division and expenditures (including school-level allocations).

School Equipment Replacement – accounts for the financing (e.g., local government) and acquisition of various replacement equipment.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
JUNE 30, 2018
with comparative totals for June 30, 2017

	School Textbooks	School Communication Towers/ Technology	School Vending Operations	School Equipment Replacement	Totals	
					2018	2017
ASSETS						
Cash and Investments	\$ 8,016,219	\$ 2,877,654	\$ 32,467	\$ 1,116,300	\$ 12,042,640	\$ 11,194,721
Accounts Receivable	746	1,233	32,519	-	34,498	31,975
Prepaid Items	-	-	-	-	-	115,445
TOTAL ASSETS	\$ 8,016,965	\$ 2,878,887	\$ 64,986	\$ 1,116,300	\$ 12,077,138	\$ 11,342,141
LIABILITIES AND FUND						
BALANCES						
Liabilities:						
Vouchers and						
Accounts Payable	\$ 3,224	\$ 176,803	\$ -	\$ 16,564	\$ 196,591	\$ 1,633
Deposits Payable	-	75,000	-	-	75,000	75,000
TOTAL LIABILITIES	\$ 3,224	\$ 251,803	\$ -	\$ 16,564	\$ 271,591	\$ 76,633
Fund Balances:						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,445
Restricted	8,013,741	-	-	-	8,013,741	7,120,780
Committed	-	2,627,084	64,986	1,099,736	3,791,806	4,029,283
TOTAL FUND						
BALANCES	\$ 8,013,741	\$ 2,627,084	\$ 64,986	\$ 1,099,736	\$ 11,805,547	\$ 11,265,508
TOTAL LIABILITIES						
AND FUND						
BALANCES	\$ 8,016,965	\$ 2,878,887	\$ 64,986	\$ 1,116,300	\$ 12,077,138	\$ 11,342,141

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
with comparative totals for the fiscal year ended June 30, 2017

	School Textbooks	School Communication Towers/ Technology	School Vending Operations	School Equipment Replacement	Totals	
					2018	2017
REVENUES						
From Use of Money and Property	\$ 54,408	\$ 498,350	\$ 135	\$ 11,002	\$ 563,895	\$ 560,895
Charges for Services	-	-	154,922	-	154,922	137,541
Miscellaneous	18,355	-	-	-	18,355	46,664
From Commonwealth	4,474,385	-	-	-	4,474,385	4,478,479
From Federal Government	-	-	-	-	-	-
Total Revenues	<u>\$ 4,547,148</u>	<u>\$ 498,350</u>	<u>\$ 155,057</u>	<u>\$ 11,002</u>	<u>\$ 5,211,557</u>	<u>\$ 5,223,579</u>
EXPENDITURES						
Current:						
Instruction	\$ 1,134,699	\$ -	\$ 135,477	\$ 169,495	\$ 1,439,671	\$ 2,670,861
Technology	2,634,933	596,914	-	-	3,231,847	5,157,008
Total Expenditures	<u>\$ 3,769,632</u>	<u>\$ 596,914</u>	<u>\$ 135,477</u>	<u>\$ 169,495</u>	<u>\$ 4,671,518</u>	<u>\$ 7,827,869</u>
EXCESS (DEFICIENCY) OF						
REVENUES OVER (UNDER)						
EXPENDITURES	<u>\$ 777,516</u>	<u>\$ (98,564)</u>	<u>\$ 19,580</u>	<u>\$ (158,493)</u>	<u>\$ 540,039</u>	<u>\$ (2,604,290)</u>
NET CHANGES IN						
FUND BALANCES	<u>\$ 777,516</u>	<u>\$ (98,564)</u>	<u>\$ 19,580</u>	<u>\$ (158,493)</u>	<u>\$ 540,039</u>	<u>\$ (2,604,290)</u>
FUND BALANCES - JULY 1	<u>7,236,225</u>	<u>2,725,648</u>	<u>45,406</u>	<u>1,258,229</u>	<u>11,265,508</u>	<u>13,869,798</u>
FUND BALANCES - JUNE 30	<u>\$ 8,013,741</u>	<u>\$ 2,627,084</u>	<u>\$ 64,986</u>	<u>\$ 1,099,736</u>	<u>\$ 11,805,547</u>	<u>\$ 11,265,508</u>

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL TEXTBOOKS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
REVENUES					
From Use of Money and Property	\$ 26,611	\$ 26,611	\$ 54,408	\$ 27,797	\$ 32,355
Charges for Services	-	-	-	-	280
Miscellaneous	27,000	27,000	18,355	(8,645)	46,664
From Commonwealth	4,462,985	4,462,985	4,474,385	11,400	4,478,479
Total Revenues	<u>\$ 4,516,596</u>	<u>\$ 4,516,596</u>	<u>\$ 4,547,148</u>	<u>\$ 30,552</u>	<u>\$ 4,557,778</u>
EXPENDITURES					
<u>Instruction</u>					
Personnel Services	\$ 83,431	\$ 83,431	\$ 88,591	\$ (5,160)	\$ 85,391
Fringe Benefits	31,066	31,066	35,165	(4,099)	34,664
Purchased Services	1,500	1,500	-	1,500	-
Materials and Supplies	4,394,674	4,394,674	1,010,943	3,383,731	2,416,906
Total Instruction	<u>\$ 4,510,671</u>	<u>\$ 4,510,671</u>	<u>\$ 1,134,699</u>	<u>\$ 3,375,972</u>	<u>\$ 2,536,961</u>
<u>Technology</u>					
Purchased Services	\$ 668,931	\$ 668,931	\$ 2,478,040	\$ (1,809,109)	\$ 2,988,648
Materials and Supplies	-	-	156,893	(156,893)	1,369,888
Total Technology	<u>\$ 668,931</u>	<u>\$ 668,931</u>	<u>\$ 2,634,933</u>	<u>\$ (1,966,002)</u>	<u>\$ 4,358,536</u>
Total Expenditures	<u>\$ 5,179,602</u>	<u>\$ 5,179,602</u>	<u>\$ 3,769,632</u>	<u>\$ 1,409,970</u>	<u>\$ 6,895,497</u>
EXCESS (DEFICIENCY) OF					
<u>REVENUES OVER (UNDER)</u>					
<u>EXPENDITURES</u>	<u>\$ (663,006)</u>	<u>\$ (663,006)</u>	<u>\$ 777,516</u>	<u>\$ 1,440,522</u>	<u>\$ (2,337,719)</u>
NET CHANGE IN FUND BALANCE	\$ (663,006)	\$ (663,006)	\$ 777,516	\$ 1,440,522	\$ (2,337,719)
FUND BALANCE - JULY 1	7,236,225	7,236,225	7,236,225	-	9,573,944
FUND BALANCE - JUNE 30	<u>\$ 6,573,219</u>	<u>\$ 6,573,219</u>	<u>\$ 8,013,741</u>	<u>\$ 1,440,522</u>	<u>\$ 7,236,225</u>

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL COMMUNICATION TOWERS/TECHNOLOGY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

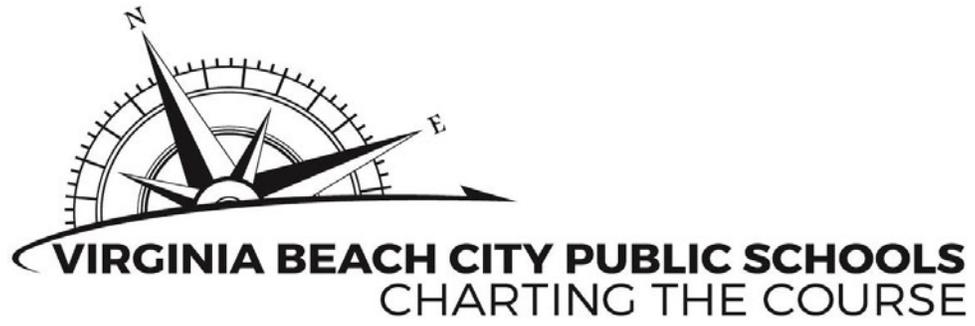
	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
<u>REVENUES</u>					
From Use of Money and Property	\$ 510,000	\$ 510,000	\$ 498,350	\$ (11,650)	\$ 521,779
<u>EXPENDITURES</u>					
<u>Technology</u>					
Purchased Services	\$ -	\$ -	\$ 5,176	\$ (5,176)	\$ 325
Materials and Supplies	850,000	850,000	573,458	276,542	299,892
Capital Outlay	-	-	18,280	(18,280)	498,255
Total Expenditures	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 596,914</u>	<u>\$ 253,086</u>	<u>\$ 798,472</u>
<u>EXCESS (DEFICIENCY) OF</u>					
<u>REVENUES OVER (UNDER)</u>					
<u>EXPENDITURES</u>	<u>\$ (340,000)</u>	<u>\$ (340,000)</u>	<u>\$ (98,564)</u>	<u>\$ 241,436</u>	<u>\$ (276,693)</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ (340,000)</u>	<u>\$ (340,000)</u>	<u>\$ (98,564)</u>	<u>\$ 241,436</u>	<u>\$ (276,693)</u>
<u>FUND BALANCE - JULY 1</u>	<u>2,725,648</u>	<u>2,725,648</u>	<u>2,725,648</u>	<u>-</u>	<u>3,002,341</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 2,385,648</u>	<u>\$ 2,385,648</u>	<u>\$ 2,627,084</u>	<u>\$ 241,436</u>	<u>\$ 2,725,648</u>

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL VENDING OPERATIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
<u>REVENUES</u>					
From Use of Money and Property	\$ -	\$ -	\$ 135	\$ 135	\$ 26
Charges for Services	192,550	192,550	154,922	(37,628)	137,261
Total Revenues	<u>\$ 192,550</u>	<u>\$ 192,550</u>	<u>\$ 155,057</u>	<u>\$ (37,493)</u>	<u>\$ 137,287</u>
<u>EXPENDITURES</u>					
<u>Instruction</u>					
Other Charges	\$ 216,248	\$ 216,248	\$ 135,130	\$ 81,118	\$ 133,630
Materials and Supplies	13,454	13,454	347	13,107	270
Total Expenditures	<u>\$ 229,702</u>	<u>\$ 229,702</u>	<u>\$ 135,477</u>	<u>\$ 94,225</u>	<u>\$ 133,900</u>
<u>EXCESS (DEFICIENCY) OF</u>					
<u>REVENUES OVER (UNDER)</u>					
<u>EXPENDITURES</u>	<u>\$ (37,152)</u>	<u>\$ (37,152)</u>	<u>\$ 19,580</u>	<u>\$ 56,732</u>	<u>\$ 3,387</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ (37,152)</u>	<u>\$ (37,152)</u>	<u>\$ 19,580</u>	<u>\$ 56,732</u>	<u>\$ 3,387</u>
<u>FUND BALANCE - JULY 1</u>	<u>45,406</u>	<u>45,406</u>	<u>45,406</u>	<u>-</u>	<u>42,019</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 8,254</u>	<u>\$ 8,254</u>	<u>\$ 64,986</u>	<u>\$ 56,732</u>	<u>\$ 45,406</u>

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL EQUIPMENT REPLACEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
with comparative actual amounts for the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)	2017 Actual
<u>REVENUES</u>					
From Use of Money and Property	\$ -	\$ -	\$ 11,002	\$ 11,002	\$ 6,735
<u>EXPENDITURES</u>					
<u>Instruction</u>					
Capital Outlay	\$ 170,193	\$ 170,193	\$ -	\$ 170,193	\$ -
Materials and Supplies	-	-	169,495	(169,495)	-
Total Expenditures	\$ 170,193	\$ 170,193	\$ 169,495	\$ 698	\$ -
<u>EXCESS (DEFICIENCY) OF</u>					
<u>REVENUES OVER (UNDER)</u>					
<u>EXPENDITURES</u>	\$ (170,193)	\$ (170,193)	\$ (158,493)	\$ (11,700)	\$ 6,735
<u>NET CHANGE IN FUND BALANCE</u>	\$ (170,193)	\$ (170,193)	\$ (158,493)	\$ (11,700)	\$ 6,735
<u>FUND BALANCE - JULY 1</u>	1,258,229	1,258,229	1,258,229	-	1,251,494
<u>FUND BALANCE - JUNE 30</u>	\$ 1,088,036	\$ 1,088,036	\$ 1,099,736	\$ (11,700)	\$ 1,258,229



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INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of goods and/or services provided by one department or agency to other departments or agencies of the governmental unit (and to other governmental units), on a cost reimbursement basis. The School Board has established Internal Service Funds for the following activities:

***School Risk Management* - provides insurance and the administration thereof for the School Board.**

***School Health Insurance* - provides health insurance and the administration thereof for the School Board and City employees.**

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018
with comparative totals for June 30, 2017

	School Risk Management	School Health Insurance	Totals	
			2018	2017
<u>ASSETS</u>				
Current Assets:				
Cash and Investments	\$ 13,442,873	\$ 59,943,729	\$ 73,386,602	\$ 56,109,595
Accounts Receivable	62	2,201,554	2,201,616	904,726
Prepaid Items	117,456	-	117,456	16,071
TOTAL ASSETS	\$ 13,560,391	\$ 62,145,283	\$ 75,705,674	\$ 57,030,392
<u>LIABILITIES</u>				
Current Liabilities:				
Salaries Payable	\$ 10,928	\$ 70	\$ 10,998	\$ 1,999
Vouchers and				
Accounts Payable	175,880	5,655,236	5,831,116	3,614,312
Unearned Revenue	-	7,863,495	7,863,495	7,852,354
Estimated Claims and				
Judgments (due within				
one year)	5,978,250	6,996,000	12,974,250	11,018,250
Total Current Liabilities	\$ 6,165,058	\$ 20,514,801	\$ 26,679,859	\$ 22,486,915
Noncurrent Liabilities:				
Estimated Claims and				
Judgments (due in more				
than one year)	1,992,750	2,332,000	4,324,750	3,672,750
TOTAL LIABILITIES	\$ 8,157,808	\$ 22,846,801	\$ 31,004,609	\$ 26,159,665
<u>NET POSITION</u>				
Unrestricted	\$ 5,402,583	\$ 39,298,482	\$ 44,701,065	\$ 30,870,727
TOTAL NET POSITION	\$ 5,402,583	\$ 39,298,482	\$ 44,701,065	\$ 30,870,727

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
with comparative totals for the year ended June 30, 2017

	School Risk Management	School Health Insurance	Totals	
			2018	2017
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 6,805,724	\$ 149,055,932	\$ 155,861,656	\$ 153,000,227
Miscellaneous Revenue	167,452	-	167,452	15,608
Total Operating Revenues	<u>\$ 6,973,176</u>	<u>\$ 149,055,932</u>	<u>\$ 156,029,108</u>	<u>\$ 153,015,835</u>
<u>OPERATING EXPENSES</u>				
Personnel Services	\$ 284,668	\$ 352,049	\$ 636,717	\$ 702,265
Fringe Benefits	105,547	140,656	246,203	248,867
Purchased Services	347,398	1,418,965	1,766,363	1,476,287
Other Charges	5,828,193	134,455,694	140,283,887	136,955,107
Total Operating Expenses	<u>\$ 6,565,806</u>	<u>\$ 136,367,364</u>	<u>\$ 142,933,170</u>	<u>\$ 139,382,526</u>
<u>OPERATING INCOME (LOSS)</u>	<u>\$ 407,370</u>	<u>\$ 12,688,568</u>	<u>\$ 13,095,938</u>	<u>\$ 13,633,309</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	\$ 129,796	\$ 379,765	\$ 509,561	\$ 222,949
Federal Government (FEMA)	224,839	-	224,839	-
Total Nonoperating Revenues (Expenses)	<u>\$ 354,635</u>	<u>\$ 379,765</u>	<u>\$ 734,400</u>	<u>\$ 222,949</u>
<u>CHANGES IN NET POSITION</u>	<u>\$ 762,005</u>	<u>\$ 13,068,333</u>	<u>\$ 13,830,338</u>	<u>\$ 13,856,258</u>
<u>TOTAL NET POSITION - JULY 1</u>	<u>4,640,578</u>	<u>26,230,149</u>	<u>30,870,727</u>	<u>17,014,469</u>
<u>TOTAL NET POSITION - JUNE 30</u>	<u>\$ 5,402,583</u>	<u>\$ 39,298,482</u>	<u>\$ 44,701,065</u>	<u>\$ 30,870,727</u>

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
with comparative totals for the year ended June 30, 2017

	School Risk Management	School Health Insurance	Totals	
			2018	2017
<u>CASH FLOWS FROM OPERATING</u>				
<u>ACTIVITIES:</u>				
Receipts from Customers and Users	\$ 6,973,114	\$ 147,770,245	\$ 154,743,359	\$ 153,532,131
Payments to Vendors for Goods/Services	(5,967,214)	(131,359,617)	(137,326,831)	(138,254,016)
Payments to Employees for Services	(381,239)	(492,682)	(873,921)	(949,362)
Net Cash Provided (Used) By Operating Activities	<u>\$ 624,661</u>	<u>\$ 15,917,946</u>	<u>\$ 16,542,607</u>	<u>\$ 14,328,753</u>
<u>CASH FLOWS FROM NONCAPITAL</u>				
<u>FINANCING ACTIVITIES:</u>				
Intergovernmental Receipts	224,839	-	224,839	-
<u>CASH FLOWS FROM INVESTING</u>				
<u>ACTIVITIES:</u>				
Interest Received on Investments	129,796	379,765	509,561	222,949
<u>NET INCREASE IN</u>				
<u>CASH AND INVESTMENTS</u>				
	\$ 979,296	\$ 16,297,711	\$ 17,277,007	\$ 14,551,702
<u>CASH AND INVESTMENTS,</u>				
<u>BEGINNING OF YEAR</u>				
	12,463,577	43,646,018	56,109,595	41,557,893
<u>CASH AND INVESTMENTS,</u>				
<u>END OF YEAR</u>				
	<u>\$ 13,442,873</u>	<u>\$ 59,943,729</u>	<u>\$ 73,386,602</u>	<u>\$ 56,109,595</u>
<u>RECONCILIATION OF OPERATING INCOME</u>				
<u>(LOSS) TO NET CASH PROVIDED</u>				
<u>(USED) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 407,370	\$ 12,688,568	\$ 13,095,938	\$ 13,633,309
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
(Increase) Decrease in Assets				
Accounts Receivable	\$ (62)	\$ (1,296,828)	\$ (1,296,890)	\$ 27,477
Prepaid Items	(101,385)	-	(101,385)	194,809
Increase (Decrease) in Liabilities				
Salaries Payable	8,976	23	8,999	1,770
Vouchers and Accounts Payable	(294,238)	2,511,042	2,216,804	384,569
Unearned Revenue	-	11,141	11,141	488,819
Estimated Claims and Judgments	604,000	2,004,000	2,608,000	(402,000)
Total Adjustments	<u>\$ 217,291</u>	<u>\$ 3,229,378</u>	<u>\$ 3,446,669</u>	<u>\$ 695,444</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 624,661</u>	<u>\$ 15,917,946</u>	<u>\$ 16,542,607</u>	<u>\$ 14,328,753</u>

AGENCY FUNDS

The Agency Funds are used to account for the assets held by the School Board as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency Funds do not involve the measurement of results of operations, as they are custodial in nature (assets equal liabilities). The School Board has the following Agency Funds:

Payroll Deductions - accounts for employee payroll deductions.

Fringe Benefits - accounts for the School Board contributions for certain fringe benefits (e.g., life insurance, retirement).

School Activity Accounts - accounts for the individual school activity accounts.

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>PAYROLL DEDUCTIONS</u>				
<u>ASSETS</u>				
Cash and Investments	\$ 5,324,166	\$ 143,269,274	\$ 144,652,933	\$ 3,940,507
Accounts Receivable	72,030	75,238	72,030	75,238
TOTAL ASSETS	<u>\$ 5,396,196</u>	<u>\$ 143,344,512</u>	<u>\$ 144,724,963</u>	<u>\$ 4,015,745</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	<u>\$ 5,396,196</u>	<u>\$ 143,344,512</u>	<u>\$ 144,724,963</u>	<u>\$ 4,015,745</u>
<u>FRINGE BENEFITS</u>				
<u>ASSETS</u>				
Cash and Investments	\$ 9,279,882	\$ 116,856,344	\$ 114,738,124	\$ 11,398,102
TOTAL ASSETS	<u>\$ 9,279,882</u>	<u>\$ 116,856,344</u>	<u>\$ 114,738,124</u>	<u>\$ 11,398,102</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	<u>\$ 9,279,882</u>	<u>\$ 116,856,344</u>	<u>\$ 114,738,124</u>	<u>\$ 11,398,102</u>
<u>SCHOOL ACTIVITY ACCOUNTS</u>				
<u>ASSETS</u>				
Cash and Investments	<u>\$ 3,553,389</u>	<u>\$ 10,667,485</u>	<u>\$ 10,227,888</u>	<u>\$ 3,992,986</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	<u>\$ 3,553,389</u>	<u>\$ 10,667,485</u>	<u>\$ 10,227,888</u>	<u>\$ 3,992,986</u>
<u>TOTAL - AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and Investments	\$ 18,157,437	\$ 270,793,103	\$ 269,618,945	\$ 19,331,595
Accounts Receivable	72,030	75,238	72,030	75,238
TOTAL ASSETS	<u>\$ 18,229,467</u>	<u>\$ 270,868,341</u>	<u>\$ 269,690,975</u>	<u>\$ 19,406,833</u>
<u>LIABILITIES</u>				
Vouchers and Accounts Payable	<u>\$ 18,229,467</u>	<u>\$ 270,868,341</u>	<u>\$ 269,690,975</u>	<u>\$ 19,406,833</u>
TOTAL LIABILITIES	<u>\$ 18,229,467</u>	<u>\$ 270,868,341</u>	<u>\$ 269,690,975</u>	<u>\$ 19,406,833</u>

STATISTICAL SECTION

This part of the School Board of the City of Virginia Beach Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School Board’s financial health. These tables are unaudited.

<u>Contents</u>	<u>Tables</u>
<p>Financial Trends</p> <p>These tables contain trend information to help the reader understand how the School Board’s financial performance and well-being have changed over time.</p>	<p>1 – 10</p>
<p>Operating Information</p> <p>These tables contain service and infrastructure data to help the reader understand how the information in the School Board’s financial report relates to the services the School Board provides and the activities it performs.</p>	<p>11 – 24</p>
<p>Demographic and Economic Information</p> <p>These tables offer demographic and economic indicators to help the reader understand the environment within which the School Board’s financial activities take place.</p>	<p>25 – 29</p>
<p>Revenue Capacity</p> <p>These tables contain information to help the reader assess the factors affecting the City’s ability to generate property taxes. Additional information can be found in the City of Virginia Beach Comprehensive Annual Financial Report.</p>	<p>30 – 33</p>
<p>Debt Capacity</p> <p>These tables present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future. Additional information can be found in the City of Virginia Beach Comprehensive Annual Financial Report.</p>	<p>34 – 35</p>

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

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GOVERNMENT-WIDE NET POSITION BY COMPONENT
Last Ten Fiscal Years (unaudited)

	Fiscal Year			
	2009	2010	2011	2012
NET POSITION (DEFICIT)				
Invested in Capital Assets	\$ 384,102,886	\$ 411,565,763	\$ 449,745,865	\$ 484,947,961
Restricted for:				
Capital Projects	69,172,375	60,912,528	20,622,399	5,465,425
Grants	674,003	893,092	903,582	1,205,050
Cafeterias	-	-	2,702,932	3,402,900
Textbooks	-	-	22,042,950	17,964,543
Unrestricted (Deficit)	<u>88,547,813</u>	<u>98,003,621</u>	<u>78,081,876</u>	<u>25,924,228</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ 542,497,077</u></u>	<u><u>\$ 571,375,004</u></u>	<u><u>\$ 574,099,604</u></u>	<u><u>\$ 538,910,107</u></u>

Note: Governmental Accounting Standards Board Statement Number 68 on Accounting and Financial Reporting for Pensions was implemented in fiscal year 2015. The July 1, 2014 Net Position amount was restated, as financial information for fiscal years prior to 2014 is not available.

Governmental Accounting Standards Board Statement Number 75 on Accounting and Financial Reporting for Postemployment Benefits other than Pensions was implemented in fiscal year 2018. The July 1, 2017 Net Position amount was restated, as financial information for fiscal years prior to 2017 is not available.

Table 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 503,613,147	\$ 492,959,880	\$ 501,205,889	\$ 503,106,097	\$ 532,437,468	\$ 535,329,375
-	15,947,262	13,318,732	20,731,125	-	6,661,276
1,060,524	1,058,973	456,630	759,498	954,050	1,431,040
3,825,795	4,556,868	4,469,528	7,029,421	9,290,189	11,657,774
16,044,853	16,247,585	11,688,657	8,447,356	7,120,780	8,013,741
<u>4,805,735</u>	<u>(703,842,498)</u>	<u>(692,029,291)</u>	<u>(658,386,368)</u>	<u>(793,944,228)</u>	<u>(758,447,740)</u>
<u>\$ 529,350,054</u>	<u>\$ (173,071,930)</u>	<u>\$ (160,889,855)</u>	<u>\$ (118,312,871)</u>	<u>\$ (244,141,741)</u>	<u>\$ (195,354,534)</u>

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GOVERNMENT-WIDE CHANGES IN NET POSITION
Last Ten Fiscal Years (unaudited)

	Fiscal Year			
	2009	2010	2011	2012
Expenses:				
Governmental Activities:				
Instruction	\$ 602,074,151	\$ 574,177,165	\$ 567,568,792	\$ 573,843,860
Admin, Attendance, & Health	20,480,010	19,076,315	18,401,916	19,526,549
Pupil Transportation	31,046,691	31,772,212	36,105,660	34,922,875
Operations and Maintenance	106,804,955	90,426,163	93,664,818	93,706,524
Cafeterias	25,803,414	26,140,730	26,113,779	27,294,432
Technology	-	32,344,399	44,830,758	47,835,843
Total Expenses	\$ 786,209,221	\$ 773,936,984	\$ 786,685,723	\$ 797,130,083
Program Revenues:				
Governmental Activities:				
Charges for Services:				
Instruction	\$ 3,134,713	\$ 2,756,285	\$ 3,185,029	\$ 3,212,855
Operations and Maintenance	440,686	422,026	367,908	332,257
Cafeterias	14,126,748	13,480,969	13,276,414	12,772,266
Technology	-	370,529	438,046	447,530
Operating Grants and Contributions	133,607,276	143,007,213	146,074,200	149,600,791
Capital Grants and Contributions	11,075,378	9,445,175	9,710,467	1,812,470
Total Program Revenues	\$ 162,384,801	\$ 169,482,197	\$ 173,052,064	\$ 168,178,169
Net Expenses	\$ (623,824,420)	\$ (604,454,787)	\$ (613,633,659)	\$ (628,951,914)
General Revenues:				
Local Sources:				
Local Government	\$ 384,210,051	\$ 361,465,466	\$ 371,517,109	\$ 343,802,519
Miscellaneous	461,504	6,283,791	964,435	841,995
Federal and State Aid not Restricted to Specific Purposes:				
State Basic Aid	217,584,685	181,102,083	159,342,761	165,011,640
State Sales Tax	69,168,038	66,688,947	70,058,126	72,266,667
Federal Impact Aid	11,437,201	17,057,468	13,987,750	11,630,646
Interest Earnings	2,339,038	734,959	488,078	208,950
Total General Revenues	\$ 685,200,517	\$ 633,332,714	\$ 616,358,259	\$ 593,762,417
Change in Net Position	\$ 61,376,097	\$ 28,877,927	\$ 2,724,600	\$ (35,189,497)

Note: Beginning in fiscal year 2010, the Technology governmental activity is separately reported. Financial information for fiscal years prior to 2010 is not available.

Governmental Accounting Standards Board Statement Number 68 on Accounting and Financial Reporting for Pensions was implemented in fiscal year 2015. The Change in Net Position for fiscal year 2015 reflects this implementation (net of the allocation of pension expense to the various governmental activities), as financial information for fiscal years prior to 2015 is not available.

Governmental Accounting Standards Board Statement Number 75 on Accounting and Financial Reporting for Postemployment Benefits other than Pensions was implemented in fiscal year 2018. The Change in Net Position for fiscal year 2018 reflects this implementation (net of the allocation of OPEB expense to the various governmental activities), as financial information for fiscal years prior to 2018 is not available.

Table 2

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 577,046,558	\$ 587,975,312	\$ 573,574,157	\$ 568,912,291	\$ 556,632,508	\$ 606,761,992	
20,504,499	20,499,059	20,641,696	20,989,423	22,840,163	22,901,450	
34,224,798	33,585,459	33,364,815	30,739,249	32,950,076	35,690,694	
89,634,735	88,060,958	88,194,131	86,966,670	91,477,591	91,293,238	
26,525,914	28,720,848	27,720,826	26,288,628	27,285,112	27,773,627	
36,593,114	36,119,783	38,168,996	38,714,083	43,036,289	45,753,930	
<u>\$ 784,529,618</u>	<u>\$ 794,961,419</u>	<u>\$ 781,664,621</u>	<u>\$ 772,610,344</u>	<u>\$ 774,221,739</u>	<u>\$ 830,174,931</u>	
\$ 2,530,353	\$ 2,841,159	\$ 2,735,642	\$ 2,696,121	\$ 1,814,028	\$ 2,062,220	
424,637	456,559	597,144	628,300	452,171	499,341	
12,195,744	12,047,776	10,591,205	11,266,046	10,911,183	10,620,849	
829,946	620,441	625,937	485,887	1,240,136	1,142,166	
134,612,328	143,414,642	141,961,728	142,463,184	146,611,635	164,134,388	
-	-	-	-	-	-	
<u>\$ 150,593,008</u>	<u>\$ 159,380,577</u>	<u>\$ 156,511,656</u>	<u>\$ 157,539,538</u>	<u>\$ 161,029,153</u>	<u>\$ 178,458,964</u>	
<u>\$ (633,936,610)</u>	<u>\$ (635,580,842)</u>	<u>\$ (625,152,965)</u>	<u>\$ (615,070,806)</u>	<u>\$ (613,192,586)</u>	<u>\$ (651,715,967)</u>	
\$ 368,549,605	\$ 392,169,735	\$ 378,687,744	\$ 403,461,767	\$ 369,406,287	\$ 437,309,444	
655,857	530,505	842,365	399,783	450,772	649,331	
166,739,680	167,421,241	175,008,994	172,363,914	178,909,703	178,412,666	
68,889,270	67,915,112	70,376,559	72,382,607	73,084,563	74,264,875	
19,404,512	10,145,630	12,314,580	8,886,385	11,264,563	9,452,678	
137,633	145,635	104,798	153,334	245,828	414,180	
<u>\$ 624,376,557</u>	<u>\$ 638,327,858</u>	<u>\$ 637,335,040</u>	<u>\$ 657,647,790</u>	<u>\$ 633,361,716</u>	<u>\$ 700,503,174</u>	
<u>\$ (9,560,053)</u>	<u>\$ 2,747,016</u>	<u>\$ 12,182,075</u>	<u>\$ 42,576,984</u>	<u>\$ 20,169,130</u>	<u>\$ 48,787,207</u>	

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
 Last Ten Fiscal Years (unaudited)

Fiscal Year	Total Expenses	Instruction		Adminis- tration, Attendance & Health		Pupil Trans- portation		Operations and Maintenance		Cafeterias		Technology	
			%		%		%		%		%		%
2009	\$786,209,221	\$602,074,151	76.6	\$20,480,010	2.6	\$31,046,691	3.9	\$106,804,955	13.6	\$25,803,414	3.3	-	-
2010	773,936,984	574,177,165	74.2	19,076,315	2.5	31,772,212	4.1	90,426,163	11.7	26,140,730	3.4	\$32,344,399	4.1
2011	786,685,723	567,568,792	72.1	18,401,916	2.3	36,105,660	4.6	93,664,818	11.9	26,113,779	3.3	44,830,758	5.8
2012	797,130,083	573,843,860	72.0	19,526,549	2.4	34,922,875	4.4	93,706,524	11.8	27,294,432	3.4	47,835,843	6.0
2013	784,529,618	577,046,558	73.6	20,504,499	2.6	34,224,798	4.4	89,634,735	11.4	26,525,914	3.4	36,593,114	4.6
2014	794,961,419	587,975,312	74.0	20,499,059	2.6	33,585,459	4.2	88,060,958	11.1	28,720,848	3.6	36,119,783	4.5
2015	781,664,621	573,574,157	73.4	20,641,696	2.6	33,364,815	4.3	88,194,131	11.3	27,720,826	3.5	38,168,996	4.9
2016	772,610,344	568,912,291	73.6	20,989,423	2.7	30,739,249	4.0	86,966,670	11.3	26,288,628	3.4	38,714,083	5.0
2017	774,221,739	556,632,508	71.9	22,840,163	3.0	32,950,076	4.3	91,477,591	11.8	27,285,112	3.5	43,036,289	5.5
2018	830,174,931	606,761,992	73.1	22,901,450	2.8	35,690,694	4.3	91,293,238	11.0	27,773,627	3.3	45,753,930	5.5

Note: Beginning in fiscal year 2010, the Technology governmental activity is separately reported. Financial information for fiscal years prior to 2010 is not available.

Governmental Accounting Standards Board Statement Number 68 on Accounting and Financial Reporting for Pensions was implemented in fiscal year 2015. The Total Expenses for fiscal year 2015 reflects this implementation (net of the allocation of pension expense to the various governmental activities), as financial information for fiscal years prior to 2015 is not available.

Governmental Accounting Standards Board Statement Number 75 on Accounting and Financial Reporting for Postemployment Benefits other than Pensions was implemented in fiscal year 2018. The Change in Net Position for fiscal year 2018 reflects this implementation (net of the allocation of OPEB expense to the various governmental activities), as financial information for fiscal years prior to 2018 is not available.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GOVERNMENT-WIDE REVENUES
Last Ten Fiscal Years (unaudited)

Fiscal Year	Total Revenues	Program Revenues				General Revenues					
		Charges for Services*		Operating and Capital Grants and Contributions		Local Sources	%	Federal and State Aid**		Interest Earnings	%
			%		%				%		
2009	\$847,585,318	\$17,702,147	2.1	\$144,682,654	17.1	\$384,671,555	45.4	\$298,189,924	35.2	\$2,339,038	0.2
2010	802,814,911	17,029,809	2.1	152,452,388	19.0	367,749,257	45.8	264,848,498	33.0	734,959	0.1
2011	789,410,323	17,267,397	2.2	155,784,667	19.7	372,481,544	47.2	243,388,637	30.8	488,078	0.1
2012	761,940,586	16,764,908	2.2	151,413,261	19.9	344,644,514	45.2	248,908,953	32.7	208,950	0.0
2013	774,969,565	15,980,680	2.1	134,612,328	17.4	369,205,462	47.6	255,033,462	32.9	137,633	0.0
2014	797,708,435	15,965,935	2.0	143,414,642	18.0	392,700,240	49.2	245,481,983	30.8	145,635	0.0
2015	793,846,696	14,549,928	1.8	141,961,728	17.9	379,530,109	47.8	257,700,133	32.5	104,798	0.0
2016	815,187,328	15,076,354	1.8	142,463,184	17.5	403,861,550	49.5	253,632,906	31.1	153,334	0.1
2017	794,390,869	14,417,518	1.8	146,611,635	18.5	369,857,059	46.6	263,258,829	33.1	245,828	0.0
2018	878,962,138	14,324,576	1.6	164,134,388	18.7	437,958,775	49.8	262,130,219	29.8	414,180	0.1

* See Table 2 for Charges for Services categories

** Not restricted to specific programs

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years (unaudited)

	Fiscal Year			
	2009	2010	2011	2012
General Fund:				
Reserved for:				
Encumbrances	\$ 15,420,804	\$ 17,799,721		
Prepaid Items	430,209	232,296		
<i>Nonspendable</i>	-	-	\$ 600,039	\$ 357,968
<i>Assigned</i>	-	-	31,918,365	11,626,203
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance - General Fund	<u>\$ 15,851,013</u>	<u>\$ 18,032,017</u>	<u>\$ 32,518,404</u>	<u>\$ 11,984,171</u>
All Other Governmental Funds:				
Reserved for:				
Encumbrances	\$ 33,532,579	\$ 64,124,641		
Inventories	1,207,205	928,866		
Prepaid Items	92,279	50,794		
Unreserved, reported in:				
Designated:				
Capital Projects Fund	35,699,416	102,796		
Special Revenue Funds	8,365,033	10,570,187		
Undesignated:				
Special Revenue Funds	35,185,104	35,535,768		
<i>Nonspendable:</i>				
<i>Special Revenue Funds</i>	-	-	\$ 1,014,413	\$ 1,326,178
<i>Restricted:</i>				
<i>Special Revenue Funds</i>	-	-	25,649,464	22,218,911
<i>Capital Projects Funds</i>	-	-	20,622,399	5,465,425
<i>Committed:</i>				
<i>Special Revenue Funds</i>	-	-	4,549,561	4,600,173
<i>Capital Projects Funds</i>	-	-	23,487,476	9,055,815
<i>Unassigned:</i>				
<i>Capital Projects Funds</i>	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance - Other Governmental Funds	<u>\$ 114,081,616</u>	<u>\$ 111,313,052</u>	<u>\$ 75,323,313</u>	<u>\$ 42,666,502</u>

Note: Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the above fund balance classifications (*in italics*), was adopted by the School Board as of July 1, 2010. Hence, the financial information for fiscal years prior to 2011 is not available.

Table 5

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 511,177	\$ 761,330	\$ 1,095,915	\$ 844,003	\$ 1,078,381	\$ 645,312
<u>5,651,929</u>	<u>6,588,302</u>	<u>9,667,446</u>	<u>8,392,352</u>	<u>8,735,155</u>	<u>7,873,059</u>
<u>\$ 6,163,106</u>	<u>\$ 7,349,632</u>	<u>\$ 10,763,361</u>	<u>\$ 9,236,355</u>	<u>\$ 9,813,536</u>	<u>\$ 8,518,371</u>
\$ 1,284,493	\$ 777,040	\$ 489,714	\$ 1,734,207	\$ 638,339	\$ 633,098
20,777,535	21,863,426	16,614,815	16,236,275	17,365,019	21,102,555
-	15,947,262	13,318,732	20,731,125	-	6,661,276
4,837,677	4,527,805	4,177,903	4,295,854	4,029,283	3,791,806
6,839,100	3,298,600	437,953	528,628	-	5,204,160
<u>(3,403,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,469,152)</u>	<u>-</u>
<u>\$ 30,335,140</u>	<u>\$ 46,414,133</u>	<u>\$ 35,039,117</u>	<u>\$ 43,526,089</u>	<u>\$ 19,563,489</u>	<u>\$ 37,392,895</u>

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years (unaudited)

	Fiscal Year			
	2009	2010	2011	2012
REVENUES				
From Use of Money and Property	\$ 3,146,373	\$ 1,527,514	\$ 1,045,325	\$ 901,726
Charges for Services	16,192,326	15,542,788	15,173,514	14,540,665
Miscellaneous	1,544,296	6,983,533	2,080,042	2,317,353
From Local Government	384,210,051	361,465,466	371,517,109	343,802,519
From Commonwealth	385,248,073	330,863,697	309,842,580	315,182,365
From Federal Government	57,244,199	86,431,913	89,256,381	84,973,890
Total Revenues	<u>\$ 847,585,318</u>	<u>\$ 802,814,911</u>	<u>\$ 788,914,951</u>	<u>\$ 761,718,518</u>
EXPENDITURES				
Current:				
Instruction	\$ 585,463,504	\$ 552,368,410	\$ 535,455,491	\$ 548,953,371
Admin, Attendance, & Health	20,264,766	18,988,180	18,279,083	19,064,917
Pupil Transportation	33,354,153	31,579,245	34,411,971	29,582,245
Operations and Maintenance	110,441,124	91,466,557	96,905,759	93,526,365
Cafeterias	26,084,462	25,983,743	25,899,229	26,474,564
Technology	-	30,462,146	43,577,282	45,877,615
Capital Outlay	73,089,520	52,554,190	56,384,860	57,152,553
Total Expenditures	<u>\$ 848,697,529</u>	<u>\$ 803,402,471</u>	<u>\$ 810,913,675</u>	<u>\$ 820,631,630</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ (1,112,211)</u>	<u>\$ (587,560)</u>	<u>\$ (21,998,724)</u>	<u>\$ (58,913,112)</u>
OTHER FINANCING SOURCES				
(USES)				
Transfers In	\$ 9,814,672	\$ 19,093,344	\$ 2,930,631	\$ 8,494,199
Transfers Out	(9,814,672)	(19,093,344)	(2,930,631)	(2,994,199)
Sale of Capital Assets	-	-	495,372	222,068
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 495,372</u>	<u>\$ 5,722,068</u>
NET CHANGE IN				
FUND BALANCES	<u>\$ (1,112,211)</u>	<u>\$ (587,560)</u>	<u>\$ (21,503,352)</u>	<u>\$ (53,191,044)</u>

Note: Beginning in fiscal year 2010, the Technology category is separately reported. Beginning in fiscal year 2011, Sale of Capital Assets is separately reported and the Cafeterias category is separately reported retroactively. Financial information relating to the Technology category and Sale of Capital Assets for fiscal years prior to 2010 and 2011, respectively, is not available.

Table 6

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 898,066	\$ 990,556	\$ 1,112,326	\$ 1,187,026	\$ 1,093,227	\$ 1,238,870	
13,760,887	13,586,261	11,921,719	12,273,570	11,541,968	11,462,227	
2,150,879	2,411,989	2,717,149	2,366,701	2,637,731	2,863,240	
368,549,605	392,169,735	378,687,744	403,461,767	365,906,287	437,309,444	
318,519,061	326,629,536	334,562,449	335,531,412	345,823,565	362,609,420	
70,800,124	61,914,947	64,845,309	60,351,137	63,760,864	63,260,548	
<u>\$ 774,678,622</u>	<u>\$ 797,703,024</u>	<u>\$ 793,846,696</u>	<u>\$ 815,171,613</u>	<u>\$ 790,763,642</u>	<u>\$ 878,743,749</u>	
\$ 552,817,372	\$ 549,280,427	\$ 571,442,017	\$ 566,161,730	\$ 574,348,290	\$ 592,155,106	
20,158,024	20,265,565	21,039,188	21,867,909	23,250,610	23,789,953	
30,850,164	31,613,426	29,783,772	30,772,076	35,791,636	46,032,851	
88,576,353	87,673,842	89,729,140	91,231,416	93,264,383	94,283,880	
26,139,487	28,369,866	28,051,308	27,118,359	27,623,959	28,378,336	
36,174,823	35,732,637	35,714,932	37,060,489	41,769,006	45,954,174	
38,405,769	27,507,153	26,047,626	34,015,383	21,728,403	31,833,597	
<u>\$ 793,121,992</u>	<u>\$ 780,442,916</u>	<u>\$ 801,807,983</u>	<u>\$ 808,227,362</u>	<u>\$ 817,776,287</u>	<u>\$ 862,427,897</u>	
\$ (18,443,370)	\$ 17,260,108	\$ (7,961,287)	\$ 6,944,251	\$ (27,012,645)	\$ 16,315,852	
\$ 3,059,471	\$ 3,185,724	\$ 3,146,753	\$ 3,213,930	\$ 3,323,272	\$ 3,653,090	
(3,059,471)	(3,185,724)	(3,146,753)	(3,213,930)	(3,323,272)	(3,653,090)	
290,943	5,411	-	15,715	3,627,226	218,389	
<u>\$ 290,943</u>	<u>\$ 5,411</u>	<u>\$ -</u>	<u>\$ 15,715</u>	<u>\$ 3,627,226</u>	<u>\$ 218,389</u>	
\$ (18,152,427)	\$ 17,265,519	\$ (7,961,287)	\$ 6,959,966	\$ (23,385,419)	\$ 16,534,241	

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES BY FUNCTION
Last Ten Fiscal Years (unaudited)

Fiscal Year	Total Expenditures and Other Financing Uses	Instruction		Administration, Attendance, & Health		Pupil Transportation		Operations and Maintenance		Technology		Transfers	
			%		%		%		%		%		%
2009	\$695,764,181	\$519,980,975	74.7	\$19,160,164	2.8	\$33,326,146	4.8	\$90,159,213	13.0	\$27,510,126	4.0	\$5,627,557	0.7
2010	662,431,419	496,533,051	75.0	18,988,180	2.9	31,579,245	4.8	83,235,799	12.6	24,198,885	3.7	7,896,259	1.0
2011	663,255,264	483,132,547	72.8	18,279,083	2.8	33,859,385	5.1	86,228,344	13.0	38,825,274	5.9	2,930,631	0.4
2012	656,882,672	477,573,144	72.7	19,064,917	2.9	29,578,124	4.5	88,326,990	13.4	39,345,298	6.0	2,994,199	0.5
2013	675,262,669	506,336,353	75.0	20,158,024	3.0	30,850,164	4.6	85,225,055	12.6	29,633,602	4.4	3,059,471	0.4
2014	667,719,887	501,762,265	75.1	20,265,565	3.0	31,613,426	4.7	84,881,195	12.7	26,011,712	3.9	3,185,724	0.6
2015	687,695,797	521,306,637	75.8	21,039,188	3.1	29,783,772	4.3	85,027,241	12.4	27,392,206	4.0	3,146,753	0.4
2016	693,674,811	522,827,006	75.4	21,867,909	3.2	30,772,076	4.4	85,640,251	12.3	29,353,639	4.2	3,213,930	0.5
2017	710,946,618	531,207,956	74.7	23,250,610	3.3	35,791,636	5.0	85,737,273	12.1	31,635,871	4.4	3,323,272	0.5
2018	748,530,406	551,099,344	73.6	23,789,953	3.2	46,032,851	6.1	86,706,179	11.6	37,248,989	5.0	3,653,090	0.5

Note: This table represents financial data of the School Operating Fund.

Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires for reporting purposes the School Athletics and School Instructional Technology Funds be included (retroactively beginning in fiscal year 2011) in the above table with the School Operating Fund, was adopted by the School Board as of July 1, 2010.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GENERAL FUND REVENUES BY SOURCE
Last Ten Fiscal Years (unaudited)

Fiscal Year	Total Revenues	City of Virginia Beach		Commonwealth of Virginia		State Sales Tax		Federal Government		Other Revenues*	
			%		%		%		%		%
2009	\$701,884,797	\$321,862,271	45.9	\$292,200,624	41.6	\$69,168,038	9.9	\$14,100,023	2.0	\$4,553,841	0.6
2010	671,428,700	318,692,326	47.5	250,368,861	37.3	66,688,947	9.9	32,229,078	4.8	3,449,488	0.5
2011	657,614,497	328,999,336	50.0	231,079,376	35.1	70,058,126	10.7	23,150,301	3.5	4,327,358	0.7
2012	636,348,439	307,940,295	48.4	233,276,203	36.7	72,266,667	11.4	13,155,684	2.1	9,709,590	1.4
2012*	669,441,604	337,975,782	50.5	238,513,521	35.6	68,889,270	10.3	20,486,105	3.1	3,576,926	0.5
2014	668,901,002	341,558,045	51.1	243,244,523	36.4	67,915,112	10.2	12,316,895	1.8	3,866,427	0.5
2015	691,109,526	352,191,199	51.0	250,173,015	36.2	70,376,559	10.2	14,290,941	2.1	4,077,812	0.5
2016	692,132,090	355,706,910	51.4	249,585,001	36.1	72,382,607	10.5	10,984,116	1.6	3,473,456	0.4
2017	711,396,573	361,314,303	50.8	260,283,753	36.6	73,084,563	10.3	13,464,377	1.9	3,249,577	0.4
2018	747,016,852	383,296,606	51.3	273,210,535	36.6	74,264,875	9.9	12,614,392	1.7	3,630,444	0.5

Note: This table represents financial data of the School Operating Fund.

Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires for reporting purposes the School Athletics and School Instructional Technology Funds be included (retroactively beginning in fiscal year 2011) in the above table with the School Operating Fund, was adopted by the School Board as of July 1, 2010.

* The Other Revenues column for Fiscal Year 2012 includes \$5,500,000 transferred from the Risk Management Internal Service Fund.

Other Financial Data

Fiscal Year	June 30 Reversion to City	June 30 Fund Balance	Debt Service
2009	\$14,868,382	\$15,851,013	-
2010	17,691,437	18,032,017	-
2011	9,654,107	32,518,404	-
2012	15,954,726	11,984,171	\$44,337,710
2013	18,831,522	6,163,106	44,747,986
2014	15,554,787	7,349,632	42,537,774
2015	12,316,533	10,763,361	44,986,273
2016	15,583,197	9,236,355	44,115,909
2017	17,063,890	9,813,536	45,704,383
2018	22,881,964	8,518,371	42,173,255

Note: The above Other Financial Data presents the amount of cash that was necessary to revert to the City to yield a fund balance equal to the outstanding encumbrances and prepaid items at June 30 of each fiscal year, except after Fiscal Year 2010 it includes the fund balances of the School Athletics and School Instructional Technology Funds, as required by GASB #54 for reporting purposes. Beginning in FY 2012, Debt Service Payments (funded by the City) are presented.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
 PER PUPIL FINANCIAL SUPPORT FOR EXPENDITURES BY MAJOR REVENUE SOURCE
 Last Ten Fiscal Years (unaudited)

Fiscal Year	Local Revenues		State Revenues		State Sales Tax Revenues	
	Per Pupil	Per Pupil <i>State Average</i>	Per Pupil	Per Pupil <i>State Average</i>	Per Pupil	Per Pupil <i>State Average</i>
2009	4,790	5,505	4,459	4,175	993	907
2010	4,891	5,423	3,700	3,509	959	890
2011	5,166	5,371	3,469	3,375	1,009	928
2012	5,172	5,549	3,489	3,420	1,035	935
2013	5,237	5,776	3,600	3,652	991	954
2014	5,277	5,823	3,705	3,676	978	959
2015	5,392	5,949	3,828	3,798	1,016	1,004
2016	5,450	6,084	3,835	3,813	1,051	1,036
2017	5,563	6,249	3,986	3,997	1,063	1,055
2018	-	-	-	-	-	-

- Not Available (officially published by the Commonwealth of Virginia, Department of Education)

Note: This table represents the per pupil cost of operations of the Virginia Beach City Public Schools broken down by source of support. The per pupil amount for the Total Expenditures for Operations is the total expenditures of the Local Educational Agency (LEA) minus the amount for the Facilities Function (e.g., Capital Improvement Program), Debt Service, Non LEA Programs, and Capital Outlay Additions to yield Total Expenditures for Operations. The Total Expenditures for Operations include regular day school, school food services, summer school, adult education, athletics, textbooks, and other educational functions.

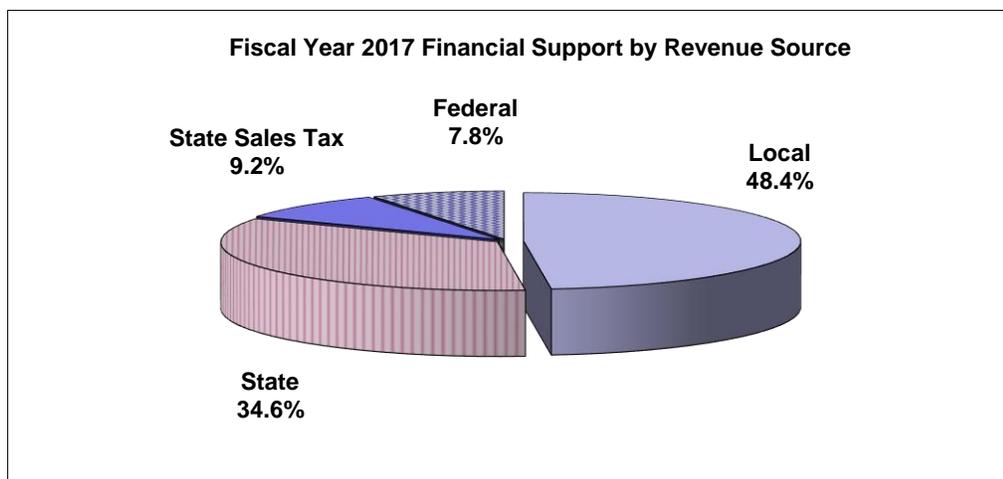
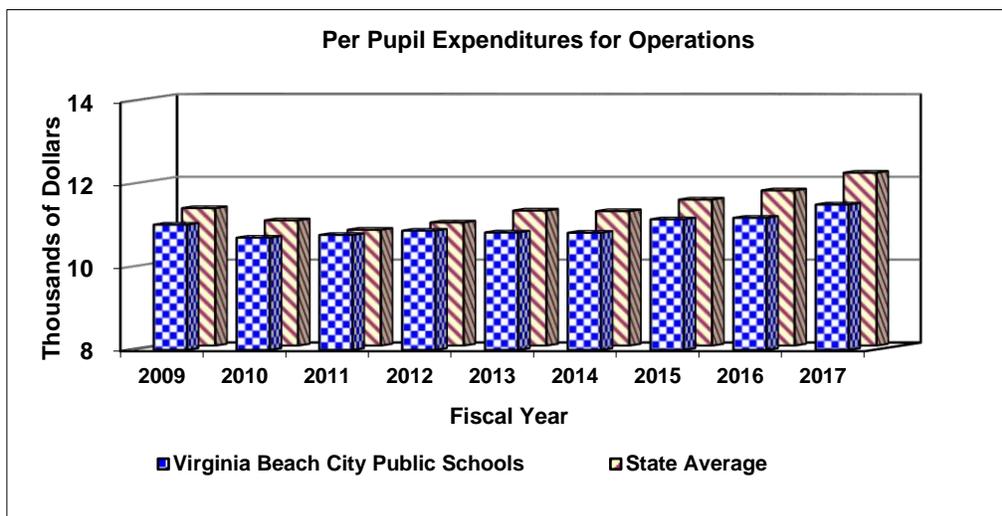
The aforementioned methodology and computations were developed by the Commonwealth of Virginia Department of Education (DOE). The assumption taken by the DOE is that the LEA would spend all of its State money received, all of the Sales Tax money received, and all of its Federal money received, before spending any of the local appropriations and other local receipts. Therefore, the Total Expenditures for Operations is the sum of the State portion, the Sales Tax portion, and the Federal portion, with the local portion (City appropriations and other local receipts) being the remainder after the others have been deducted.

The State amount includes all the monies sent to the LEA by the DOE minus an amount sent by the DOE for the running of the Hospital, Clinics, and Detention Home project and an amount sent by the DOE for vocational equipment. The State Sales Tax is the 1 cent tax on goods and services allocated to a particular LEA (plus a 1/8 of one percent increase allocation). The Federal portion includes all federal funds sent to the LEA directly from the Federal Government or through the State to the LEA minus an amount for additional capital outlay paid for by Federal funds. The local funds portion is equal to the Total Expenditures for Operations minus the amounts for State funds, State Sales Tax, and Federal funds.

Source: Commonwealth of Virginia, Superintendent's Annual Report for Virginia

Fiscal Year	Federal Revenues		Total Expenditures for Operations		ADM for Determining Cost Per Pupil
	Per Pupil	Per Pupil State Average	Per Pupil	Per Pupil State Average	
2009	\$778	\$729	\$11,020	\$11,316	69,654
2010	1,156	1,198	10,706	11,020	69,549
2011	1,128	1,119	10,772	10,793	69,458
2012	1,180	1,065	10,876	10,969	69,856
2013	1,004	875	10,832	11,257	69,512
2014	865	784	10,825	11,242	69,441
2015	914	772	11,150	11,523	69,242
2016	849	812	11,185	11,745	68,880
2017	895	871	11,507	12,172	68,738
2018	-	-	-	-	-

- Not Available (officially published by the Commonwealth of Virginia, Department of Education)



SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
COMPOSITE INDEX OF LOCAL ABILITY-TO-PAY COSTS OF STANDARDS OF QUALITY
 Last Ten Fiscal Years (unaudited)

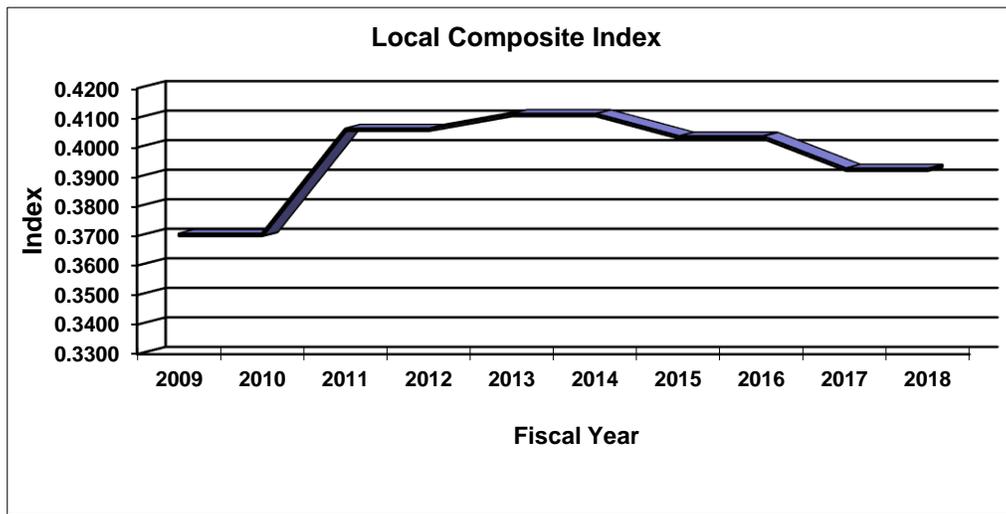
Fiscal Year	Indicators of Ability Base Year	Local Composite Index	Local Share of SOQ Factor
2009	2005	.3704	.4500
2010	2005	.3704	.4500
2011	2007	.4060	.4500
2012	2007	.4060	.4500
2013	2009	.4110	.4500
2014	2009	.4110	.4500
2015	2011	.4034	.4500
2016	2011	.4034	.4500
2017	2013	.3925	.4500
2018	2013	.3925	.4500

Note: The components used in the formula for calculating the school divisions' composite index (used to distribute basic aid, standards of quality, and various other state payments) are:

- True Value of Real Property
- Adjusted Gross Income
- Taxable Retail Sales
- March 31 ADM (year after base year)
- Total Population

The Local Share of Standards of Quality (SOQ) Factor is multiplied by the original calculated local composite index of each school division. This factor provides the apportioned cost of the SOQ between the State and school divisions of average ability to pay as established by the Appropriations Act.

Source: Commonwealth of Virginia, Superintendent's Annual Report for Virginia



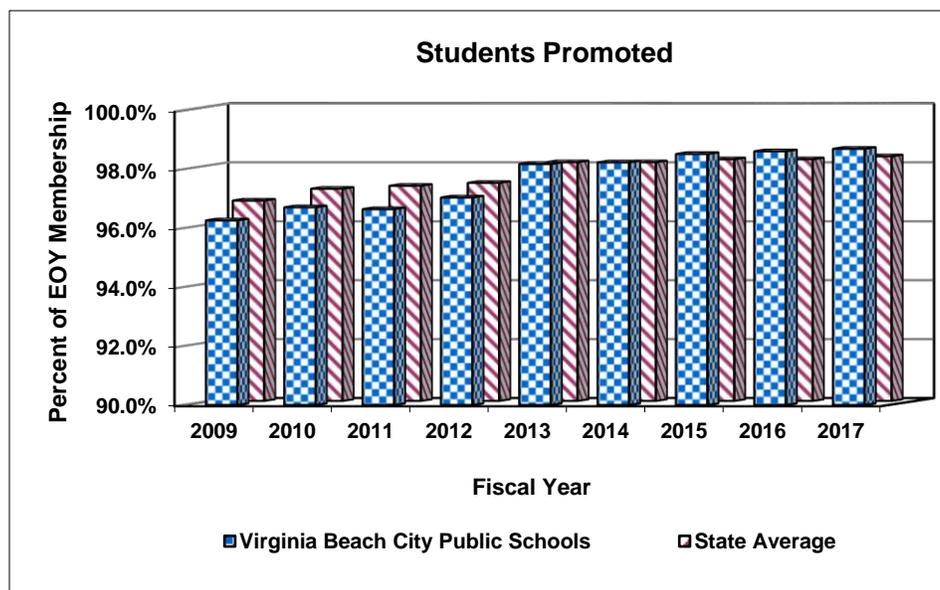
SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
STUDENTS PROMOTED
 Last Ten Fiscal Years (unaudited)

Fiscal Year	End-of-Year Membership	Number Promoted	Percent Promoted	Percent Promoted State Average
2009	69,015	66,438	96.3%	96.8%
2010	68,988	66,718	96.7%	97.2%
2011	68,935	66,624	96.6%	97.3%
2012	68,585	66,558	97.0%	97.4%
2013	69,105	67,847	98.2%	98.1%
2014	69,385	68,160	98.2%	98.1%
2015	68,934	67,914	98.5%	98.2%
2016	68,568	67,616	98.6%	98.2%
2017	67,868	66,983	98.7%	98.3%
2018	-	-	-	-

- Not Available (officially published by the Commonwealth of Virginia, Department of Education)

Note: This table represents the number of pupils promoted as a percentage of end of the year membership. Beginning in fiscal year 2014, the calculation was updated which employs the Virginia Department of Education longitudinal database. This calculation counts the students in the current fiscal year's fall enrollment that were in the same grade for the previous fiscal year's fall enrollment, instead of the students who were identified as retained by the school division on the last day of school. The data is reported to the Commonwealth of Virginia Department of Education by the school divisions.

Source: Commonwealth of Virginia, Superintendent's Annual Report for Virginia



SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
STUDENT ATTENDANCE
Last Ten Fiscal Years (unaudited)

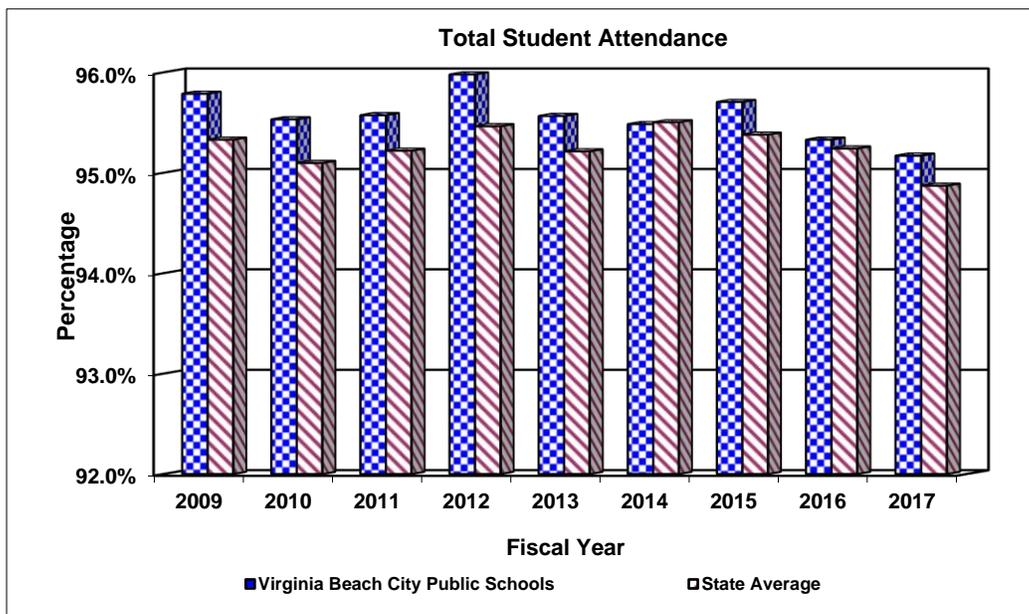
Fiscal Year	Number of Days Taught	Average Daily Membership			Average Daily Attendance		
		Elementary	Secondary	Total	Elementary	Secondary	Total
2009	183	41,840	27,805	69,645	40,235	26,476	66,711
2010	183	41,984	27,602	69,586	40,266	26,211	66,477
2011	183	42,184	27,337	69,521	40,433	26,011	66,444
2012	183	42,519	26,796	69,315	40,984	25,544	66,528
2013	183	42,481	26,509	68,990	40,767	25,164	65,931
2014	183	42,405	26,513	68,918	40,743	25,063	65,806
2015	183	42,122	26,564	68,686	40,512	25,224	65,736
2016	183	41,909	26,335	68,244	40,180	24,877	65,057
2017	180	41,430	26,072	67,502	39,617	24,625	64,242
2018	176	41,331	26,062	67,393	39,587	24,770	64,357

Note: This table represents the average daily membership and the average daily attendance along with the percentage of attendance to membership. Average Daily Membership (ADM) is the average number of students belonging each day in a school system for the period of report. ADM is determined by dividing the sum of the days present and absent of all students when school is in session during a given period by the number of days school is in session during this period.

Source: Commonwealth of Virginia, Superintendent's Annual Report for Virginia (except FY 2018 - school division submission by the Department of Technology)

Fiscal Year	Student Attendance Percent			Student Attendance Percent <i>State Average</i>		
	Elementary	Secondary	Local Average	Elementary	Secondary	<i>State Average</i>
2009	96.2%	95.2%	95.8%	96.0%	94.3%	95.3%
2010	95.9%	95.0%	95.5%	95.7%	94.2%	95.1%
2011	95.8%	95.1%	95.6%	95.8%	94.3%	95.2%
2012	96.4%	95.3%	96.0%	96.1%	94.4%	95.5%
2013	96.0%	94.9%	95.6%	95.7%	94.4%	95.2%
2014	96.1%	94.5%	95.5%	96.1%	94.6%	95.5%
2015	96.2%	95.0%	95.7%	95.9%	94.5%	95.4%
2016	95.9%	94.5%	95.3%	95.8%	94.4%	95.2%
2017	95.6%	94.4%	95.2%	95.4%	94.0%	94.9%
2018	95.8%	95.0%	95.5%	-	-	-

- Not Available (officially published by the Commonwealth of Virginia, Department of Education)



**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
STUDENT DROPOUTS
Last Ten Fiscal Years (unaudited)**

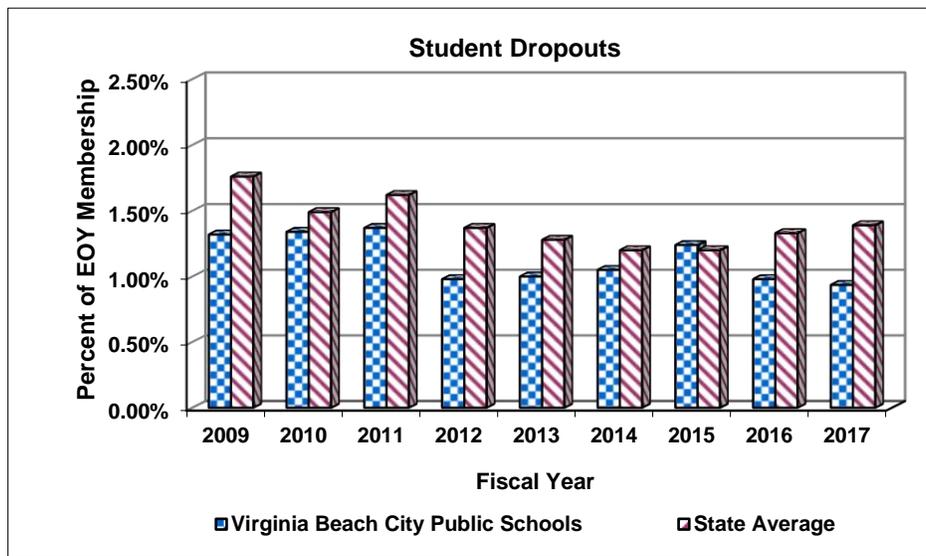
Fiscal Year	September 30 Membership (Grades 7-12)	Number of Dropouts	Percent	Percent State Average
2009	33,706	446	1.32%	1.76%
2010	33,364	447	1.34%	1.49%
2011	33,036	451	1.37%	1.62%
2012	32,524	319	0.98%	1.37%
2013	32,223	322	1.00%	1.28%
2014	32,213	337	1.05%	1.20%
2015	32,056	396	1.24%	1.20%
2016	31,839	313	0.98%	1.33%
2017	31,614	296	0.94%	1.39%
2018	-	-	-	-

- Not Available (officially published by the Commonwealth of Virginia, Department of Education)

Note: This table represents a percentage of dropouts compared to membership in grades 7-12 and ungraded pupils ages 12 and older as reported to the Commonwealth of Virginia Department of Education by the school divisions. Dropouts are defined as pupils who withdraw from school for reasons other than promotion, transfer, death, or graduation, and do not enter another school during the school year. Also included are pupils who are in attendance on the last day of the school year who fail to return to school by October 31 of the following school year.

The dropout percentage is calculated as the number of dropouts divided by the membership on September 30th of that school year. A dropout is an individual in grades 7-12 or ungraded (UG) (due to not successfully completing the Literacy Testing Program (LTP)) who was enrolled in school at some time during the previous school year and was not enrolled on October 1 of the current school year, or was not enrolled following exclusionary conditions: transfer to another public school district, private school, or state- or district-approved education program, temporary school-recognized absence due to suspension, illness, or death.

Source: Commonwealth of Virginia, Superintendent’s Annual Report for Virginia



SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOLASTIC APTITUDE TEST (SAT) - MEAN SCORES
Last Ten Fiscal Years (unaudited)

Fiscal Year	Mathematics - Mean Scores			Evidence-Based Reading and Writing (ERW) - Mean Scores **			Writing - Mean Scores *		
	Virginia Beach	Virginia	National	Virginia Beach	Virginia	National	Virginia Beach	Virginia	National
2009	511	512	515	503	511	501	486	498	493
2010	516	512	516	503	512	501	488	497	492
2011	504	509	514	501	512	497	482	495	489
2012	509	512	514	499	510	496	482	495	488
2013	509	514	514	505	516	496	487	498	488
2014	505	515	513	508	518	497	483	497	487
2015	504	516	511	507	518	495	484	499	484
2016	511	517	508	514	520	494	490	498	482
2017*	534	541	527	557	561	533	-	-	-
2018	545	547	520	563	563	529	-	-	-

Source: The College Board and the Department of Research, Evaluation, and Assessment (SAT I: Reasoning Test)

* In January 2016 the format of the SAT changed from a 3-section (Mathematics, Critical Reading, and Writing) to a 2-section (Mathematics and Evidence-based Reading and Writing (ERW)). The data for 2017 graduates was based on the newer 2-section format only and isn't comparable to previous years.

** Evidence-Based Reading and Writing (ERW) replaced Critical Reading in 2017. Stats prior to 2017 are for Critical Reading and Stats for 2017 and after are for ERW.

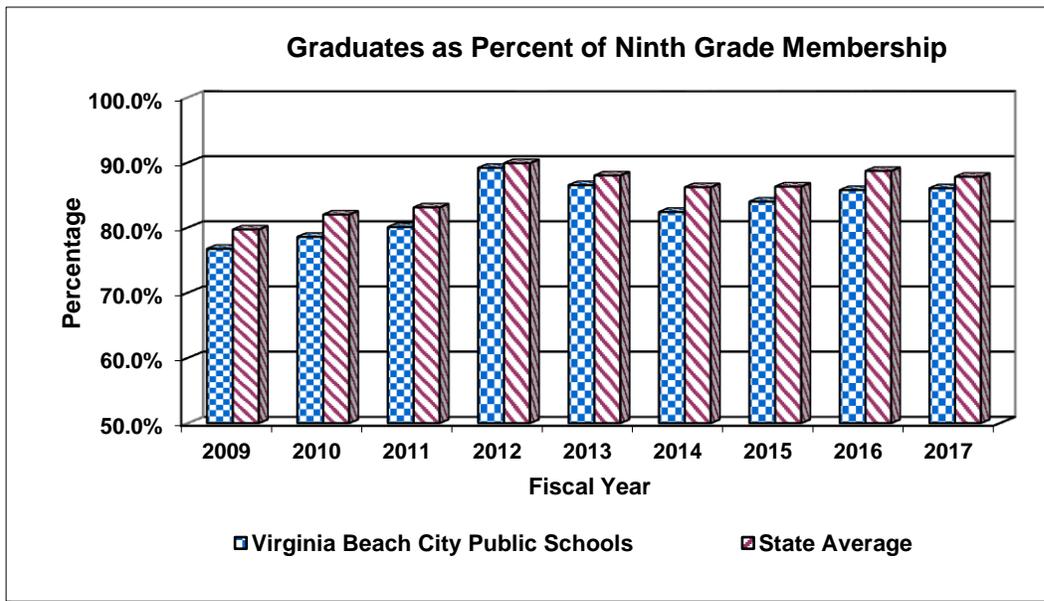
SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GRADUATES AS PERCENT OF NINTH GRADE MEMBERSHIP FOUR YEARS EARLIER
 Last Ten Fiscal Years (unaudited)

Fiscal Year	Membership Ninth Grade Four Years Earlier	Standard Diploma	Advanced Studies Diploma	Modified/Special/Other Diploma	Certificate of Program Completion/GAD/GED/ISAEP	Total Graduates and Completers	Percentage	
							Percentage	State Average
2009	6,824	2,151	2,638	228	219	5,236	76.7%	79.7%
2010	6,763	1,965	2,887	236	226	5,314	78.6%	82.0%
2011	6,589	1,891	2,939	223	223	5,276	80.1%	83.1%
2012	5,939	1,878	2,949	191	279	5,297	89.2%	89.9%
2013	5,815	1,815	2,863	166	187	5,031	86.5%	88.0%
2014	6,079	1,852	2,830	194	133	5,009	82.4%	86.2%
2015	5,939	1,806	2,903	186	93	4,988	84.0%	86.3%
2016	5,815	1,831	2,857	186	113	4,987	85.8%	88.7%
2017	5,825	1,793	2,947	181	91	5,012	86.0%	87.8%
2018	-	-	-	-	-	-	-	-

- Not Available (officially published by the Commonwealth of Virginia, Department of Education)

Note: This table represents the number of graduates (includes the following summer) as a percentage of ninth grade membership four years earlier and the type of diploma awarded. No adjustments have been made to reflect the mobility of the population. This data is reported to the Commonwealth of Virginia Department of Education by the school divisions.

Source: Commonwealth of Virginia, Superintendent's Annual Report for Virginia



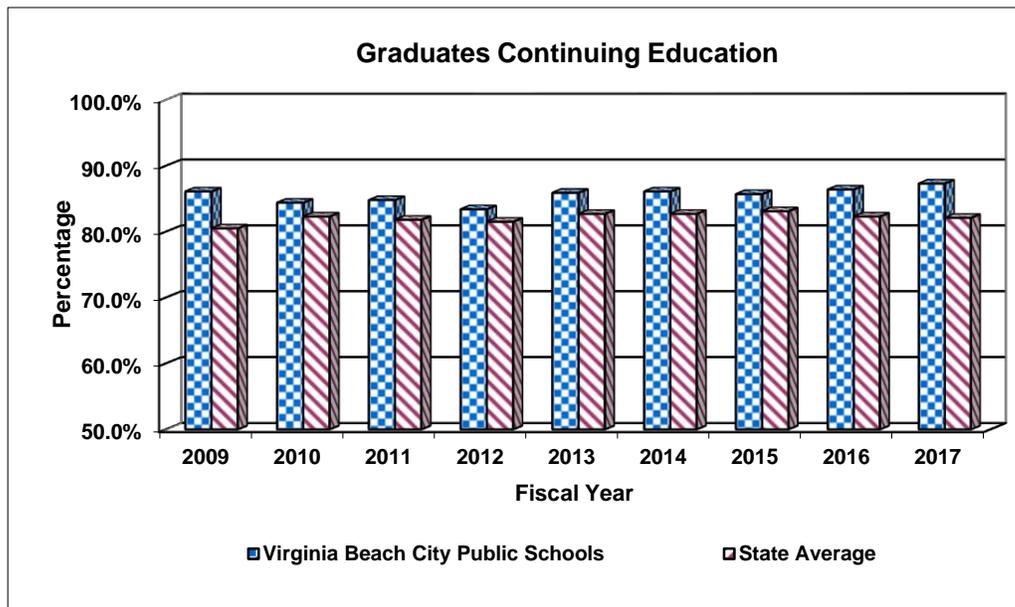
**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
GRADUATES CONTINUING EDUCATION
Last Ten Fiscal Years (unaudited)**

Fiscal Year	Attending Two-year Colleges Percent	Attending Two-year Colleges State Average	Attending Four-year Colleges Percent	Attending Four-year Colleges State Average	Other Continuing Education Percent	Other Continuing Education State Average	Total Continuing Education Percent	Total Continuing Education State Average
	Percent	Average	Percent	Average	Percent	Average	Percent	Average
2009	31.6%	30.3%	46.0%	45.7%	8.5%	4.5%	86.1%	80.5%
2010	28.1%	31.2%	48.7%	46.3%	7.6%	4.8%	84.4%	82.3%
2011	26.8%	30.6%	53.7%	47.2%	4.3%	4.0%	84.8%	81.8%
2012	29.2%	30.9%	50.5%	46.7%	3.7%	3.9%	83.4%	81.5%
2013	27.8%	31.4%	54.5%	47.2%	3.6%	4.1%	85.9%	82.7%
2014	29.2%	31.2%	52.8%	47.3%	4.1%	4.2%	86.1%	82.7%
2015	30.2%	30.5%	51.0%	48.6%	4.5%	4.0%	85.7%	83.1%
2016	33.3%	29.8%	48.4%	48.4%	4.7%	4.1%	86.4%	82.3%
2017	27.6%	28.7%	55.6%	49.4%	4.1%	4.0%	87.3%	82.1%
2018	-	-	-	-	-	-	-	-

- Not Available (officially published by the Commonwealth of Virginia, Department of Education)

Note: This table represents the percentage of graduates (includes the following summer) that pursued continuing education and the type of education pursued. Data is reported to the Commonwealth of Virginia Department of Education by the school divisions.

Source: Commonwealth of Virginia, Superintendent's Annual Report for Virginia



SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
RATIO OF STUDENTS TO TEACHING/INSTRUCTIONAL PERSONNEL
Last Ten Fiscal Years (unaudited)

Fiscal Year	Elementary			Elementary	Secondary		
	Teaching Positions	End-of-Year Membership K-7	Student/Teacher Ratio	Student/Teacher Ratio <i>State Average</i>	Secondary Teaching Positions	End-of-Year Membership 8-12	Secondary Student/Teacher Ratio
2009	3,119	41,675	13.4	12.4	2,437	27,329	11.2
2010	3,138	42,008	13.4	12.2	2,388	27,844	11.7
2011	2,986	41,937	14.0	13.2	2,184	27,091	12.4
2012	2,923	42,251	14.5	13.2	2,069	26,357	12.7
2013	2,814	42,217	15.0	13.3	1,976	26,082	13.2
2014	2,714	42,156	15.5	13.2	1,924	26,088	13.6
2015	2,789	41,896	15.0	13.2	1,942	26,141	13.5
2016	2,897	41,668	14.4	13.1	2,003	25,926	12.9
2017	2,910	41,191	14.2	13.1	1,997	25,684	12.9
2018	-	-	-	-	-	-	-

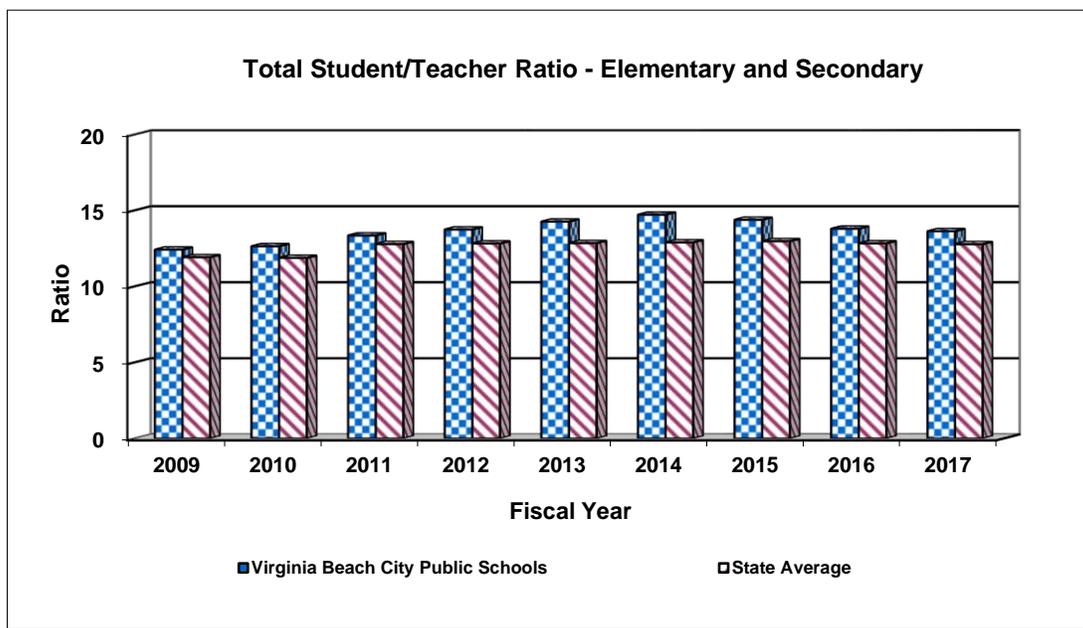
- Not Available (officially published by the Commonwealth of Virginia, Department of Education)

Note: This table represents student teacher ratios based on End-of-Year Average Daily Membership to full-time equivalent teaching positions, excluding special education teachers, principals, assistant principals, guidance counselors, and librarians.

Source: Commonwealth of Virginia, Superintendent's Annual Report for Virginia

Fiscal Year	Secondary Student/Teacher Ratio <i>State Average</i>	Total Student/Teacher Ratio	Total Student/Teacher Ratio <i>State Average</i>
2009	11.2	12.42	11.92
2010	11.3	12.64	11.88
2011	12.1	13.35	12.78
2012	12.2	13.74	12.82
2013	12.2	14.26	12.84
2014	12.4	14.71	12.90
2015	12.5	14.38	12.97
2016	12.5	13.79	12.83
2017	12.3	13.63	12.78
2018	-	-	-

- Not Available (officially published by the Commonwealth of Virginia, Department of Education)



SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
PERSONNEL POSITIONS
Last Ten Fiscal Years (unaudited)

	Fiscal Year			
	2009	2010	2011	2012
<u>Full-Time Staff</u>				
Office/Admin/Managers	40	38	40	40
Principals	90	86	86	86
Assistant Principals	161	155	151	150
Elementary Classroom Teachers	2,110	2,117	2,087	2,101
Secondary Classroom Teachers	2,614	2,513	2,466	2,395
Other Classroom Teachers	291	326	339	334
Guidance	182	175	179	174
Psychological	66	70	79	83
Librarians/AV	108	104	105	105
Supervisory	66	68	77	82
Other Professionals	383	378	377	375
Teacher Aides	1,130	1,138	1,154	1,126
Technicians	107	110	112	108
Clerical/Secretarial	599	579	586	584
Service Workers	1,137	1,099	1,100	1,092
Skilled Crafts	230	236	231	238
Total Full-Time Staff	<u>9,314</u>	<u>9,192</u>	<u>9,169</u>	<u>9,073</u>
<u>Part-Time Staff</u>				
Professional/Instructional	277	239	201	193
Other	1,179	1,143	1,103	1,082
Total Part-Time Staff	<u>1,456</u>	<u>1,382</u>	<u>1,304</u>	<u>1,275</u>

Source: Department of Human Resources (EEO-5 Report)

Table 18

Fiscal Year					
2013	2014	2015	2016	2017	2018
43	43	44	47	47	45
87	87	86	87	87	87
147	153	152	157	156	158
2,068	2,108	2,059	2,096	2,073	2,113
2,353	2,359	2,304	2,298	2,301	2,340
316	318	302	297	358	361
175	174	171	176	179	188
75	75	77	76	85	85
106	106	105	106	106	106
83	90	84	86	93	93
371	378	371	380	379	381
1,121	1,113	1,100	1,127	1,160	1,188
111	111	197	203	197	210
578	596	534	530	527	524
1,072	1,058	1,058	1,061	1,060	1,042
234	234	229	232	227	220
<u>8,940</u>	<u>9,003</u>	<u>8,873</u>	<u>8,959</u>	<u>9,035</u>	<u>9,141</u>
170	153	138	142	135	120
<u>1,073</u>	<u>1,095</u>	<u>1,079</u>	<u>1,050</u>	<u>1,030</u>	<u>997</u>
<u>1,243</u>	<u>1,248</u>	<u>1,217</u>	<u>1,192</u>	<u>1,165</u>	<u>1,117</u>

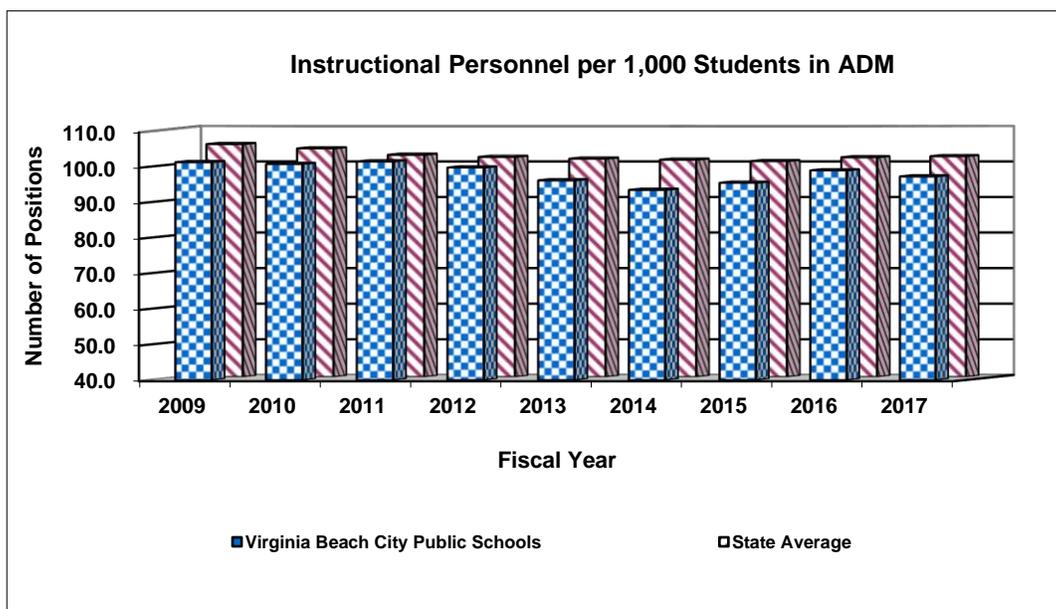
**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
INSTRUCTIONAL PERSONNEL POSITIONS PER 1,000 STUDENTS IN ADM
Last Ten Fiscal Years (unaudited)**

Fiscal Year	Number of Instructional Personnel Positions (End of Year)	Student Average Daily Membership (End of Year)	Instructional Personnel Per 1,000 Students	Instructional Personnel Per 1,000 Students <i>State Average</i>
2009	7,082	69,886	101.3	105.5
2010	7,034	69,763	100.8	104.3
2011	7,078	69,727	101.5	102.5
2012	6,909	69,203	99.8	101.9
2013	6,622	68,857	96.2	101.4
2014	6,433	68,806	93.5	101.1
2015	6,551	68,614	95.5	100.7
2016	6,758	68,265	99.0	101.8
2017	6,627	68,137	97.3	102.1
2018	-	-	-	-

- Not Available (officially published by the Commonwealth of Virginia, Department of Education)

Note: The number of Instructional Personnel includes all teachers, teacher assistants, guidance counselors, librarians, principals, assistant principals, and divisionwide instructors based on positions reported by the school division. Divisionwide positions include Summer School, Adult Education, Pre-Kindergarten, and other non-regular day and non-LEA instructional positions. The Student Average Daily Membership is the end-of-year unadjusted average daily membership as reported to the Commonwealth of Virginia Department of Education by the school divisions (includes Pre-K through Post-graduate).

Source: Commonwealth of Virginia, Superintendent's Annual Report for Virginia



SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
INSTRUCTIONAL PERSONNEL SALARIES
 Last Ten Fiscal Years (unaudited)

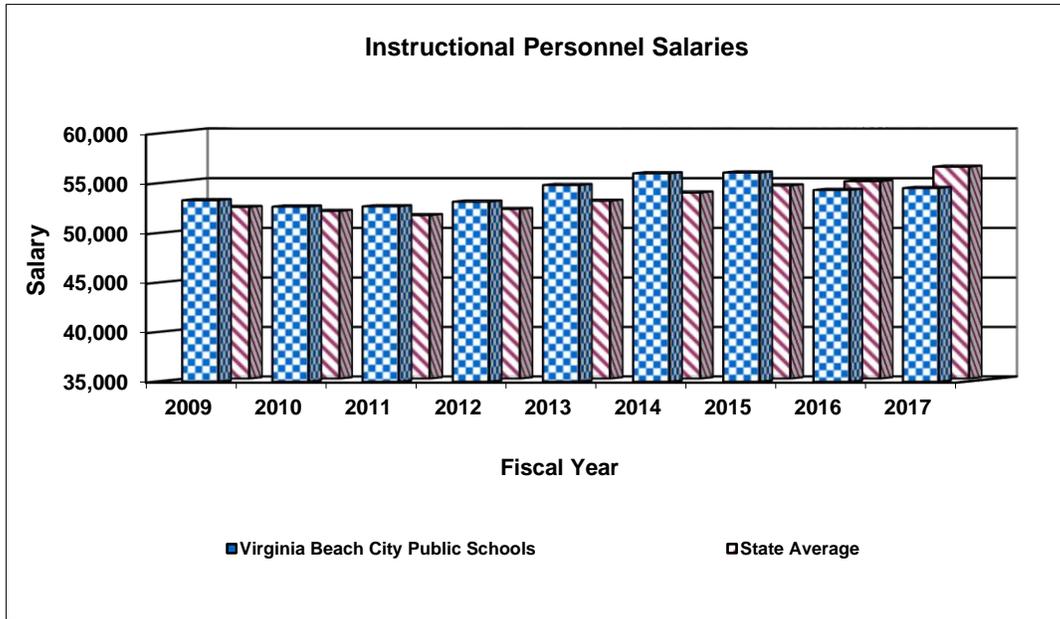
Fiscal Year	Minimum Salary	Maximum Salary	Average Salary	State Average
2009	38,596	65,585	53,315	52,319
2010	38,596	65,585	52,680	51,918
2011	38,596	65,585	52,701	51,494
2012	38,597	65,914	53,172	52,115
2013	39,369	66,904	54,839	52,942
2014	40,624	69,835	56,018	53,767
2015	41,916	71,930	56,096	54,486
2016	43,559	75,294	54,342	54,910
2017	44,796	77,809	54,541	56,362
2018*	45,759	69,703	55,147	-

- Not Available (officially published by the Commonwealth of Virginia, Department of Education)

Note: Instructional Personnel includes teachers, guidance counselors, librarians, and technology instructors.

* In 2018, the Instructional Pay Scale ends at 30+ years. In prior years, the Instructional Pay Scale ended at 37+ years.

Source: Department of Human Resources and Commonwealth of Virginia, Superintendent's Annual Report for Virginia



**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
TEACHERS INFORMATION
Last Ten Fiscal Years (unaudited)**

Fiscal Year	Number of Teachers				Average Teacher Age				Bachelors			
	Elem	Middle	High	Other	Elem	Middle	High	Other	Elem	Middle	High	Other
2009	2,545	1,277	1,667	151	44.1	45.4	44.9	49.2	1,303	626	869	71
2010	2,539	1,217	1,560	240	44.4	46.0	46.0	47.5	1,242	578	786	114
2011	2,509	1,200	1,566	249	44.5	45.6	45.5	46.7	1,189	563	774	117
2012	2,470	1,175	1,522	267	44.4	45.6	45.5	46.8	1,152	540	746	123
2013	2,448	1,171	1,450	278	44.2	45.3	45.7	46.5	1,114	534	705	127
2014	2,398	1,138	1,414	299	44.2	45.0	45.6	46.3	1,061	524	692	133
2015	2,395	1,170	1,409	310	43.9	45.1	45.4	46.0	1,047	531	685	134
2016	2,334	1,140	1,354	305	43.8	44.9	45.5	45.5	1,015	528	650	133
2017	2,351	1,148	1,345	318	43.4	44.2	45.4	45.4	1,029	522	635	124
2018	2,328	1,152	1,350	320	43.3	44.0	45.5	45.9	1,017	528	639	121

Source: Department of Human Resources

Table 21

Fiscal Year	Masters				Certificate Advance Studies				Doctorate			
	Elem	Middle	High	Other	Elem	Middle	High	Other	Elem	Middle	High	Other
2009	1,131	579	697	69	106	65	81	10	5	7	20	1
2010	1,181	565	670	102	109	68	82	23	7	6	22	1
2011	1,206	567	693	111	108	64	76	20	6	6	23	1
2012	1,201	570	686	124	109	60	65	17	8	5	25	3
2013	1,211	568	660	135	112	64	62	15	11	5	23	1
2014	1,211	565	648	149	116	54	59	15	10	2	19	2
2015	1,230	570	647	157	109	62	59	16	9	7	18	3
2016	1,203	551	631	151	107	53	53	17	9	8	20	4
2017	1,205	566	631	172	105	52	58	17	12	8	21	5
2018	1,194	557	636	173	104	58	52	19	13	9	23	7

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL CAFETERIAS INFORMATION
Last Ten Fiscal Years (unaudited)

	Fiscal Year			
	2009	2010	2011	2012
Student Enrollment (October)				
in Meal Programs:				
Reduced	6,380	6,067	4,793	5,526
Free	14,276	16,067	16,185	17,918
Lunch Meals:				
Full	3,462,417	3,272,401	3,114,574	2,964,309
Reduced	792,105	754,574	664,741	727,425
Free	1,960,458	2,180,856	2,407,642	2,492,788
Breakfast Meals:				
Full	680,158	670,224	603,169	585,022
Reduced	303,012	283,304	257,782	274,128
Free	1,070,866	1,200,453	1,326,183	1,418,257
Lunch Price:				
Full:				
Elementary	\$2.00	\$2.00	\$2.15	\$2.20
Middle	\$2.00	\$2.00	\$2.15	\$2.20
High	\$2.00	\$2.00	\$2.15	\$2.20
Adult	\$3.00	\$3.00	\$3.00	\$3.75
Reduced	\$0.40	\$0.40	\$0.40	\$0.40

Source: The Department of Administrative Support Services/Food Services

Table 22

Fiscal Year					
2013	2014	2015	2016	2017	2018
5,269	5,193	5,496	5,407	5,281	5,047
17,531	20,307	21,022	20,534	20,374	22,134
2,570,509	2,308,524	2,404,313	2,321,870	2,319,592	2,166,088
655,024	648,134	684,986	697,649	649,776	601,089
2,516,178	2,831,723	2,803,646	2,893,495	2,816,749	2,891,490
505,281	482,588	508,932	545,907	610,096	673,682
251,116	250,159	274,032	305,573	291,426	311,455
1,397,768	1,584,832	1,556,228	1,745,450	1,762,591	1,958,080
\$2.30	\$2.40	\$2.50	\$2.75	\$2.75	\$2.75
\$2.30	\$2.40	\$2.50	\$2.75	\$2.75	\$2.75
\$2.30	\$2.40	\$2.50	\$2.75	\$2.75	\$2.75
\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75
\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40

**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CAPITAL ASSETS INFORMATION BY GOVERNMENTAL ACTIVITIES
Last Ten Fiscal Years (unaudited)**

	Fiscal Year			
	2009	2010	2011	2012
<u>Instruction:</u>				
Elementary Schools	56	55	55	55
Middle Schools *	13	13	13	13
High Schools	11	11	11	11
Auxiliary Schools/Centers **	11	7	7	7
Public Charter School	-	-	-	-
Portables	324	266	255	239
<u>Operations and Maintenance:</u>				
Vehicles	282	282	285	279
<u>Pupil Transportation:</u>				
Buses	789	766	785	767
Other Vehicles	45	44	39	43

Source: School Board Capital Assets Inventory Records

* Note: In FY15 Bayside Middle School took the 6th graders out of that location and put them into the Bayside Middle 6th Grade Campus, creating another Middle School. FY15 number for Middle Schools has been adjusted.

** Note: In FY17 Old Donation Center and Kemps Landing Magnet were combined into one Auxiliary Center and renamed Old Donation School to house Grades 2-8 Gifted Students.

Fiscal Year						
2013	2014	2015	2016	2017	2018	
55	55	55	55	55	55	55
13	13	14	14	14	14	14
11	11	11	11	11	11	11
7	7	7	7	7	6	6
-	1	1	1	1	1	1
239	221	209	149	132	114	
274	276	276	272	291	291	
761	786	785	791	802	817	
42	53	57	60	39	51	

Table 24

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL BUILDINGS INFORMATION
Last Ten Fiscal Years (unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary Schools										
Alanton Elementary (Opened Sept 1966; Addition Sept 1995; Sept 2006)										
Square Feet	74,049	74,049	74,049	74,049	74,049	74,049	74,049	74,049	74,049	74,049
Program Capacity	613	602	650	662	699	681	681	764	702	702
Enrollment	562	606	629	592	599	642	659	662	650	608
Arrowhead Elementary (Opened Sept 1964; Replaced Sept 2003)										
Square Feet	79,480	79,480	79,480	79,480	79,480	79,480	79,480	79,480	79,480	79,480
Program Capacity	584	537	540	524	525	547	547	597	486	486
Enrollment	576	439	454	466	473	497	490	451	447	435
Bayside Elementary (Opened Sept 1941; Replaced Dec 2000)										
Square Feet	77,428	77,428	77,428	77,428	77,428	77,428	77,428	77,428	77,428	77,428
Program Capacity	521	526	527	536	587	547	547	599	585	527
Enrollment	414	451	453	488	468	501	534	518	472	471
Birdneck Elementary (Opened Sept 1986)										
Square Feet	137,250	137,250	137,250	137,250	137,250	137,250	137,250	137,250	137,250	137,250
Program Capacity	902	962	753	815	757	818	818	732	787	755
Enrollment	980	784	722	631	668	665	631	634	568	539
Brookwood Elementary (Opened Sept 1967; Replaced Sept 2007)										
Square Feet	80,065	80,065	80,065	80,065	80,065	80,065	80,065	80,065	80,065	80,065
Program Capacity	607	638	689	647	661	626	631	586	617	590
Enrollment	538	692	710	784	715	701	746	720	641	644
Centerville Elementary (Opened Sept 1984)										
Square Feet	67,082	67,082	67,082	67,082	67,082	67,082	67,082	67,082	67,082	67,082
Program Capacity	641	731	695	687	660	639	678	602	669	650
Enrollment	672	668	668	650	714	720	704	739	732	713
Christopher Farms Elementary (Opened Sept 1997)										
Square Feet	78,740	78,740	78,740	78,740	78,740	78,740	78,740	78,740	78,740	78,740
Program Capacity	693	738	752	716	737	724	724	701	738	738
Enrollment	732	737	714	706	663	678	642	636	677	687
College Park Elementary (Opened Sept 1973; Gym Added Sept 1982; Replaced Sept 2011)										
Square Feet	58,743	58,743	58,743	94,861	94,861	94,861	94,861	94,861	94,861	94,861
Program Capacity	420	468	450	476	431	438	438	500	506	506
Enrollment	407	407	402	388	392	428	471	502	469	489
W. T. Cooke Elementary (Opened Sept 1913; Replaced Sept 1962; Gym Added Sept 1991; Replaced Sept 1999)										
Square Feet	92,256	92,256	92,256	92,256	92,256	92,256	92,256	92,256	92,256	92,256
Program Capacity	555	574	587	575	581	536	536	673	570	545
Enrollment	502	601	660	687	545	586	558	501	513	510
Corporate Landing Elementary (Opened Sept 1993)										
Square Feet	96,620	96,620	96,620	96,620	96,620	96,620	96,620	96,620	96,620	96,620
Program Capacity	610	624	642	698	655	642	642	598	585	590
Enrollment	495	541	543	570	545	523	452	437	426	411
Creeds Elementary (Opened Sept 1939; Gym Added Sept 1949; Modernized Sept 1969; Modernized Sept 2001)										
Square Feet	69,285	69,285	69,285	69,285	69,285	69,285	69,285	69,285	69,285	69,285
Program Capacity	426	448	425	373	360	360	360	395	432	387
Enrollment	292	312	297	320	296	297	301	315	306	306

Table 24

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
SCHOOL BUILDINGS INFORMATION
Last Ten Fiscal Years (unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
John B. Dey Elementary (Opened Sept 1956; Addition Sept 1959; Gym Added Sept 1978; Addition Sept 1995)										
Square Feet	76,641	76,641	76,641	76,641	76,641	76,641	76,641	76,641	76,641	76,641
Program Capacity	756	799	821	838	860	860	860	756	815	815
Enrollment	781	769	817	849	842	868	826	834	815	812
Diamond Springs Elementary (Opened Sept 2007)										
Square Feet	97,000	97,000	97,000	97,000	97,000	97,000	97,000	97,000	97,000	97,000
Program Capacity	504	489	482	512	550	519	519	537	581	527
Enrollment	504	516	475	559	562	558	566	587	535	522
Fairfield Elementary (Opened Sept 1976)										
Square Feet	58,280	58,280	58,280	58,280	58,280	58,280	58,280	58,280	58,280	58,280
Program Capacity	504	482	526	547	503	526	526	561	558	594
Enrollment	479	479	499	491	474	506	520	513	517	548
Glenwood Elementary (Opened Sept 1990)										
Square Feet	139,600	139,600	139,600	139,600	139,600	139,600	139,600	139,600	139,600	139,600
Program Capacity	1,002	995	1,024	1,036	993	1,001	1,001	945	1,053	1,004
Enrollment	894	916	900	867	880	877	884	898	896	920
Green Run Elementary (Opened Sept 1976; Addition Sept 2005)										
Square Feet	58,275	58,275	58,275	58,275	58,275	58,275	58,275	58,275	58,275	58,275
Program Capacity	424	513	451	459	412	420	420	446	432	392
Enrollment	487	478	494	508	448	491	427	403	397	359
Hermitage Elementary (Opened Nov 1964; Addition Sept 1974; Gym Added Sept 1995; Replaced Mar 2005)										
Square Feet	94,018	94,018	94,018	94,018	94,018	94,018	94,018	94,018	94,018	94,018
Program Capacity	583	637	637	663	633	640	640	641	698	698
Enrollment	559	582	622	620	641	656	635	645	678	651
Holland Elementary (Opened Sept 1967; Addition Sept 1995)										
Square Feet	73,956	73,956	73,956	73,956	73,956	73,956	73,956	73,956	73,956	73,956
Program Capacity	510	605	480	503	526	503	503	558	596	635
Enrollment	553	516	527	537	536	532	536	524	523	581
Indian Lakes Elementary (Opened Sept 1979)										
Square Feet	66,816	66,816	66,816	66,816	66,816	66,816	66,816	66,816	66,816	66,816
Program Capacity	552	569	529	598	569	526	526	546	563	644
Enrollment	523	489	528	567	537	527	534	539	577	571
Kempsville Elementary (Opened Sept 1961; Addition Sept 1963; Gym Added Sept 1990; Modernized Sept 2003)										
Square Feet	78,146	78,146	78,146	78,146	78,146	78,146	78,146	78,146	78,146	78,146
Program Capacity	502	520	542	558	563	586	586	513	482	486
Enrollment	445	463	457	475	490	455	472	454	429	428
Kempsville Meadows Elementary (Opened Sept 1959; Gym Added Sept 1990; Replaced Sept 2002)										
Square Feet	77,239	77,239	77,239	77,239	77,239	77,239	77,239	77,239	77,239	77,239
Program Capacity	540	514	514	585	518	512	512	509	527	527
Enrollment	532	468	502	515	504	470	528	506	488	471
Kings Grant Elementary (Opened Sept 1960; Replaced Sept 1969; Addition Sept 1995)										
Square Feet	72,043	72,043	72,043	72,043	72,043	72,043	72,043	72,043	72,043	72,043
Program Capacity	653	648	616	679	666	648	648	666	716	617
Enrollment	606	611	609	638	596	598	632	641	608	566

Table 24

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
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Last Ten Fiscal Years (unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Kingston Elementary (Opened Sept 1965; Gym Added Sept 1989; Addition Sept 1997)										
Square Feet	65,223	65,223	65,223	65,223	65,223	65,223	65,223	65,223	65,223	65,223
Program Capacity	550	568	581	566	591	641	641	624	648	648
Enrollment	523	556	521	555	572	574	551	531	517	520
Landstown Elementary (Opened Sept 1993)										
Square Feet	81,634	81,634	81,634	81,634	81,634	81,634	81,634	81,634	81,634	81,634
Program Capacity	839	817	838	838	854	868	868	816	797	774
Enrollment	759	739	724	731	804	788	751	760	736	756
Linkhorn Park Elementary (Opened Sept 1955; Addition Sept 1967; Replaced Sept 1998; former bldg. used for administrative offices)										
Square Feet	76,285	76,285	76,285	76,285	76,285	76,285	76,285	76,285	76,285	76,285
Program Capacity	707	702	747	762	719	728	728	689	682	662
Enrollment	716	731	798	789	772	753	732	685	634	607
Luxford Elementary (Opened Sept 1961; Gym Added Sept 1990; Replaced Sept 2002; former bldg. used for instructional purposes)										
Square Feet	82,242	82,242	82,242	82,242	82,242	82,242	82,242	82,242	82,242	82,242
Program Capacity	554	583	536	495	495	506	506	567	548	548
Enrollment	512	507	522	476	497	524	531	537	516	514
Lynnhaven Elementary (Opened Sept 1963; Addition Sept 1968; Gym Added Sept 1990; Modernized Nov 2004)										
Square Feet	80,670	80,670	80,670	80,670	80,670	80,670	80,670	80,670	80,670	80,670
Program Capacity	478	488	472	472	494	494	494	489	403	426
Enrollment	434	445	437	444	446	471	441	407	405	370
Malibu Elementary (Opened Sept 1962; Addition Sept 1968; Gym Added Sept 1989; Replaced Nov 2003)										
Square Feet	73,182	73,182	73,182	73,182	73,182	73,182	73,182	73,182	73,182	73,182
Program Capacity	416	380	423	402	437	437	437	414	396	419
Enrollment	316	341	319	313	353	366	380	374	375	369
New Castle Elementary (Opened Sept 1999)										
Square Feet	87,060	87,060	87,060	87,060	87,060	87,060	87,060	87,060	87,060	87,060
Program Capacity	803	797	847	846	831	853	853	824	869	869
Enrollment	776	815	793	783	802	771	796	763	784	777
Newtown Road Elementary (Opened Sept 1970; Addition Sept 1988; Replaced Sept 2007)										
Square Feet	88,711	88,711	88,711	88,711	88,711	88,711	88,711	88,711	88,711	88,711
Program Capacity	505	482	466	436	436	482	482	497	514	483
Enrollment	460	490	470	467	460	517	524	511	554	509
North Landing Elementary (Opened Mar 1975; Gym Added Sept 1990)										
Square Feet	60,280	60,280	60,280	60,280	60,280	60,280	60,280	60,280	60,280	60,280
Program Capacity	591	582	545	505	483	455	455	443	423	491
Enrollment	553	531	527	515	507	482	462	464	448	456
Ocean Lakes Elementary (Opened Sept 1989)										
Square Feet	69,917	69,917	69,917	69,917	69,917	69,917	69,917	69,917	69,917	69,917
Program Capacity	722	699	647	607	658	649	649	626	657	680
Enrollment	623	553	516	570	574	568	552	533	538	526
Old Donation Center (Relocated to new Building on Honeygrove Rd, Apr. 2017; Relocated to former Princess Anne MS Bldg with Kemps Landing Sept 2014; Building opened Sept. 1974; Addition Sept. 1995)										
Square Feet	59,827	59,827	59,827	59,827	59,827	59,827	57,774	57,774	57,774	52,881
Program Capacity	273	372	393	393	393	393	495	512	378	485
Enrollment	510	507	501	504	506	495	503	482	459	461

Table 24

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	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Parkway Elementary (Opened Sept 1987)										
Square Feet	67,840	67,840	67,840	67,840	67,840	67,840	67,840	67,840	67,840	67,840
Program Capacity	420	494	473	496	476	514	514	473	467	466
Enrollment	452	482	514	511	507	561	527	475	426	438
Pembroke Elementary (Opened Dec 1962; Addition Sept 1968; Addition Sept 1988; Modernized May 2005)										
Square Feet	108,773	108,773	108,773	108,773	108,773	108,773	108,773	108,773	108,773	108,773
Program Capacity	606	600	680	663	626	617	617	534	567	612
Enrollment	493	500	528	533	514	486	476	477	494	497
Pembroke Meadows Elementary (Opened Sept 1969; Modernized Oct 2006)										
Square Feet	75,926	75,926	75,926	75,926	75,926	75,926	75,926	75,926	75,926	75,926
Program Capacity	590	540	513	504	473	430	430	539	495	473
Enrollment	465	459	429	445	433	447	453	434	443	479
Plaza Elementary (Opened Sept 1961; Gym Added Sept 1990; Addition Dec 1999; Closed Jun 2009; used for administrative offices)										
Square Feet	68,390	-	-	-	-	-	-	-	-	-
Program Capacity	414	-	-	-	-	-	-	-	-	-
Enrollment	333	-	-	-	-	-	-	-	-	-
Point O'View Elementary (Opened Sept 1969; Addition Sept 1999)										
Square Feet	75,219	75,219	75,219	75,219	75,219	75,219	75,219	75,219	75,219	75,219
Program Capacity	599	599	581	628	628	772	772	765	680	707
Enrollment	404	521	530	522	584	631	666	717	670	702
Princess Anne Elementary (Opened Sept 1956; Addition Sept 1969; Gym Added Sept 1990; Addition Sept 1996)										
Square Feet	77,953	77,953	77,953	77,953	77,953	77,953	77,953	77,953	77,953	77,953
Program Capacity	650	634	635	659	585	586	586	563	612	657
Enrollment	559	532	529	511	498	502	519	531	569	573
Providence Elementary (Opened Sept 1981)										
Square Feet	61,831	61,831	61,831	61,831	61,831	61,831	61,831	61,831	61,831	61,831
Program Capacity	620	511	554	590	572	617	617	648	576	608
Enrollment	534	526	534	516	559	585	559	551	552	550
Red Mill Elementary (Opened Sept 1989; Addition Sept 2006)										
Square Feet	69,788	69,788	69,788	69,788	69,788	69,788	69,788	69,788	69,788	69,788
Program Capacity	664	687	708	687	663	694	694	734	734	747
Enrollment	658	692	682	658	653	676	676	679	662	624
Rosemont Elementary (Opened Sept 1981)										
Square Feet	63,667	63,667	63,667	63,667	63,667	63,667	63,667	63,667	63,667	63,667
Program Capacity	427	444	421	404	423	423	423	433	458	438
Enrollment	360	338	327	376	380	403	414	409	411	397
Rosemont Forest Elementary (Opened Jan 1987)										
Square Feet	69,788	69,788	69,788	69,788	69,788	69,788	69,788	69,788	69,788	69,788
Program Capacity	590	590	590	592	606	583	583	562	635	635
Enrollment	500	521	510	513	540	513	509	523	502	495
Salem Elementary (Opened Sept 1988)										
Square Feet	66,890	66,890	66,890	66,890	66,890	66,890	66,890	66,890	66,890	66,890
Program Capacity	469	469	482	520	559	559	559	514	491	491
Enrollment	433	430	442	426	431	453	467	435	463	470

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	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Seatack Elementary (Opened Mar 1952; Addition Sept 1955; Addition Sept 1959; Gym Added Sept 1968; Replaced Mar 2000)										
Square Feet	74,375	74,375	74,375	74,375	74,375	74,375	74,375	74,375	74,375	74,375
Program Capacity	432	467	395	462	447	410	410	425	382	436
Enrollment	318	433	404	418	388	381	387	383	398	391
Shelton Park Elementary (Opened Sept 1954; Addition Sept 1961; Gym Added Sept 1977; Modernized Jan 2001)										
Square Feet	81,576	81,576	81,576	81,576	81,576	81,576	81,576	81,576	81,576	81,576
Program Capacity	428	408	418	437	437	410	410	428	414	482
Enrollment	325	330	383	394	369	399	373	372	355	349
Strawbridge Elementary (Opened Sept 1991)										
Square Feet	84,948	84,948	84,948	84,948	84,948	84,948	84,948	84,948	84,948	84,948
Program Capacity	722	744	746	746	782	716	716	692	734	743
Enrollment	760	751	756	745	691	697	678	694	665	666
Tallwood Elementary (Opened Sept 1989; Addition Jan 2006)										
Square Feet	69,988	69,988	69,988	69,988	69,988	69,988	69,988	69,988	69,988	69,988
Program Capacity	628	650	606	625	620	620	620	590	657	657
Enrollment	570	602	598	601	593	546	527	558	565	581
Thalia Elementary (Opened Sept 1956; Addition Sept 1963; Gym Added Sept 1989; Modernized Sept 2001)										
Square Feet	91,550	91,550	91,550	91,550	91,550	91,550	91,550	91,550	91,550	91,550
Program Capacity	645	669	692	728	771	779	779	728	662	617
Enrollment	647	615	667	634	637	595	585	625	611	604
Thoroughgood Elementary (Opened Sept 1958; Gym Added Sept 1990; Modernized Sept 1995)										
Square Feet	66,259	66,259	66,259	66,259	66,259	66,259	66,259	66,259	66,259	66,259
Program Capacity	615	711	598	604	646	613	713	627	666	648
Enrollment	641	637	630	662	698	710	734	708	700	677
Three Oaks Elementary (Opened Sept 2005)										
Square Feet	92,210	92,210	92,210	92,210	92,210	92,210	92,210	92,210	92,210	92,210
Program Capacity	759	686	765	811	811	842	842	716	761	810
Enrollment	653	703	765	784	798	768	746	759	733	729
Trantwood Elementary (Opened Sept 1963; Addition Sept 1969; Gym Added Sept 1990; Modernized Sept 2003)										
Square Feet	81,040	81,040	81,040	81,040	81,040	81,040	81,040	81,040	81,040	81,040
Program Capacity	606	599	555	542	555	556	556	533	545	576
Enrollment	522	508	506	502	493	504	487	461	466	477
White Oaks Elementary (Opened Sept 1978)										
Square Feet	77,333	77,333	77,333	77,333	77,333	77,333	77,333	77,333	77,333	77,333
Program Capacity	638	751	680	741	705	648	648	688	626	617
Enrollment	722	725	740	730	670	683	673	651	608	563
Bettie F. Williams Elementary (Opened Sept 1961; Addition Sept 1963; Gym Added Sept 1990; Addition Sept 1995)										
Square Feet	77,656	77,656	77,656	77,656	77,656	77,656	77,656	77,656	77,656	77,656
Program Capacity	473	455	513	518	518	518	518	487	531	531
Enrollment	401	410	437	436	404	431	418	463	476	476
Windsor Oaks Elementary (Opened Jul 1968; Replaced Sept 2009)										
Square Feet	55,367	88,340	88,340	88,340	88,340	88,340	88,340	88,340	88,340	88,340
Program Capacity	552	623	621	635	690	601	601	591	630	576
Enrollment	494	622	633	641	617	600	583	559	582	593

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	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Windsor Woods Elementary (Opened Sept 1966; Gym Added Sept 1990; Replaced Sept 2007)										
Square Feet	84,265	84,265	84,265	84,265	84,265	84,265	84,265	84,265	84,265	84,265
Program Capacity	392	411	429	459	437	463	463	433	473	473
Enrollment	388	407	403	392	376	362	385	357	343	332
Woodstock Elementary (Opened Sept 1957; Addition Sept 1962; Gym Added Sept 1977; Replaced Nov 2002)										
Square Feet	82,707	82,707	82,707	82,707	82,707	82,707	82,707	82,707	82,707	82,707
Program Capacity	731	779	735	723	687	687	687	752	765	671
Enrollment	616	640	663	688	676	736	718	688	699	677
<u>Middle Schools</u>										
Bayside Middle (Opened Sept 1969; Addition Sept 2004)										
Square Feet	180,134	180,134	180,134	180,134	180,134	180,134	180,134	180,134	180,134	180,134
Program Capacity	1,088	1,089	1,070	1,046	1,176	1,112	892	960	918	918
Enrollment	1,005	1,033	977	1,006	996	992	657	649	659	672
Bayside 6th (Opened Sept 2014; Formerly Kemps Landing Magnet; 6th grade previously housed at Bayside Middle)										
Square Feet	-	-	-	-	-	-	56,516	56,516	56,516	56,516
Program Capacity	-	-	-	-	-	-	504	500	346	445
Enrollment	-	-	-	-	-	-	351	375	348	437
Brandon Middle (Opened Aug 1978)										
Square Feet	190,586	190,586	190,586	190,586	190,586	190,586	190,586	190,586	190,586	190,586
Program Capacity	1,198	1,156	1,205	1,247	1,328	1,308	1,232	1,286	1,247	1,283
Enrollment	1,208	1,203	1,237	1,254	1,237	1,189	1,130	1,155	1,214	1,205
Corporate Landing Middle (Opened Sept 1997)										
Square Feet	235,093	235,093	235,093	235,093	235,093	235,093	235,093	235,093	235,093	235,093
Program Capacity	1,412	1,412	1,370	1,370	1,436	1,408	1,432	1,538	1,620	1,625
Enrollment	1,410	1,419	1,328	1,347	1,307	1,294	1,285	1,268	1,237	1,224
Great Neck Middle (Opened Sept 1961; Addition Sept 1963; Replaced Jan 2012)										
Square Feet	126,034	126,034	126,034	219,370	219,370	219,370	219,370	219,370	219,370	219,370
Program Capacity	915	1,200	1,200	1,200	1,360	1,360	1,360	1,460	1,373	1,384
Enrollment	1,019	1,054	1,106	1,106	1,085	1,097	1,147	1,161	1,175	1,177
Independence Middle (Opened Sept 1974; Addition Sept 1996)										
Square Feet	137,656	137,656	137,656	137,656	137,656	137,656	137,656	137,656	137,656	137,656
Program Capacity	1,191	1,224	1,216	1,290	1,332	1,276	1,312	1,370	1,215	1,148
Enrollment	1,238	1,250	1,234	1,278	1,244	1,289	1,280	1,269	1,192	1,217
Kemps Landing Magnet (Relocated to new Bldg on Honeygrove Rd. Apr. 2017; Relocated to former Princess Anne Middle School Sept. 2014; Current Building opened Sept. 1974; Addition Sept. 1995)										
Square Feet	54,516	54,516	54,516	54,516	54,516	54,516	80,939	80,939	80,939	82,711
Program Capacity	600	600	600	600	600	672	672	666	567	675
Enrollment	587	600	596	577	594	595	595	627	688	720
Kempsville Middle (Opened Sept 1969)										
Square Feet	136,287	136,287	136,287	136,287	136,287	136,287	136,287	136,287	136,287	136,287
Program Capacity	807	815	798	781	828	828	828	868	797	869
Enrollment	947	904	860	856	841	834	789	805	820	802

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	Fiscal Year									
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Landstown Middle (Opened Sept 1992)										
Square Feet	201,000	201,000	201,000	201,000	201,000	201,000	201,000	201,000	201,000	201,000
Program Capacity	1,621	1,596	1,513	1,494	1,692	1,628	1,552	1,634	1,499	1,571
Enrollment	1,536	1,543	1,477	1,477	1,482	1,516	1,485	1,464	1,452	1,423
Larkspur Middle (Opened Nov 1994)										
Square Feet	247,264	247,264	247,264	247,264	247,264	247,264	247,264	247,264	247,264	247,264
Program Capacity	1,552	1,536	1,551	1,593	1,684	1,684	1,776	1,910	1,763	1,763
Enrollment	1,574	1,561	1,530	1,527	1,584	1,632	1,620	1,520	1,544	1,523
Lynnhaven Middle (Opened Sept 1974; Addition Sept 1995)										
Square Feet	140,099	140,099	140,099	140,099	140,099	140,099	140,099	140,099	140,099	140,099
Program Capacity	1,206	1,206	1,205	1,116	1,138	1,092	1,160	1,250	1,071	1,250
Enrollment	1,198	1,184	1,213	1,131	1,060	962	866	863	896	912
Plaza Middle (Opened Sept 1969)										
Square Feet	157,869	157,869	157,869	157,869	157,869	157,869	157,869	157,869	157,869	157,869
Program Capacity	1,110	1,098	1,033	1,073	1,172	1,172	1,165	1,129	1,053	1,179
Enrollment	1,121	1,113	1,073	1,066	1,083	1,095	1,066	1,083	1,062	1,090
Princess Anne Middle (Relocated to former Floyd E. Kellam HS Bldg on Holland Road April 2014; Opened Sept 1962, Addition Sept 1967; Modernization Sept 1990; Addition Sept 1996)										
Square Feet	135,592	135,592	135,592	135,592	135,592	135,592	222,571	222,571	222,571	222,571
Program Capacity	1,225	1,300	1,299	1,332	1,456	1,474	1,563	1,671	1,449	1,584
Enrollment	1,440	1,398	1,365	1,382	1,414	1,467	1,459	1,479	1,460	1,505
Salem Middle (Opened Sept 1988)										
Square Feet	217,500	217,500	217,500	217,500	217,500	217,500	217,500	217,500	217,500	217,500
Program Capacity	1,008	983	999	999	1,072	1,044	1,016	1,070	1,031	1,031
Enrollment	1,054	1,027	1,042	1,057	1,026	1,009	1,034	1,044	1,041	1,023
Virginia Beach Middle (Opened Sept 1952; Addition Sept 1964; Gym Added Sept 1977; Modernized Sept 1993; Replaced Mar 2010)										
Square Feet	104,015	189,730	189,730	189,730	189,730	189,730	189,730	189,730	189,730	189,730
Program Capacity	699	925	847	923	968	968	968	1,040	923	954
Enrollment	679	614	740	767	899	917	873	839	835	865
High Schools										
Bayside High (Opened Sept 1964; Addition Sept 1967; Modernized Sept 1990; Addition Sept 1995)										
Square Feet	200,816	200,816	200,816	200,816	200,816	200,816	200,816	200,816	200,816	200,816
Program Capacity	1,733	1,708	1,708	1,895	1,895	1,895	1,905	1,912	1,827	1,827
Enrollment	1,870	1,842	1,860	1,803	1,803	1,801	1,824	1,825	1,799	1,868
Frank W. Cox High (Opened Sept 1961; Replaced Sept 1983)										
Square Feet	236,744	236,744	236,744	236,744	236,744	236,744	236,744	236,744	236,744	236,744
Program Capacity	1,740	1,754	1,740	1,937	1,937	1,937	1,939	1,946	1,955	1,955
Enrollment	1,889	1,927	1,932	1,947	1,947	1,894	1,858	1,889	1,784	1,816
First Colonial High (Opened Sept 1966; Addition Sept 1968; Addition Sept 1996)										
Square Feet	178,266	178,266	178,266	178,266	178,266	178,266	178,266	178,266	178,266	178,266
Program Capacity	1,591	1,601	1,601	1,808	1,808	1,818	1,810	1,813	1,919	1,811
Enrollment	1,999	2,008	1,947	1,908	1,908	1,993	2,004	1,923	1,873	1,804

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Green Run High (Opened Sept 1979; Green Run Collegiate Public Charter School opened in Sept 2013 using part of this building.)										
Square Feet	235,721	235,721	235,721	235,721	235,721	225,221	225,221	225,221	225,221	225,221
Program Capacity	1,709	1,709	1,714	1,927	1,927	1,510	1,546	1,556	1,663	1,526
Enrollment	1,725	1,675	1,631	1,636	1,636	1,566	1,276	1,528	1,425	1,398
Floyd E. Kellam High (Opened New Building on West Neck Road Jan 2014)										
Square Feet	222,571	222,571	222,571	222,571	222,571	336,410	349,350	349,350	349,350	349,350
Program Capacity	1,728	1,762	1,762	1,762	1,961	2,000	1,861	1,867	1,857	1,857
Enrollment	1,803	1,838	1,843	1,799	1,833	1,838	1,986	2,029	2,021	2,038
Kempsville High (Opened Sept 1966; Addition Sept 1968; Modernized Sept 1991; Addition Sept 1995)										
Square Feet	202,665	202,665	202,665	202,665	202,665	202,665	202,665	202,665	202,665	202,665
Program Capacity	1,826	1,807	1,786	1,793	2,009	1,985	1,971	1,985	1,908	1,969
Enrollment	1,819	1,764	1,734	1,712	1,648	1,559	1,522	1,465	1,549	1,632
Landstown High (Opened Sept 2001; Addition Jan 2007)										
Square Feet	308,924	308,924	308,924	308,924	308,924	308,924	308,924	308,924	308,924	308,924
Program Capacity	2,064	2,068	2,068	2,072	2,332	2,332	2,368	2,385	2,543	2,594
Enrollment	2,404	2,396	2,330	2,304	2,196	2,195	2,195	2,208	2,183	2,139
Ocean Lakes High (Opened Sept 1994; Addition Jan 2007)										
Square Feet	330,525	330,525	330,525	330,525	330,525	330,525	330,525	330,525	330,525	330,525
Program Capacity	2,283	2,269	2,269	2,239	2,501	2,501	2,570	2,586	2,705	2,731
Enrollment	2,449	2,407	2,367	2,291	2,211	2,177	2,157	2,126	2,102	2,074
Princess Anne High (Opened Aug 1954; Modernized Sept 1987; Modernized (due to major fire damage) Jan 1997)										
Square Feet	228,860	228,860	228,860	228,860	228,860	228,860	228,860	228,860	228,860	228,860
Program Capacity	1,505	1,521	1,534	1,539	1,652	1,675	1,704	1,737	1,945	1,917
Enrollment	1,819	1,866	1,934	1,842	1,850	1,822	1,780	1,800	1,833	1,779
Salem High (Opened Sept 1989)										
Square Feet	260,889	260,889	260,889	260,889	260,889	260,889	260,889	260,889	260,889	260,889
Program Capacity	1,787	1,759	1,766	1,749	1,932	1,932	1,930	1,938	1,850	1,850
Enrollment	1,933	1,897	1,854	1,794	1,782	1,774	1,766	1,726	1,677	1,702
Tallwood High (Opened Sept 1992)										
Square Feet	294,457	294,457	294,457	294,457	294,457	294,457	294,457	294,457	294,457	294,457
Program Capacity	2,003	1,990	2,028	2,020	2,237	2,237	2,219	2,233	2,168	2,352
Enrollment	2,042	2,112	2,095	1,981	1,950	1,931	1,942	1,956	1,938	1,946
Renaissance Academy - Middle/High Campuses (Opened Dec 2009)										
Square Feet	-	284,968	284,968	284,968	284,968	284,968	284,968	284,968	284,968	284,968
Program Capacity	-	1,600	1,435	1,215	1,232	1,226	1,236	1,197	1,191	1,231
Enrollment	-	709	558	634	616	556	510	438	429	379
Green Run Collegiate Public Charter School (Opened Sept 2013; located at Green Run High School)										
Square Feet	-	-	-	-	-	10,500	10,500	10,500	10,500	10,500
Program Capacity	-	-	-	-	-	400	400	400	400	400
Enrollment	-	-	-	-	-	123	221	282	364	337

Note: Program Capacity is the maximum capacity of the school building for a particular school year and particular student population, taking into account the number of first seats in the building (without counting portables currently on site).

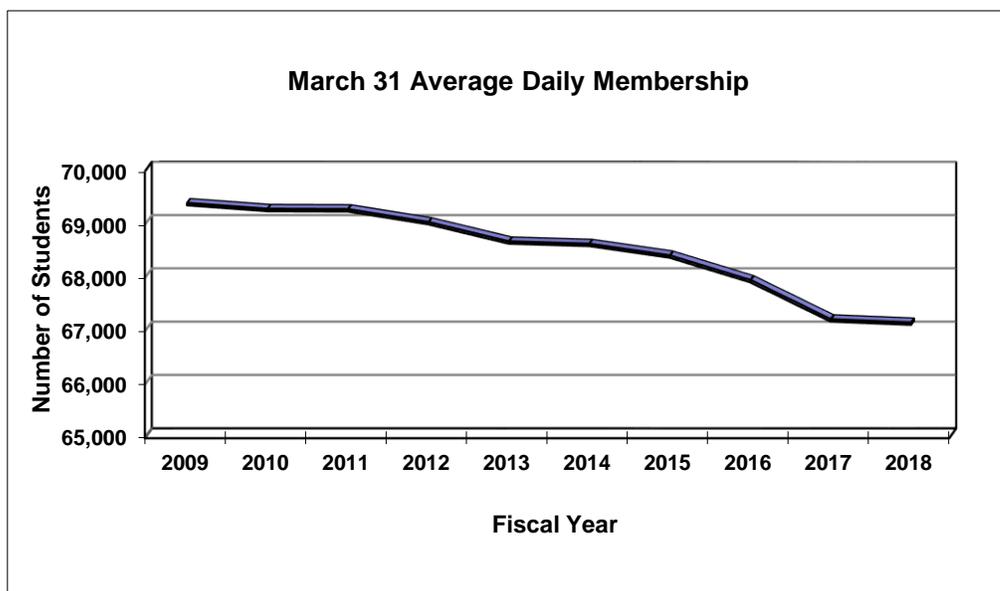
Source: The Department of School Division Services

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
STUDENT MEMBERSHIP
 Last Ten Fiscal Years (unaudited)

Fiscal Year	September 30 Membership	March 31 Average Daily Membership	End-of-Year Membership	Average Daily End-of-Year Membership
2009	70,240	69,335	69,015	69,645
2010	69,956	69,225	68,988	69,586
2011	69,959	69,219	68,935	69,521
2012	69,856	68,977	68,585	69,315
2013	68,138	68,614	68,511	68,990
2014	69,385	68,569	68,403	68,918
2015	68,934	68,351	68,233	68,686
2016	68,568	67,890	67,779	68,244
2017	67,868	67,152	67,061	67,502
2018	67,621	67,091	66,986	67,393

Note: This table represents membership data reported to the Commonwealth of Virginia Department of Education at different points during the year. The September 30 Membership is the sum of pupils present and absent on September 30 or the school day closest to September 30 (however, excludes pre-kindergarten pupils). The March 31 Average Daily Membership is the average daily membership for the first seven months of the school year. The End-of-Year Membership is the sum of the pupils present and absent on the last day of the school year. The Average Daily End-of-Year Membership is the average daily membership for the school year.

Source: Commonwealth of Virginia, Superintendent's Annual Report for Virginia

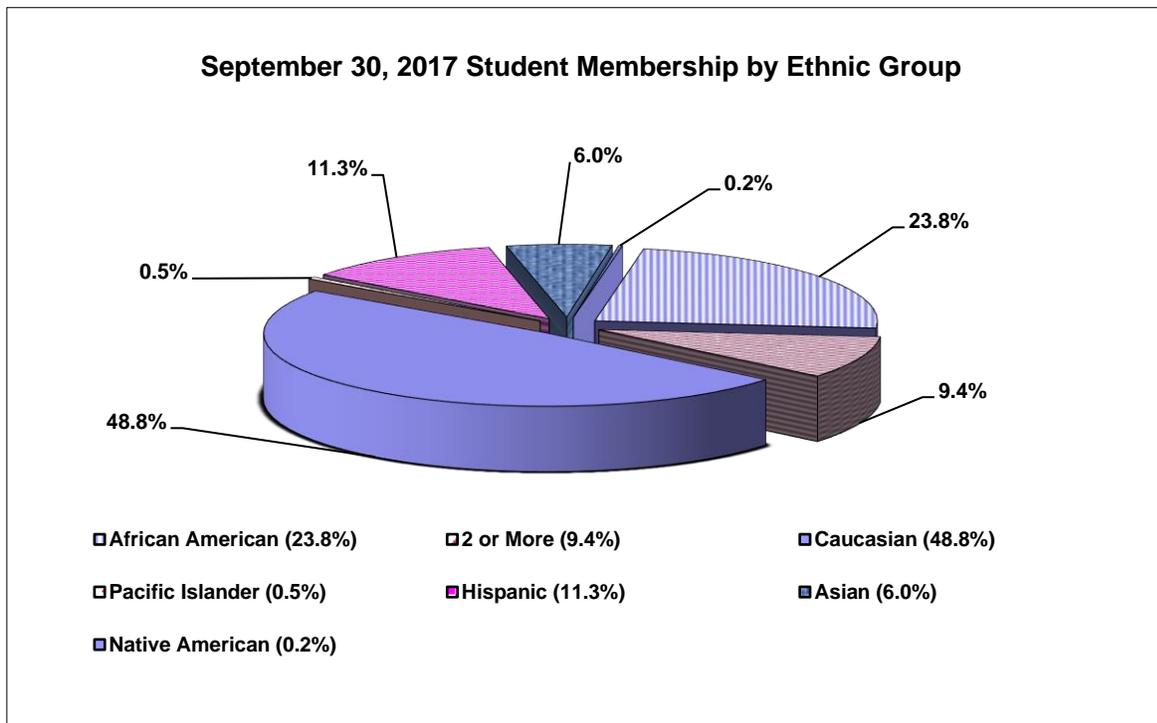


**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
STUDENT MEMBERSHIP BY ETHNIC GROUP
Last Ten Fiscal Years (unaudited)**

Fiscal Year	African American	%	Caucasian	%	Hispanic	%	Asian	%	Pacific Islander	%	Native American	%	Unspecified or 2 or More	%
2009	19,729	27.6	39,745	55.5	4,322	6.0	4,042	5.6	593	0.8	284	0.4	2,849	4.1
2010	19,456	27.3	39,282	55.2	4,375	6.1	4,118	5.8	660	0.9	273	0.4	3,034	4.3
2011	17,679	24.8	37,667	52.9	6,303	8.9	3,931	5.5	338	0.5	257	0.4	5,034	7.0
2012	17,274	24.3	37,228	52.5	6,656	9.4	3,937	5.5	335	0.5	223	0.3	5,325	7.5
2013	16,898	24.0	36,439	51.8	6,961	9.9	3,911	5.6	337	0.5	216	0.3	5,530	7.9
2014	16,990	24.1	36,000	51.0	7,251	10.3	3,998	5.7	328	0.5	237	0.3	5,752	8.1
2015	16,886	24.1	35,428	50.5	7,389	10.5	3,947	5.6	331	0.5	203	0.3	5,937	8.5
2016	16,666	23.9	34,866	50.0	7,599	10.9	4,005	5.7	342	0.5	167	0.2	6,132	8.8
2017	16,543	23.9	34,144	49.4	7,664	11.1	4,051	5.9	340	0.5	157	0.2	6,186	9.0
2018	16,398	23.8	33,647	48.8	7,819	11.3	4,164	6.0	348	0.5	158	0.2	6,448	9.4

Note: This table is based on the September 30 student membership (includes pre-kindergarten pupils).

Source: Departments of Technology and School Administration



**SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CITY OF VIRGINIA BEACH, VIRGINIA - MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2018 (unaudited)**

Date of Incorporation	January 1, 1963
Form of Government	Council - Manager
Area - Square Miles	310
Land	259
Water	51
Culture and Recreation:	
Developed District Parks	8
Developed Community Parks	13
Developed Neighborhood Parks	167
Natural Parks	5
Other Park Areas	48
Acres in Developed Parks	3,685
Golf Courses (City Owned)	5
Recreation Centers	7
Population:	
Census 1970	172,106
Census 1980	262,199
Census 1990	393,069
Census 2000	425,257
Census 2010	437,994
Current Estimate	456,538

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CITY OF VIRGINIA BEACH, VIRGINIA - PRINCIPAL EMPLOYERS
Current Fiscal Year and Nine Years Ago (unaudited)

	Approximate	Percent of	Rank	Approximate	Percent of	Rank
	Number of	Total City		Number of	Total City	
	Employees	Employment		Employees	Employment	
	2018			2009		
City of Virginia Beach / Schools	17,463	7.42 %	1	18,455	8.51 %	1
Naval Air Station Oceana/Dam Neck*	5,850	2.49	2	-	-	-
Sentara Healthcare*	5,200	2.21	3	-	-	-
Joint Expeditionary Base Little Creek*	3,600	1.53	4	-	-	-
GEICO General Insurance company	2,700	1.15	5	2,000	0.92	4
Lynnhaven Mall	2,600	1.11	6	2,600	1.20	2
Gold Key/PHR Hotels and Resorts*	2,365	1.01	7	-	-	-
STIHL Inc	2,113	0.90	8	2,016	0.93	3
Amerigroup (Anthem)	1,850	0.79	9	1,400	0.65	8
Navy Exchange Service Command	1,550	0.66	10	2,000	0.92	5
Michael Baker Jr., Inc.	-	-	-	1,700	0.78	6
VT Milcom	-	-	-	1,653	0.76	7
Hall Auto Group	-	-	-	1,300	0.60	9
Cox Communications	-	-	-	1,200	0.55	10
Totals	<u>45,291</u>	<u>19.27 %</u>		<u>34,324</u>	<u>15.82 %</u>	

Source: City of Virginia Beach - Department of Finance, Department of Economic Development and Department of Budget and Management Services

*Note: Information is not available for 2009

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CITY OF VIRGINIA BEACH, VIRGINIA - DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years (unaudited)

Fiscal Year	Population*	Personal Income (thousands)	Per Capita Personal Income**	Median Age	Number of City Employees	Education Level in Years of Formal Schooling	Local Unemployment Rate
2009	437,275	19,092,978	43,891	36.6	7,700	14.0	6.4%
2010	438,207	19,674,154	44,817	36.7	7,713	13.9	6.5%
2011	441,246	20,679,741	46,693	34.9	7,481	14.0	6.0%
2012	447,489	21,715,151	48,745	34.7	7,477	13.8	5.5%
2013	449,628	21,609,059	48,170	35.0	7,477	13.9	5.6%
2014	451,672	22,641,950	50,302	35.7	7,669	13.9	5.5%
2015	453,500	23,826,769	52,731	35.9	7,560	14.0	4.4%
2016	453,628	24,183,231	53,432	35.9	7,370	13.9	3.8%
2017	454,448	-	-	36.4	7,087	13.9	3.8%
2018	456,538	-	-	36.4	7,255	13.9	2.8%

* Weldon Cooper Center for Public Service (except FY 2018 which is projected)

** Bureau of Economic Analysis

- Not Available

Source: City of Virginia Beach - Department of Finance and Department of Economic Development

The following sources were used by the City in compiling the above information:

Weldon Cooper Center for Public Service
 Virginia Employment Commission
 Bureau of Economic Analysis

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CITY OF VIRGINIA BEACH, VIRGINIA - PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO (unaudited)

	2018			2009		
	Real Property Assessed Value	Percent of Total Real Property Assessed Value	Rank	Real Property Assessed Value	Percent of Total Real Property Assessed Value	Rank
Armada Hoffer	\$415,886,600	0.62 %	1	\$342,153,200	0.60 %	2
Virginia Electric & Power Company	396,271,648	0.59	2	403,879,706	0.71	1
Ramon W. Breeden, Jr.	373,354,000	0.56	3	244,311,638	0.43	4
A.D. & L.E. Fleder & J. M. & R.J. Caplan	317,794,800	0.47	4	-	-	-
Lynnhaven Mall LLC	294,300,100	0.44	5	307,053,500	0.54	3
E. C. & A. F. Ruffin & B. L. Thompson	269,551,500	0.40	6	232,574,200	0.41	5
Pembroke Square Associates LLC	204,821,600	0.31	7	216,725,700	0.38	6
Cheryl P. McLeskey	149,775,600	0.22	8	-	-	-
Verizon Virginia, Inc.	141,423,283	0.21	9	197,735,879	0.35	7
Thomas J. Lyons, Jr. & Joan N.	139,331,600	0.21	10	-	-	-
Sandler at Asheville Park LLC	-	-	-	177,826,960	0.31	8
Atlantic Shores Cooperative Association, Inc.	-	-	-	177,139,140	0.31	9
Christian Broadcasting Assoc./Net, Inc.	-	-	-	149,112,600	0.26	10
Totals	\$ 2,702,510,731	4.03 %		\$ 2,448,512,523	4.30 %	

Source: City of Virginia Beach - Department of Finance, Office of Real Estate Assessor, and Commissioner of the Revenue

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CITY OF VIRGINIA BEACH, VIRGINIA - ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years (unaudited)

Fiscal Year	Real Property Assessed Value		Personal Property Assessed Value		Public Service Assessed Value	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Residential	Commercial				
2009	\$48,889,366,712	\$7,877,386,575	\$2,807,028,410	\$905,268,622	\$807,890,384	\$61,286,940,703	\$61,286,940,703	100.0%
2010	47,128,334,239	8,251,639,426	2,860,711,763	751,063,121	890,229,132	59,881,977,681	59,881,977,681	100.0%
2011	43,967,169,845	8,008,231,601	3,105,575,058	972,520,233	927,509,746	56,981,006,483	56,981,006,483	100.0%
2012	42,582,797,354	7,925,225,472	3,225,216,284	1,079,909,616	938,693,399	55,751,842,125	55,751,842,125	100.0%
2013	40,815,993,416	8,036,001,242	3,306,948,272	942,744,260	929,843,170	54,031,530,360	54,031,530,360	100.0%
2014	40,590,297,065	8,147,317,125	3,362,985,338	971,033,585	889,050,800	53,960,683,913	53,960,683,913	100.0%
2015	42,110,642,755	8,466,636,425	3,446,918,395	1,122,915,183	875,496,571	56,022,609,329	56,022,609,329	100.0%
2016	43,302,214,028	8,714,160,476	3,552,544,174	1,029,515,444	895,479,945	57,493,914,067	57,493,914,067	100.0%
2017	45,017,777,981	8,822,768,056	3,612,948,282	1,079,435,074	945,094,380	59,478,023,773	59,478,023,773	100.0%
2018	46,426,321,920	9,094,379,313	3,662,270,285	1,124,495,564	983,607,868	61,291,074,950	61,291,074,950	100.0%

Source: City of Virginia Beach - Department of Finance, Office of Real Estate Assessor, Commissioner of the Revenue, and City Adopted Resource Management Plan

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CITY OF VIRGINIA BEACH, VIRGINIA - PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years (unaudited)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$570,582,069	\$547,934,162	96.0%	\$19,571,362	\$567,505,524	99.5%
2010	546,129,490	526,040,648	96.3%	17,082,666	543,123,314	99.4%
2011	523,586,269	504,769,073	96.4%	15,108,438	519,877,511	99.3%
2012	522,586,852	501,282,299	95.9%	15,740,663	517,022,962	98.9%
2013	536,618,666	516,542,429	96.3%	15,920,597	532,463,026	99.2%
2014	527,036,431	509,339,982	96.6%	15,189,025	524,529,007	99.5%
2015	558,420,893	537,056,367	96.2%	15,421,100	552,477,467	98.9%
2016	613,105,892	589,411,524	96.1%	13,092,961	602,504,485	98.3%
2017	634,993,466	609,085,906	95.9%	15,242,756	624,328,662	98.3%
2018	662,272,634	636,789,707	96.2%	-	636,789,707	96.2%

Note: Collections in subsequent years represent delinquent accounts collected during the course of any fiscal year subsequent to the fiscal year of the tax levy.

Source: City of Virginia Beach - Department of Finance

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CITY OF VIRGINIA BEACH, VIRGINIA - REVENUE RATES FOR REAL ESTATE AND PERSONAL PROPERTY
Last Ten Fiscal Years (unaudited)

Fiscal Year	Base Real Property Tax Rate	Additional Real Property Tax Rate Sandbridge SSD	Additional Real Property Tax Rate Town Center SSD	Additional Real Property Tax Rate Old Donation SSD	Additional Real Property Tax Rate Bayville Creek SSD	Additional Real Property Tax Rate Shadowlawn SSD	Personal Property Tax Rate
2009	\$0.8900	\$0.0600	\$0.4500	-	-	-	\$3.7000
2010	0.8900	0.0600	0.4500	-	-	-	3.7000
2011	0.8900	0.0600	0.4500	-	-	-	3.7000
2012	0.8900	0.0600	0.4500	\$0.1840	-	-	3.7000
2013	0.9500	0.0600	0.4500	0.1840	\$0.3630	-	3.7000
2014	0.9300	0.0600	0.4500	0.1840	0.3630	\$0.1594	3.7000
2015	0.9300	0.0600	0.4500	0.1840	0.3630	0.1594	4.0000
2016	0.9900	0.0600	0.4500	0.1840	0.3630	0.1594	4.0000
2017	0.9900	0.0600	0.4500	0.1840	0.3630	0.1594	4.0000
2018	1.0025	0.0600	0.4500	0.1840	0.5690	0.1594	4.0000

Fiscal Year	Base Real Property Tax Rate	Additional Real Property Tax Rate Chesapeake SSD	Additional Real Property Tax Rate Harbor Point SSD	Additional Real Property Tax Rate Gills Cove SSD	Additional Real Property Tax Rate Hurds Cove SSD
2009	\$0.8900	-	-	-	-
2010	0.8900	-	-	-	-
2011	0.8900	-	-	-	-
2012	0.8900	-	-	-	-
2013	0.9500	-	-	-	-
2014	0.9300	-	-	-	-
2015	0.9300	\$0.2913	\$0.0790	\$0.0630	-
2016	0.9900	0.2913	0.0790	0.0630	\$0.4380
2017	0.9900	0.2913	0.0790	0.0630	0.4380
2018	1.0025	0.2913	0.0790	0.0630	0.4380

- Notes: (1) The City is the only entity with local taxing authority within its boundaries.
(2) Real Property Tax Rate is applied to real estate such as land and buildings.
(3) Personal Property Tax Rate is applied to Personal Property such as automobiles and equipment
(4) The tax bases are mutually exclusive

Source: City of Virginia Beach - Department of Finance/City Adopted Resource Management Plan

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CITY OF VIRGINIA BEACH, VIRGINIA - RATIOS OF OUTSTANDING GENERAL BONDED DEBT BY TYPE
Last Ten Fiscal Years (unaudited)

Fiscal Year	General Obligation Bonds	State Literary Fund Loans	Appropriation Backed Debt*	Total	Percentage of Estimated Actual Full Value of Property	General Bonded Debt Per Capita***
2009	\$623,700,693	\$7,620,046	\$346,422,500	\$977,743,239	1.6%	\$2,244
2010	631,597,701	6,563,546	346,197,500	984,358,747	1.6%	2,256
2011	669,514,476	5,507,046	323,367,500	998,389,022	1.8%	2,271
2012	** 727,803,047	4,750,000	363,387,004	1,095,940,051	2.0%	2,244
2013	** 686,766,362	4,125,000	362,131,112	1,053,022,474	1.9%	2,162
2014	** 720,118,515	3,500,000	383,138,178	1,106,756,693	2.0%	2,256
2015	** 716,612,342	2,875,000	405,353,486	1,124,840,828	2.0%	2,258
2016	** 721,310,401	2,250,000	373,133,427	1,096,693,828	1.9%	2,195
2017	** 655,854,925	1,875,000	360,528,148	1,018,258,073	1.7%	2,040
2018	** 664,558,868	1,500,000	360,314,441	1,026,373,309	1.7%	2,042

Source: City of Virginia Beach - Department of Finance/Annual Long-Term Debt Report

*Appropriation Backed Debt includes all Governmental Public Facility Revenue Bonds, Capital Leases, COPs, Williams Farm, and Business Type Virginia Beach Development Authority debt.

**Fiscal Years 2012-2018 have been adjusted to reflect the related unamortized premium. Detailed premium information for prior fiscal years is not available and therefore not adjusted.

***Computation of Net Debt Per Capita is net of premiums and discounts.

SCHOOL BOARD OF THE CITY OF VIRGINIA BEACH, VIRGINIA
CITY OF VIRGINIA BEACH, VIRGINIA - LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years (unaudited)

	Fiscal Year			
	2009	2010	2011	2012
Debt Limit	\$ 5,757,464,367	\$ 5,627,020,280	\$ 5,290,291,119	\$ 5,144,671,623
Total Net Debt Applicable to Limit	<u>661,855,123</u>	<u>670,254,683</u>	<u>713,387,034</u>	<u>716,177,198</u>
Legal Debt Margin	<u>\$ 5,095,609,244</u>	<u>\$ 4,956,765,597</u>	<u>\$ 4,576,904,085</u>	<u>\$ 4,428,494,425</u>
Total Net Debt Applicable to the Limit as a percentage of the Debt Limit	11.50%	11.91%	13.48%	13.92%

Source: City of Virginia Beach - Department of Finance/Annual Long-Term Debt Report

Note: Under state law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. However, the City has established financial affordability indicators. The affordability indicators are as follows:

- The total annual debt service for general government supported debt will not exceed 10% of general government expenditures (excluding interfund transfers).
- The City's overall net debt will not exceed 3.5% of the estimated full value of taxable real property.
- The City's overall net debt per capita will not exceed \$3,000.
- The City's overall net debt per capita shall not exceed 6.5% of per capita personal income.

		Fiscal Year									
		2013	2014	2015	2016	2017	2018				
\$	4,978,183,783	\$	4,962,666,499	\$	5,145,277,575	\$	5,291,185,445	\$	5,478,360,985	\$	5,650,206,962
	<u>685,988,698</u>		<u>712,384,323</u>		<u>697,079,775</u>		<u>697,520,721</u>		<u>641,749,326</u>		<u>646,061,132</u>
\$	<u>4,292,195,085</u>	\$	<u>4,250,282,176</u>	\$	<u>4,448,197,800</u>	\$	<u>4,593,664,724</u>	\$	<u>4,836,611,659</u>	\$	<u>5,004,145,830</u>
	13.78%		14.35%		13.55%		13.18%		11.71%		11.43%

Legal Debt Margin Calculation For Fiscal Year

2018 Assessed Value of Real Property

(Taxable):

Regular	\$ 55,520,701,233
Public Service	981,368,382
Total Assessed Value of Real Property	<u>\$ 56,502,069,615</u>

Debt Limit (10% of Total Assessed Value)	\$ 5,650,206,962
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Debt Applicable to Limit:

General Obligation Bonds	646,061,132
Legal Debt Margin	<u>\$ 5,004,145,830</u>



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COMPLIANCE SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Virginia Beach, Virginia (the Board), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 26, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Arlington, Virginia
November 26, 2018

Aaron C. Spence, Ed.D., *Superintendent*
Virginia Beach City Public Schools
2512 George Mason Drive, Virginia Beach, Virginia 23456-0038

Produced by the Department of Media and Communications.
For further information, please call (757) 263-1075.

Notice of Non-Discrimination Policy

Virginia Beach City Public Schools does not discriminate on the basis of race, color, religion, national origin, sex, sexual orientation/gender identity, pregnancy, childbirth or related medical condition, disability, marital status, age, genetic information or veteran status in its programs and activities and provides equal access to the Boy Scouts and other designated youth groups. School Board policies and regulations (including, but not limited to, Policies 2-33, 4-4, 4-6, 4-43, 5-7, 5-19, 5-20, 5-44, 6-7, 7-48, 7-49, 7-57 and Regulations 4-4.1, 4-4.2, 4-6.1, 4-43.1, 5-44.1, 7-11.1, 7-17.1 and 7-57.1) provide equal access to courses, programs, counseling services, physical education and athletic, vocational education, instructional materials and extracurricular activities.

To seek resolution of grievances resulting from alleged discrimination or to report violations of these policies, please contact the Title VI/Title IX Coordinator/Director of Student Leadership at (757) 263-2020, 1413 Laskin Road, Virginia Beach, Virginia, 23451 (for student complaints) or the Section 504/ADA Coordinator/Chief Human Resources Officer at (757) 263-1133, 2512 George Mason Drive, Municipal Center, Building 6, Virginia Beach, Virginia, 23456 (for employees or other citizens). Concerns about the application of Section 504 of the Rehabilitation Act should be addressed to the Section 504 Coordinator/Director of Student Support Services at (757) 263-1980, 2512 George Mason Drive, Virginia Beach, Virginia, 23456 or the Section 504 Coordinator at the student's school. For students who are eligible or suspected of being eligible for special education or related services under IDEA, please contact the Office of Programs for Exceptional Children at (757) 263-2400, Laskin Road Annex, 1413 Laskin Road, Virginia Beach, Virginia, 23451.

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