

College, Career & Citizen-Ready!

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

A Component Unit of the City of Newport News, Virginia

Fiscal Year ended June 30, 2021

(With Report of Independent Auditor)

THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
A COMPONENT UNIT OF THE CITY OF NEWPORT NEWS, VIRGINIA
Fiscal Year ended June 30, 2021

Prepared by:

BUSINESS OFFICE

Dr. George Parker, III, Superintendent
Rashard J. Wright, Chief of Staff
Chris Sorensen, Interim Chief Finance & Operations Officer
Kimberly Powell, MPA, Accounting Supervisor

12465 Warwick Boulevard
Newport News, VA 23606

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

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INTRODUCTORY SECTION

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

Members of the School Board and School Board Officials

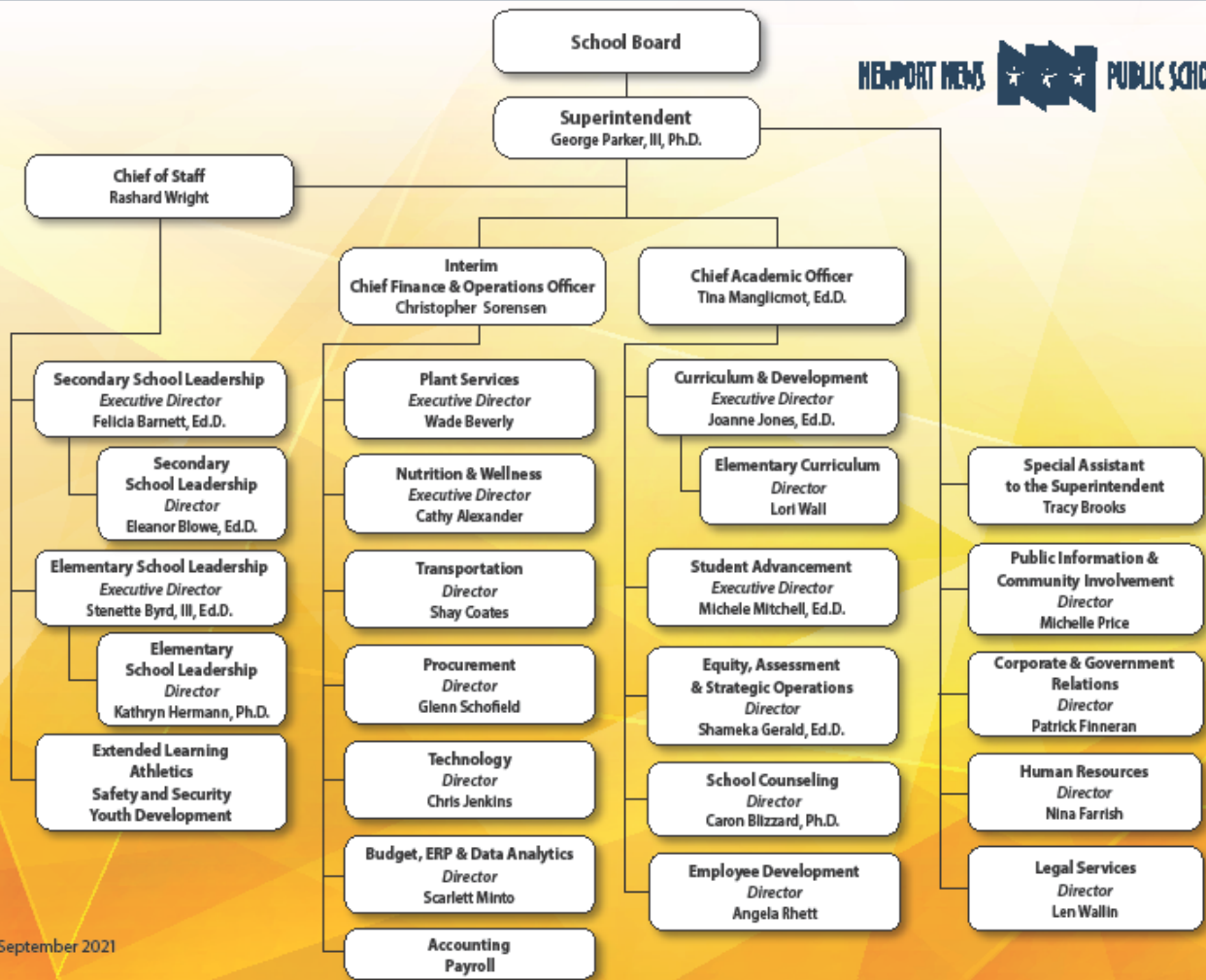
School Board

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

School Board Officials

Dr. George Parker, III	Superintendent
Rashard J. Wright	Chief of Staff
Dr. Tina Manglicmot	Chief Academic Officer – Curriculum & Development
Christopher Sorensen	Interim Chief Finance and Operations Officer
Cathy Alexander	Executive Director – Child Nutrition
Dr. Felicia Barnett	Executive Director – Secondary School Leadership
Wade Beverly	Executive Director – Plant Services
Dr. Stennette Byrd, III	Executive Director – Elementary School Leadership
Dr. Joanne Jones	Executive Director – Curriculum & Development
Dr. Michele Mitchell	Executive Director – Student Advancement

NNPS Administrative Organization Chart



As of September 2021



Business Office

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

December 6, 2021

The Honorable Members of the School Board:

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the School Board of Newport News, Virginia (the School Board, Newport News Public Schools or NNPS), for the fiscal year ended June 30, 2021. The School Board is responsible for the accuracy, completeness and fairness of the data presented. We believe that the data presented is accurate in all material respects and presents fairly the financial position and results of operations of the School Board's various funds.

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

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

Overview of the Report

We have divided the Annual Comprehensive Financial Report into four sections: Introductory, Financial, Statistical and Compliance. The Introductory Section includes helpful information on the School Board's structure. The Financial Section includes the report of the independent auditor, Management's Discussion and Analysis, government-wide financial statements, governmental funds' financial statements, note disclosures, required supplementary information and supplementary information. The Statistical Section is a compilation of tables that show multi-year financial, demographic, economic and operating information. The Compliance Section demonstrates our compliance with the requirements associated with Federal grants. In consultation with our auditors the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501, will be delayed beyond the normal due date per the May 21, 2021 "*Memorandum For The Heads of Executive Departments And Agencies*" issued by the Executive Office of the President (Office of Management and Budget {"OMB"}). A separate compliance report will be issued subsequent to the OMB Compliance Supplement Addendum issuance.

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

School Board Profile

The School Board was established in 1898 to provide educational opportunities to the residents of the City of Newport News, Virginia (the City or Newport News). The School Board is the elected body operating under the Constitution of Virginia and the *Code of Virginia*. The members of the School Board are elected by the citizens

of the City to serve four-year terms. The School Board determines educational policy and employs a superintendent of schools to administer the public school system.

The School Board provides a full range of public educational services to approximately 28,300 students from grades pre-kindergarten through the 12th grade.

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

The School Board provides educational services in 41 separate school facilities plus alternative services at six additional sites. The School Board's buildings range in age from five years old to 102 years old, with the average age of all schools being 50 years old. Only a few schools have received extensive renovations throughout their life.

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

Factors Affecting Financial Condition

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

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

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

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

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

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

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

The School Board is expected to continue to experience moderate growth in State and local funding in the near future and enrollment is expected to decrease slightly. The FY2022 General Fund budget expects to have an \$7.2 million revenue shortfall. Decreased enrollment of 1,226 students, suspected to be caused by concerns over a novel strain of coronavirus (COVID-19), have impacted the operating budget for State revenue (based on student enrollment). The City contribution remains unchanged. The Federal government has provided an allocation of \$44.9 million in CARES Act funding in FY2021 and CARES spending continues in FY22. Additional Coronavirus Response and Relief Supplemental Appropriations Act of 2021(CRRSA) resources in the neighborhood of \$80 million are expected in FY2022. The forecast for FY2023 continues unclear, but modest revenue growth outside of CARES Act funding is possible. See the Management's Discussion and Analysis beginning on page 3 of the financial section of this report for an in-depth financial analysis.

Stewardship of Resources. The School Board adopted Journey 2025, a strategic plan to ensure all students graduate college, career and citizen-ready. Toward this end, the School Board affirmed five strategic supports that are necessary to achieve student success. The five components are Student Success, Student & Staff Wellness, Employee Expertise, Enhanced Partnerships and Stewardship of Resources. School divisions that have wise stewardship of resources evolve their planning process as needed to address new issues, keep up with best practices, and anticipate the changing needs of the organization created by economic conditions, community expectations, and state and federal regulations. The School Board will make financial and human capital decisions with a focus on student and staff needs, organizational data, and equitable practices.

Risk Management. The School Board's risk management program is designed to protect the investment of taxpayers by identifying and reducing risks that confront the School Board. Risk is managed with a combination of commercial insurance with small deductibles and self-insurance combined with reinsurance for large claims. Commercial insurance with small deductibles is maintained for general liability, property, errors and omissions. The School Board participates with the City in a self-insurance program for vehicles (with reinsurance for claims over \$1 million). Self-insurance is maintained for employee health insurance (with reinsurance for individual claims over \$200 thousand) and Workers' Compensation (reinsurance contracted for claims over \$1 million.)

Accomplishments, Recognitions and Awards

School Accreditation.

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

More NNPS Students Are Earning Diplomas. By keeping the focus on college and career readiness, NNPS' graduation rate has increased to 93.9% of the Class of 2020 graduating in four years. The school division's on-time graduation rate has increased significantly from 72.9% in 2008. During the same time, the dropout rate decreased from 12% to 1.9%. Newport News Public Schools' dropout prevention and recovery program provides an array of services to help students graduate on time (in four years).

NNPS Has Qualified Educators. NNPS has 31 National Board Certified Teachers. National Board Certification is recognized nationally as a benchmark for teacher quality and is the highest credential in the profession.

NNPS has talented, award-winning employees. Newport News Public School is home to the 2021 National Art Education Association Southeastern Region Art Education Award winner, a 2020-2021 No Kid Hungry Virginia School Meals Hero, two 2019-2020 WISE Gold Star Teachers and Facility Cleaning Decisions Magazine's Faces of the Frontline honoree.

Awards

NNPS was named a 2020 Best Community for Music Education district by the National Association of Music Merchants Foundation. The designation recognizes outstanding efforts by teachers, administrators, parents, students, and community leaders who work together to ensure access to music learning for all students as part of the school curriculum.

Newport News Public Schools earned two awards from the Association of School Business Officials International in recognition of outstanding financial management and distinguished budget presentation. NNPS received a Certificate of Excellence for its Annual Comprehensive Financial Report for 2020 fiscal year and a Meritorious Budget Award for the 2019-2020 budget document.

Newport News Public Schools was awarded a \$647,167 grant from the U.S. Department of Justice in 2020 to promote safety in schools and the community. The federal "STOP School Violence" grant program is designed to improve school security by providing students and teachers with the tools they need to recognize, respond quickly to, and help prevent acts of violence. The Newport News plan focuses on training to recognize and address issues of mental health among students.

Newport News YouthBuild, a pre-apprenticeship program, offered in partnership with Newport News Public Schools, the City of Newport News and Volunteers of America, Chesapeake and Carolinas (VOACC) was named a finalist in the U.S. Department of Education's Rethink Adult Ed Challenge. The eight-month program offers participants 16-24 years of age academic support in combination with real-world construction trades experience.

Newport News Public Schools earned six 2020 Virginia Board of Education Exemplar Performance School Awards for high student achievement, continuous improvement and innovative practices. Deer Park and General Stanford elementary schools received the Highest Achievement Award for the second year in a row. Denbigh High, Discovery STEM Academy and Marshall Early Childhood Center earned the Continuous Improvement Award. NNPS was recognized for division-wide innovative practices in its STEM instruction delivered through the Engineering Design Challenges, team-based collaborations to solve real-world problems using STEM skills.

BayPort Credit Union and Newport News Public Schools earned the 2020 Creating Excellence Business Partnership Award presented by the Virginia Department of Education. BayPort offers Newport News students lessons in financial literacy and work-based learning opportunities exploring finance careers. The partnership also provides hands-on experiences, including work in the student-run credit unions, mentoring, summer programs and volunteering.

Two successful NNPS programs were featured in the 2020 Virginia School Boards Association Showcases for Success directory: iSTEM, a PK-12 instructional program that helps students use their STEM skills to solve real-world problems, and the Advanced Students Supporting Innovative Systematic Technology program (ASSIST), which gives students the opportunity to assist school system IT professionals and gain valuable problem-solving experience in a growing career field.

The Newport News School Board and Superintendent were the second school governance team in Virginia to earn the designation of a Virginia School Board Association Master Board in 2021. The team attended over 18 hours of professional development focused on team building, improving communication, listening and board building behaviors.

FareShare, Menchville High School's Lead4Change Team, was one of six nationwide grand prize winners in 2021 for their outstanding efforts to serve their school and the community. The Lead4Change Student Leadership Program awarded \$10,000 to the Menchville team. The team donated half of the prize to THRIVE Peninsula, and the school will use the remainder for the school's garden, food pantry, and other projects.

The Aviation Academy at Denbigh High School was named a Top School in Virginia Living magazine's 2021 list of notable programs. A team of students at the Aviation Academy participated in HUNCH (High school students United with NASA to Create Hardware) to build special lockers used on the International Space Station. Only one other school in the U.S. took part in the program.

NNPS STUDENTS EARN NATIONAL AND STATE AWARDS

Middle and high school students in Career and Technical Education student organizations earned 20 awards during regional and state competitions in 2021.

Members of the Young Men of Distinction at An Achievable Dream Middle and High School earned first place in the 2021 Black History Virtual Trivia Bowl presented by The Golden Fold of Alpha Iota Chapter of Omega Psi Phi Fraternity, Inc.

Miles Thomas, a sophomore at Heritage High School, was named the state Region 2 winner for grades 6-12 in the 2020 Computer Science in Your Neighborhood competition sponsored by CodeVA and the Virginia Department of Education. Miles wrote an essay describing three applications he would design: two that would assist incarcerated individuals in finding jobs once released and one that would help families communicate and stay connected with those who are incarcerated.

Jazlyn Jones, a seventh grader at Booker T. Washington Middle School, earned the grand prize in the tenth annual James River Association Poster Contest.

Grayson Zimmerman, a student at Carver Elementary, earned first place for first grade entries in the 2020 WHRO PBS KIDS Writers Contest.

Three NNPS students earned accolades for their stories submitted to the WHRO Young Storytellers Contest in 2021. Carver Elementary fifth-grader Saniya Hundley-Sweeney won first place for Sanita and the S-bots; Deer Park second grader Lucy Gurganus won first place in her category for The Puppy Pizza Place and Kylen Boyer, who was in third grade at Sedgfield Elementary, earned an honorable mention for The Day I Glitched.

Acknowledgements

The preparation of the School Board's Annual Comprehensive Financial Report was accomplished with the dedicated services of personnel from the Accounting Office of the Business Department. This effort was led by Kimberly S. Powell, MPA, Accounting Supervisor, and supported by Jennifer Loftin, Senior Accounting Analyst.

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

Sincerely,



Rashard J. Wright
Chief of Staff, Newport News Public Schools



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

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

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Newport News Public Schools

**for its Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2020.**

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



A handwritten signature in black ink, reading 'W. Edward Chabal'.

W. Edward Chabal
President

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

David J. Lewis
Executive Director

FINANCIAL SECTION

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia (the "School Board"), a component unit of the City of Newport News, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Student Activity Funds, a special revenue fund of the School Board, which represents 2.5%, 5.5%, and 1.9% of the total assets, fund balance/net position, and revenues of the aggregate remaining fund information of the School Board, respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Student Activity Funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, the School Board adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. As a result, related net position and fund balances as of June 30, 2020 have been restated. Our opinions are not modified with respect to this matter

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2021, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

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

Richmond, Virginia
December 6, 2021

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

Management's Discussion and Analysis (Unaudited)

June 30, 2021

The following discussion and analysis of the School Board of the City of Newport News, Virginia's (the School Board) financial performance provides an overview of the School Board's financial activities as of and for the fiscal year ended June 30, 2021. The analysis focuses on the School Board's financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the School Board's financial statements, which follow this section.

Financial Highlights for Fiscal Year (FY) 2021

The School Board, on a government-wide basis, had an increase in Net Position of \$28.2 million. The increase during FY2021 resulted in Net Position going from negative \$275.4 million, as restated, to negative \$247.2 million. This is the seventh consecutive year we have improved our Net Position. We increased by \$23.7 million in FY2015, by \$2.8 million in FY2016, by \$9.5 million in FY2017, by \$16.3 million in FY2018, by \$18.2 million in FY2019, by \$22.4 million in FY2020, and now by \$28.2 million in FY2021 for a total increase of \$121.7 million over the past seven years. During the past seven fiscal years, net investment in capital assets accounted for \$46.7 million (38%) of this increase. It should be noted that during the past seven years the School Board coordinated with the City of Newport News to return one school building per year under the provisions of Assets Held Tenancy in Common as explained more fully in the paragraph below.

During FY2021, net investment in capital assets increased by \$12.2 million to \$115.4 million primarily due to receiving back from the City of Newport News, Virginia (the City) the \$13.0 million in book value (cost less accumulated depreciation) for the Woodside High School building. Under the provisions of *Code of Virginia* 15.2-1800 (Assets Held Tenancy in Common) (AHTIC), the City recorded Woodside High on their books as an asset until the general obligation bonds used to finance the construction of the school were repaid (the School Board is not permitted to issue General Obligation Bonds). Restricted Net Position increased by \$3.4 million primarily due to an increase in funds restricted for Textbooks. Math textbooks for some grades were the only substantial purchases during the year. The restricted balance from all sources is now \$21.0 million. Unrestricted Net Position increased by \$14.3 million and is now at negative \$383.6 million. Unrestricted Net Position includes \$6.7 million in funds for which the School Board is seeking an appropriation authorization from City Council to spend on various capital projects. A total of \$5.7 million comes from unexpected revenue from the Commonwealth of Virginia. If the School Board does not get City Council approval, the funds will have to be returned to the Commonwealth.

Overview of the Financial Statements

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

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

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

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

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Governmental funds use the modified accrual basis of accounting and the current financial resources measurement focus. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenues and deferred flows of resources and in the presentation of expenses versus expenditures. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Financial Analysis of the School Board as a Whole

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

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

Table 1
Net Position
(In millions)

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Change</u>
		(as restated)	
Current and other assets	\$ 106.8	\$ 90.6	\$ 16.2
Capital assets, net	<u>129.5</u>	<u>118.9</u>	<u>10.6</u>
Total assets	<u>236.3</u>	<u>209.5</u>	<u>26.8</u>
Deferred outflows of resources	<u>99.7</u>	<u>78.0</u>	<u>21.7</u>
Other liabilities	33.8	34.9	(1.1)
Long-term liabilities	<u>492.6</u>	<u>480.7</u>	<u>11.9</u>
Total liabilities	<u>526.4</u>	<u>515.6</u>	<u>10.8</u>
Deferred inflows of resources	<u>56.8</u>	<u>49.0</u>	<u>7.8</u>
Net Position:			
Net investment in capital assets	115.4	103.2	12.2
Restricted	21.0	19.3	1.7
Unrestricted	<u>(383.6)</u>	<u>(397.9)</u>	<u>14.3</u>
Total Net Position	<u><u>\$ (247.2)</u></u>	<u><u>\$ (275.4)</u></u>	<u><u>\$ 28.2</u></u>

The School Board's total Net Position shows an increase of \$28.2 million increasing from a negative \$275.4 million to a negative \$247.2 million. The largest reason for the increase (\$13.0 million or 43%) resulted from the City returning the book value of Woodside High School to the School Board under the provisions of AHTIC.

Current and other assets increased by \$16.2 million (17.9%). This was attributed a large increase of cash, which went up \$18.0 million. Revenue from the Commonwealth exceeded the expected/budgeted amount by \$6.3 million. In addition, many purchases and deliveries of goods and services were put on hold for nine months since students were learning remotely. The value of undelivered purchase orders went up by \$12.8 million, further increasing the amount of cash on hand.

Capital assets increased by \$10.6 million (8.9%). This increase was due to the City transferring Woodside High School back to the School Board under the provisions of AHTIC, since the bonded debt had been repaid, which added \$13.0 million. Annual depreciation expense of \$8.5 million lowered the net value of capital assets.

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Deferred outflows of resources increased by \$21.7 million (27.8%) due to adjustments associated with actuarial calculations related to changes in experience data of the Virginia Retirement System (VRS) and the Newport News Employee Retirement Fund (NNERF) pension and Other Post Employment Benefit (OPEB) plans.

Other liabilities decreased by \$1.1 million (3.2%), primarily due to fewer accounts payable in the General Obligation Bond Fund for construction projects underway at June 30, 2021. All major projects except one were complete as of June 30, 2021.

Long-term liabilities increased by \$11.9 million (2.5%). This was due to pension obligations increasing by \$34.5 million offset by a large decrease of \$22.8 million in OPEB liabilities.

Deferred inflows of resources increased by \$7.8 million (15.9%). This is due to actuarial computations related to the pension and OPEB obligations.

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

Table 2
Changes in Net Position
(In millions)

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3.2	\$ 4.3	\$ (1.1)
Operating grants and contributions	98.0	82.3	15.7
Capital grants and contributions	1.5	1.6	(0.1)
General revenues:			
Local	119.8	136.5	(16.7)
State	164.4	159.0	5.4
Federal	1.9	1.6	0.3
Interest	0.1	0.2	(0.1)
Total revenues	<u>388.9</u>	<u>385.5</u>	<u>3.4</u>
Expenses:			
Academic services	256.2	251.8	4.4
Attendance and health	6.4	5.9	0.5
Transportation services	17.2	22.3	(5.1)
Operations and facilities	32.9	33.4	(0.5)
Child nutrition services	13.8	19.4	(5.6)
Technology services	23.1	19.0	4.1
Administration	10.7	10.8	(0.1)
Interest on capital debt	0.4	0.5	(0.1)
Total expenses	<u>360.7</u>	<u>363.1</u>	<u>(2.4)</u>
Change in net position	<u>28.2</u>	<u>22.4</u>	<u>5.8</u>
Beginning net position, as originally stated	(275.4)	(299.5)	24.1
Prior period adjustment - change in accounting principles	-	1.7	(1.7)
Beginning net position, as restated	<u>(275.4)</u>	<u>(297.8)</u>	<u>22.4</u>
Ending net position	<u>\$ (247.2)</u>	<u>\$ (275.4)</u>	<u>\$ 28.2</u>

For the Fiscal Year, ended June 30, 2021, revenues from governmental activities (excluding charges for services and interest) totaled \$385.7 million, \$4.6 million (1.2%) more than in FY2020. Charges for services and interest were \$3.2 million to bring the total to \$388.9 million.

Charges for services was \$3.2 million (0.8% of the total) and decreased by \$1.1 million (25.6%) from FY2020. Child Nutrition Services saw a decrease of \$0.4 million in charges for meals as all students now qualify for

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reimbursement under the Community Eligibility Program of the National School Lunch Program. In addition, a la carte sales were greatly reduced as students were in distance learning most of the school year. Erate funds decreased by \$0.3 million as telecommunication providers elected to apply the Erate credit directly to their invoices rather than send the money to the School Board.

Operating grants, which were comprised of approximately 49% from Virginia sources, 49% from federal sources and 2% from local sources, totaled \$98.0 million (25.2% of the total). This was an increase of \$15.7 million (19.1%). Federal CARES Act funding account for \$7.3 million (46%) of the increase. Title I federal grants accounted for \$2.5 million (16%) of the increase.

Capital grants, which was primarily for technology, was \$1.5 million (0.4% of the total) and showed only a slight \$0.1 million decline.

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

Revenue to the General Fund (budget basis)	\$ 113,389,307
Less debt service returned to the City	(1,057,652)
Add Revenue General Obligation Bonds	5,362,703
Add capital assets transferred from City tenancy-in-common	12,970,278
Less capital assets transferred to City tenancy-in-common	<u>(10,885,013)</u>
Net amount from City - Entity-wide statements	<u>\$ 119,779,623</u>
Plus the City provided operating grants of \$73,560	

Revenue from the City in FY2021 was \$119.8 million (30.8% of the total), a decrease of \$16.7 million (12.2%). This decrease was due to less funding for capital projects. In FY2020 funds were provided for HVAC projects at Woodside High, Jenkins Elementary, Hilton Elementary, and Deer Park Elementary.

Commonwealth Standards of Quality (SOQ) Funds accounted for \$164.4 million (42.3%) of the School Board's resources. These funds are based on student membership counts. These funds increased by \$5.4 million (3.4%). Sales tax revenue increased by \$2.9 million to account for 54% of the increase.

Federal revenue increased by \$0.3 million to \$1.9 million (0.5% of the total) in FY2021 due to higher Impact Aid funding.

Interest income of \$0.1 million (0.1% of the total) decreased by \$0.1 million.

Expenses for FY2021 totaled \$360.7 million, a decrease of \$2.4 million (0.7%). There were several areas of considerable savings due to students being taught via distance learning. The largest of these was savings of \$2.2 million for bus driver compensation due to no field trips, reduced athletic and activity buses (drivers continued to be paid their base contract pay to keep them as employees in hope of a swift return to in-person learning), \$1.2 million for fewer substitute teachers and \$0.5 million for less fuel and maintenance due to idle school buses. A host of other categories had smaller amounts of savings, such as reduced cafeteria monitors, reduced school bus monitors, lower utility bills and custodial supplies since the buildings remained virtually empty for nine months during the year, less overtime for security officers and lower copier and printing costs. Offsetting this was a mid-year bonus of \$750 per eligible employee and a 3% across the board raise effective April 1. These two actions cost approximately \$3.0 million.

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Academic services accounted for \$256.2 million (71.0%) of the School Board's total expenses. A significant portion of this amount is for the salaries and benefits of teachers, teacher assistants, and instructional administrators. This category increased by \$4.4 million (1.7%). Employee raises and associated employee benefit costs accounted for most of the increase.

Operations and facilities were the next highest cost category with a total of \$32.9 million (9.1% of the total). Much of these expenses relate to the operation (utilities and insurance), maintenance, and cleaning of our 41 regular schools, six alternative school sites, and administrative offices. This category decreased by \$0.5 million (1.5%) from last year. Savings of utilities and custodial supplies accounted for the decrease.

Technology services is the third largest cost category, with expenses of \$23.1 million (6.4% of the total). This category showed an increase of \$4.1 million (21.6%). An extensive effort was made to support distance learning. Sufficient Chromebooks were purchased to enable every student to have one. Community WiFi hot-spots were created. Technical support staff were expanded to support the students and teachers to enable the distance learning to operate effectively and efficiently. All of these efforts contributed to the increased cost.

Transportation services are the fourth largest cost category, with expenses of \$17.2 million (4.8% of the total). This category decreased by \$5.1 million (22.9%). Students did not attend school in-person for approximately 75% of the school year and thus did not need transportation services. Bus driver compensation decreased by \$2.2 million and vehicle fuel and maintenance decreased by \$0.5 million.

Child nutrition services is the fifth largest cost category, with expenses of \$13.8 million (3.8% of the total). This category showed a decrease of \$5.6 million (28.9%). As students did not attend school in person, it was a challenge to provide the daily breakfast and lunch for which all students remained eligible. Numerous distribution sites were strategically located throughout the City. However, in the end only about 30% of the meals were picked up by parents and students. Food costs decreased from \$9.2 million in FY2020 to \$5.6 million in FY2021, a \$3.6 million (39.1%) decrease. Another \$1.1 million of the decrease was due to the fact that FY2020 had one-time costs for cafeteria renovations at ten schools including furniture and serving lines.

Capital Assets

At the end of 2021, the School Board had invested \$129.5 million in capital assets, which reflects historical cost of \$281.7 million and accumulated depreciation of \$152.2 million. In addition, the School Board and the City have, under the provisions of AHTIC, a net of \$159.5 million of capital assets, which are reflected in the financial statements of the City (historical cost of \$229.5 million net of accumulated depreciation of \$70.0 million). Most school buildings and improvements undertaken in the past 20 years, for which City bonded debt has been issued, are included therein.

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

**Table 3
Capital Assets, Net
(In millions)**

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Change</u>
Nondepreciable assets:			
Land	\$ 2.3	\$ 2.3	\$ -
Construction in progress	-	0.3	(0.3)
Other capital assets:			
Buildings	122.9	100.5	22.4
Building improvements	87.5	85.9	1.6
Equipment and vehicles	69.0	69.6	(0.6)
Accumulated depreciation	<u>(152.2)</u>	<u>(139.7)</u>	<u>(12.5)</u>
Total	<u>\$ 129.5</u>	<u>\$ 118.9</u>	<u>\$ 10.6</u>

Buildings increased by \$22.4 million (22.3%) due primarily to the transfer of Woodside High to the School Board under the provisions of AHTIC, as City bonded debt associated with the building construction has been paid off. Accumulated depreciation increased \$12.5 million due \$8.9 million of accumulated depreciation of the transfer of Woodside High and \$8.5 million of depreciation expense. This was partially offset by a decrease of \$4.8 million of retired assets, primarily school buses and older textbooks. See Note 4 to the financial statements for additional information.

Long-Term Liabilities

The School Board cannot issue bonded debt. Accordingly, long-term liabilities of \$492.6 million, as shown on Table 1, are related to capital leases on equipment, capital facility notes payable, compensated absences, workers' compensation claims payable (under our self-insurance program), other postemployment benefits and incurred but not reported claims under our self-insured employee health insurance program and pension obligations. During FY2021, long-term liabilities had a net increase of \$11.8 million (2.5%). Pension liabilities increased by \$34.5 million (up by 10.0%), but this was partially offset by a \$22.8 million (21.2%) decrease in OPEB liabilities. See Note 6 in the notes to basic financial statements for additional information.

Financial Analysis of the School Board's Governmental Funds

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

For the fiscal year ended June 30, 2021, the governmental funds had a combined fund balance of \$68.5 million. This is an increase of \$14.4 million as compared to June 30, 2020. In addition, \$1.7 million was added due to a change in accounting principles, which required that School Activity Funds (money held by each school) be shown in the Governmental Funds. The General Fund accounted for \$19.5 million of the change in fund balance. This was achieved due to the receipt of additional State revenue of \$5.6 million. In addition, with students engaged in

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distance learning, many purchases were not needed until later in the year. Undelivered goods and services (shown as assigned to contractual obligations in the General Fund fund balance section) increased by \$10.3 million. (Purchase Orders automatically carryover to FY2022 and will be paid as goods and services are delivered).

General Fund Budgetary Highlights

Table 4
General Fund Budget to Actual Summary (non-GAAP basis)
Year ended June 30, 2021
(In millions)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State	\$ 206.3	\$ 201.6	\$ 207.9	\$ 6.3
City	113.4	113.4	113.4	-
Federal	3.1	7.8	7.6	(0.2)
Other	1.9	1.9	1.4	(0.5)
Total revenues	<u>324.7</u>	<u>324.7</u>	<u>330.3</u>	<u>5.6</u>
Expenditures and transfers:				
Expenditures	323.7	323.7	322.6	1.1
Transfers	1.0	1.0	1.0	-
Total expenditures and transfers	<u>324.7</u>	<u>324.7</u>	<u>323.6</u>	<u>1.1</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6.7</u>	<u>\$ 6.7</u>

Revenues from the Commonwealth was \$6.3 million more than the budget due to special state funding meant to mitigate the impact of lower student enrollment, likely caused by COVID-19. Federal revenue was \$0.2 million less than the budget due to less Impact Aid. Other revenue was \$0.5 million less than the budget due to lower amounts received for indirect costs on grants. The net revenue surplus was \$5.6 million.

Expenditures were \$1.1 million less than budgeted due to savings on substitute teachers, less instructional materials, fuel for buses, and utilities when schools were shut down for the much of the school year to in-person student instruction.

Economic Factors

The School Board is financially dependent upon the Commonwealth, the City of Newport News, and to some extent the Federal government. All of these appear to have sufficient resources to support the School Board in the near future. However, FY2022 enrollment is lower than expected by approximately 1,090 students. It appears to be primarily related to parents choosing alternate forms of education for their younger children.

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Contacting the School Board's Financial Management

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

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BASIC FINANCIAL STATEMENTS

**THE SCHOOL BOARD OF THE
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Statement of Net Position – Governmental Activities

June 30, 2021

Assets	
Cash and temporary investments	\$ 78,530,617
Cash with agent	5,050,000
Prepaid item	11,094
Accounts receivable, net	363,917
Receivables from other governments:	
City of Newport News, Virginia	7,317,173
Federal:	
Department of Agriculture	1,460,690
Department of Defense	27,754
Commonwealth of Virginia:	
Department of Treasury – sales tax	2,779,503
Department of Education	7,785,404
Inventories, at cost	2,220,497
Pension asset (VRS stand-alone plan)	1,180,874
Capital assets, non-depreciable	2,263,424
Capital assets, depreciable, net	<u>127,269,042</u>
Total assets	<u>236,259,989</u>
Deferred Outflows of Resources	
Deferred pension (NNERF)	19,547,548
Deferred pension (VRS professional plan)	67,072,893
Deferred pension (VRS non-professional plan)	703,203
Deferred OPEB (NNPS Trust Fund)	4,980,596
Deferred OPEB (VRS health income credit)	2,635,612
Deferred OPEB (VRS group life insurance)	<u>4,722,346</u>
Total deferred outflows of resources	<u>99,662,198</u>
Liabilities	
Accounts payable	4,832,799
Accrued liabilities	1,164,426
Payroll withholdings and accrued fringe benefits	27,758,496
Unearned revenues	43,320
Long-term liabilities:	
Due within one year	7,207,372
Due in more than one year	<u>485,350,971</u>
Total liabilities	<u>526,357,384</u>
Deferred Inflows of Resources	
Deferred pension (VRS professional plan)	27,301,373
Deferred OPEB (NNPS Trust Fund)	19,859,987
Deferred OPEB (VRS health care credit)	1,743,243
Deferred OPEB (VRS group life insurance)	1,051,293
Deferred contribution to City – AHTIC	3,522,996
Deferred grant proceeds	<u>3,250,545</u>
Total deferred inflows	<u>56,729,437</u>
Net Position	
Net investment in capital assets	115,367,599
Restricted for:	
Adult Education	156,764
Capital Projects	163,090
Child Nutrition Services	6,093,203
Student activities	1,383,591
Textbooks	7,284,563
Workers' Compensation	5,949,912
Unrestricted (deficit)	<u>(383,563,356)</u>
Total net position	<u><u>\$(247,164,634)</u></u>

See accompanying notes to basic financial statements.

**THE SCHOOL BOARD OF THE
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Statement of Activities – Governmental Activities

Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Academic services	\$ 256,176,304	\$ 852,522	\$ 78,564,055	\$ -	\$ (176,759,727)
Attendance and health services	6,369,060	-	-	-	(6,369,060)
Transportation services	17,253,221	-	-	10,795	(17,242,426)
Operations and facilities	32,942,678	573,749	333	-	(32,368,596)
Child nutrition services	13,760,362	44,707	14,761,691	-	1,046,036
Technology services	23,102,537	-	4,739,403	1,484,974	(16,878,160)
Administration	10,661,816	1,701,941	-	-	(8,959,875)
Interest on capital debt	425,488	-	-	-	(425,488)
Total governmental activities	\$ 360,691,466	\$ 3,172,919	\$ 98,065,482	\$ 1,495,769	(257,957,296)
General revenues:					
City of Newport News, Virginia					119,779,623
Commonwealth of Virginia					164,471,287
Federal government					1,898,684
Interest					30,173
Total general revenues					286,179,767
Change in net position					28,222,471
Net position at beginning of year, as originally stated					(277,093,805)
Prior period adjustment - change in accounting principle					1,706,700
Net position at beginning of year, as restated					(275,387,105)
Net position at end of year					\$ (247,164,634)

See accompanying notes to basic financial statements.

**THE SCHOOL BOARD OF THE
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Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	Grant Fund	General Obligation Bond Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 59,365,007	\$ 90,623	\$ -	\$ 19,074,987	\$ 78,530,617
Cash with agent	4,800,000	-	-	250,000	5,050,000
Prepaid items	-	-	-	11,094	11,094
Accounts receivable, net	78,317	140,828	-	144,772	363,917
Receivables from other governments:					
City of Newport News	-		7,317,173	-	7,317,173
Federal:					
Department of Agriculture	-	-	-	1,460,690	1,460,690
Department of Defense	-	27,754	-	-	27,754
Commonwealth of Virginia:					
Department of Treasury – sales tax	2,779,503	-	-	-	2,779,503
Department of Education	-	7,785,404	-	-	7,785,404
Inventories, at cost	1,322,538	-	-	897,959	2,220,497
Due from other funds	4,480,000	-	-	-	4,480,000
Total assets	<u>\$ 72,825,365</u>	<u>\$ 8,044,609</u>	<u>\$ 7,317,173</u>	<u>\$ 21,839,502</u>	<u>\$ 110,026,649</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,618,590	\$ 220,679	\$ 1,586,655	\$ 406,875	\$ 4,832,799
Accrued liabilities	1,054,208	93,385	-	16,833	1,164,426
Payroll withholdings and accrued employee benefits	27,758,496	-	-	-	27,758,496
Due to other funds	-	4,480,000	-	-	4,480,000
Unearned revenues	43,320	-	-	-	43,320
Total liabilities	<u>31,474,614</u>	<u>4,794,064</u>	<u>1,586,655</u>	<u>423,708</u>	<u>38,279,041</u>
Deferred inflows of resources:					
Deferred grant proceeds	-	3,250,545	-	-	3,250,545
Total deferred inflows of resources	<u>-</u>	<u>3,250,545</u>	<u>-</u>	<u>-</u>	<u>3,250,545</u>
Fund balances:					
Nonspendable:					
Imprest funds	2,125	-	-	-	2,125
Inventories	1,322,538	-	-	-	1,322,538
Restricted:					
Adult education services	-	-	-	156,764	156,764
Capital projects	-	-	-	163,090	163,090
Child nutrition services	-	-	-	6,093,203	6,093,203
Textbooks	-	-	-	7,284,563	7,284,563
Workers' compensation	-	-	-	5,949,912	5,949,912
Assigned to:					
Adult education services	-	-	-	141,266	141,266
Contractual obligations	28,517,343	-	5,730,518	243,405	34,491,266
Health insurance	4,800,000	-	-	-	4,800,000
Student activities	-	-	-	1,383,591	1,383,591
Unassigned	6,708,745	-	-	-	6,708,745
Total fund balances	<u>41,350,751</u>	<u>-</u>	<u>5,730,518</u>	<u>21,415,794</u>	<u>68,497,063</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 72,825,365</u>	<u>\$ 8,044,609</u>	<u>\$ 7,317,173</u>	<u>\$ 21,839,502</u>	<u>\$ 110,026,649</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:					
Total fund balances reported in governmental funds					\$ 68,497,063
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					129,532,466
Pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					1,180,874
Deferred retirement outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the funds					99,662,198
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds					(492,558,343)
Deferred inflows from City tenancy-in-common are not recognized in the current period and, therefore, are reported in the funds					(3,522,996)
Deferred retirement inflows of resources are not recognized in the current period and, therefore, are not reported in the funds					(49,955,896)
Net position of governmental activities					<u>\$ (247,164,634)</u>

See accompanying notes to basic financial statements.

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

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

Year Ended June 30, 2021

	General Fund	Grant Fund	General Obligation Bond Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental:					
City of Newport News, Virginia	\$ 112,331,655	\$ 73,560	\$ 5,362,703	\$ -	\$ 117,767,918
Commonwealth of Virginia	207,907,338	5,232,162	-	2,407,134	215,546,634
Federal government	7,630,772	27,487,994	-	14,457,491	49,576,257
Charges for services	1,422,250	-	-	1,750,669	3,172,919
Investment income	-	-	-	30,173	30,173
Miscellaneous	-	405,748	-	629,303	1,035,051
Total revenues	<u>329,292,015</u>	<u>33,199,464</u>	<u>5,362,703</u>	<u>19,274,770</u>	<u>387,128,952</u>
Expenditures:					
Current:					
Academic services	222,310,399	27,870,271	-	3,708,473	253,889,143
Attendance and health services	6,122,348	247,262	-	42,615	6,412,225
Transportation services	15,657,645	100,595	-	-	15,758,240
Operations and facilities	31,092,546	1,139,788	-	169,191	32,401,525
Child nutrition services	-	102,242	-	13,381,918	13,484,160
Technology services	19,376,539	3,739,306	-	94,091	23,209,936
Administration	9,682,792	-	-	988,861	10,671,653
Debt service:					
Principal	1,582,891	-	-	-	1,582,891
Interest and other charges	425,488	-	-	-	425,488
Capital outlay	2,195,163	-	9,038,531	3,701,383	14,935,077
Total expenditures	<u>308,445,811</u>	<u>33,199,464</u>	<u>9,038,531</u>	<u>22,086,532</u>	<u>372,770,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,846,204</u>	<u>-</u>	<u>(3,675,828)</u>	<u>(2,811,762)</u>	<u>14,358,614</u>
Other financial uses:					
Transfers in	-	-	-	1,386,657	1,386,657
Transfers out	(1,386,657)	-	-	-	(1,386,657)
Total other financing sources (uses)	<u>(1,386,657)</u>	<u>-</u>	<u>-</u>	<u>1,386,657</u>	<u>-</u>
Net change in fund balances	<u>19,459,547</u>	<u>-</u>	<u>(3,675,828)</u>	<u>(1,425,105)</u>	<u>14,358,614</u>
Fund balances at beginning of year as originally stated	21,598,742	-	9,406,346	21,191,611	52,196,699
Prior period adjustment - change in accounting principle	-	-	-	1,706,700	1,706,700
Fund balances beginning of year as restated	<u>21,598,742</u>	<u>-</u>	<u>9,406,346</u>	<u>22,898,311</u>	<u>53,903,399</u>
Increase (decrease) in nonspendable inventory	292,462	-	-	(57,412)	235,050
Fund balances at end of year	<u>\$ 41,350,751</u>	<u>\$ -</u>	<u>\$ 5,730,518</u>	<u>\$ 21,415,794</u>	<u>\$ 68,497,063</u>

See accompanying notes to basic financial statements.

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

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

Year Ended June 30, 2021

Net change in fund balances – total governmental funds \$ 14,358,614

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 14,935,077	
Items expensed, but shown as capitalized	153,411	
Deferred inflow - contribution to City for tenancy-in-common	1,846,482	
Transfer from City, tenancy-in-common	12,970,278	
Transfer to City, tenancy-in-common	<u>(10,885,013)</u>	
Capital outlay, net	19,020,235	
Loss on disposal of capital assets	(5,596)	
Depreciation expense	<u>(8,455,777)</u>	10,558,862

Repayment of debt principal is an expenditure in the governmental funds, but does not affect the Statement of Activities. 1,582,891

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This year, compensated absences earned exceeded the amount used by \$589,943, workers' compensation claims incurred were more than the amount paid by \$1,229,881, health insurance claims incurred were less than the amount paid by \$122,000, other postemployment benefits incurred for all plans were less than the amount paid by \$22,831,445, VRS teacher pool pension costs incurred were more than the amount paid by \$18,984,750 and City of Newport News pension costs incurred were more than the amount paid by \$15,562,104. (13,413,233)

Statement of Activities, pension asset decreased, thus decreasing net position (228,170)

Statement of Activities, deferred outflows of resources associated with pension and OPEB plans decreased, but are not included in governmental funds 21,680,483

Statement of Activities, change in deferred inflows of resources associated with pension and OPEB plans increased, but are not included in governmental funds (4,405,264)

Statement of Activities, change in deferred inflows of resources associated with grants not recorded within the recognition period, and thus not included in the governmental funds (300,280)

Statement of Activities, change in deferred inflows of resources associated with City contribution related to tenancy-in-common (1,846,482)

Change in nonspendable inventory from governmental funds is included in expenses in the Statement of Activities. 235,050

Change in net position of governmental activities \$ 28,222,471

See accompanying notes to basic financial statements.

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

Statement of Fiduciary Net Position – Fiduciary Fund

June 30, 2021

	<u>OPEB Trust Fund</u>
Assets:	
Investments, at fair value:	
Money market trust	\$ 35,353,890
Total assets	<u>35,353,890</u>
 Net Position:	
Net position restricted for other postemployment benefits	<u>\$ 35,353,890</u>

See accompanying notes to basic financial statements.

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

Statement of Changes in Fiduciary Net Position – Fiduciary Fund

Year Ended June 30, 2021

	<u>OPEB Trust Fund</u>
Additions	
Contributions:	
Employer contributions	\$ 5,340,619
Plan member (retiree) contributions	1,169,951
Total contributions	<u>6,510,570</u>
Net investment income:	
Net appreciation in the fair value of investments	8,164,701
Interest and dividends	12,995
Total investment gain	<u>8,177,696</u>
Total additions	<u>14,688,266</u>
 Deductions	
Benefits	6,510,570
Administrative expenses	29,115
Total deductions	<u>6,539,685</u>
 Change in fiduciary net position	8,148,581
 Fiduciary net position at beginning of year	<u>27,205,309</u>
 Fiduciary net position at end of year	<u><u>\$ 35,353,890</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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

Notes to Basic Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

Narrative Profile

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

(a) Financial Reporting Entity

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

(b) Basis of Presentations

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

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

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

Program revenues include charges paid by the recipient for the goods or services offered by the program or from grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include adult education, summer school tuition and cafeteria sales. Revenues not classified as program revenues are presented as general revenues of the School Board. This includes funding provided by the Commonwealth of Virginia related to their adopted Standards of Quality (SOQ), which are considered funding for all educationally related functions of the School Board and are based upon student enrollment and

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

Notes to Basic Financial Statements

June 30, 2021

prevailing average costs throughout the Commonwealth. These revenues are reported as general revenues as the intricacies of the funding formula do not permit a breakdown by function. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the School Board. The School Board does not allocate indirect expenses. When both restricted and unrestricted resources are available for use, it is the School Board's policy to use restricted resources first.

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

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

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

The School Board reports the following major governmental funds:

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

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

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

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

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

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

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

Notes to Basic Financial Statements

June 30, 2021

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

Other Postemployment Benefit Plan – The Trust Fund consists of the School Board’s postemployment benefit plan.

(c) *Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. Governmental funds use the modified accrual basis of accounting and the current financial resources measurement focus. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenues and deferred flows of resources, and in the presentation of expenses versus expenditures. Governmental funds’ financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

(d) *Encumbrances*

The School Board employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as “assigned to contractual obligations” as part of fund equity, since they constitute neither expenditures nor

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

Notes to Basic Financial Statements

June 30, 2021

liabilities. Appropriations with outstanding commitments or encumbrances are carried into the following year. According to the City Code, unexpended, unencumbered appropriations lapse at the end of the year.

(e) *Cash and Temporary Investments*

Cash and temporary investments are pooled with the cash and investments of the City, except for petty cash of \$2,320 and school activity funds of \$1,391,024. The School Board utilizes the pooled cash investment method wherein income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and cash equivalents of each fund to the total pooled cash and cash equivalents. The cash in the school activity funds represents the Student Activity Fund cash balances in the separate bank accounts maintained by the individual schools. The investments that are maintained in the Virginia Association of Counties/Virginia Municipal League (VACo/VML) OPEB Pooled Trust Fund are valued using the net asset value (NAV) per share, which is determined by dividing the total value of the Trust by the number of outstanding shares. NAV per share changes with the value of the underlying investments in the OPEB Pooled Trust Fund. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice.

(f) *Cash with Agent*

Cash with agent of \$5,050,000 represents \$4,800,000 of healthcare premiums paid in advance and on deposit with our third-party claims administrator. Another \$250,000 is held in escrow by our workers' compensation third party claims administrator in order to pay claims. The School Board's healthcare program is self-insured (see Note 9 (a) for further information). Premiums paid in prior years have been more than actual claims and expenses. The premiums are on deposit to pay future healthcare premiums.

(g) *Receivables and Due from Other Governments*

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

(h) *Inventories*

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

(i) *Capital Assets*

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated acquisition value on the date

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

Notes to Basic Financial Statements

June 30, 2021

received. The capitalization threshold for equipment, improvements, and buildings is \$5,000 with a useful life of at least five years. Land and textbooks are capitalized regardless of value. The School Board has no infrastructure assets.

Under Virginia law, certain property maintained by the School Board is subject to tenancy-in-common with the City, if the City incurred a financial obligation for the property which is payable over more than one fiscal year. The School Board and the City have agreed that such property will be carried on the City's financial statements until the outstanding debt is repaid, upon which time the book value of the assets in question will be transferred back to the School Board's books. At June 30, 2021, the City holds capital assets related to school property with a net book value of \$159,478,190.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings	60 years
Improvements	25 years
Machinery and equipment	5-20 years

(j) *Compensated Absences*

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

(k) *Fund Balance and Net Position Items*

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

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

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

- The Workers' Compensation special revenue fund has a restricted fund balance of \$5,949,912, which City Council restricts for Workers' Compensation for the School Board's Self-Insured Workers' Compensation Plan.

**THE SCHOOL BOARD OF THE
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Notes to Basic Financial Statements

June 30, 2021

- The Textbook special revenue fund has a restricted fund balance of \$7,284,563, which City Council restricts for textbooks. The School Board intends to purchase textbooks in the upcoming years based upon a six-year replacement cycle for most subjects.
- The Child Nutrition Services special revenue fund has a restricted fund balance of \$6,093,203 representing the portion of the fund balance provided over the years from federal and Virginia grants restricted for the purpose of providing students with nutritional meals.
- The Adult Education special revenue fund has a restricted fund balance of \$156,764 representing the portion of the fund balance provided over the years from State grants restricted for the purpose of providing adult citizens of the community with educational services.
- The General Cash Capital Projects Fund has a fund balance of \$163,090 restricted by the City for capital outlay.

Assigned to items – Assigned items represents School Board management’s intent to use certain resources for assigned purposes. The Superintendent is authorized by the School Board annually during the budget approval process to make the following assignments as of June 30, 2021.

- \$141,266 is assigned to provide adult education services in the community as represented in the Adult Education special revenue fund.
- \$34,491,266 is assigned to meet contractual obligations. The School Board has purchase orders outstanding with vendors in this amount and expects the vendors to deliver the goods and services in the upcoming fiscal year. The amounts are \$28,517,343 in the General Fund, \$5,730,518 in the General Obligation Bond Fund, \$23,360 in the Workers’ Compensation special revenue fund, \$10,996 in the Textbook special revenue fund and \$209,049 in the General Cash Capital Projects Fund.
- \$4,800,000 is assigned to the employee self-insured health insurance plan. Funds equal to this amount are on deposit with our contracted health insurance provider and shown as cash with agent in the asset section of the Balance Sheet.
- \$1,383,591 is assigned to student activities. This represents the sum of funds held by all individual schools in student activity funds.

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

Notes to Basic Financial Statements

June 30, 2021

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

Net Investment in Capital Assets

Capital assets:	
Capital assets, non-depreciable	\$ 2,263,424
Capital assets, depreciable, net	<u>127,269,042</u>
Total capital assets	<u>129,532,466</u>
Less related debt:	
Capital leases payable	364,820
Capital facility notes payable	<u>13,800,047</u>
Total related debt	<u>14,164,867</u>
Net Investment in capital assets	<u>\$ 115,367,599</u>

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

(l) Interfund Transactions

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

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

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

(m) Deferred Inflows and Outflows

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

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

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

Notes to Basic Financial Statements

June 30, 2021

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

(n) Pensions and OPEB

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

(2) Cash and Cash Equivalents

All of the \$78,530,617 of School Board cash and cash equivalents (except for \$2,320 of petty cash funds and \$1,391,024 of school activity funds) are maintained on deposit with the Treasurer of the City. All of the funds are available for immediate School Board use. See the City's Annual Comprehensive Financial Report (ACFR) for additional details. A copy may be obtained from the City of Newport News, Virginia's Finance Department, 2400 Washington Avenue, Newport News, VA 23607.

The \$1,391,024 of school activity funds are on deposit at five different banks and four different credit unions. Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et seq. of the Code. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon the choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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

Notes to Basic Financial Statements

June 30, 2021

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

Interfund receivables and payables as of June 30, 2021 are as follows:

<u>Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 1,386,657	\$ -	\$ 4,480,000	\$ -
Nonmajor Special Revenue Fund- Enterprise Academy	-	1,386,657	-	-
Grant Fund	-	-	-	4,480,000
Total all funds	<u>\$ 1,386,657</u>	<u>\$ 1,386,657</u>	<u>\$ 4,480,000</u>	<u>\$ 4,480,000</u>

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

(4) Capital Assets, Net

A summary of changes in capital assets follows:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Assets Held Tenancy- in-Common</u>	<u>Balance June 30, 2021</u>
Capital assets not being depreciated:					
Land	\$ 2,263,424	\$ -	\$ -	\$ -	\$ 2,263,424
Construction in progress	353,392	9,710,478	1,178,750	(8,885,120)	-
Total capital assets not being depreciated	<u>2,616,816</u>	<u>9,710,478</u>	<u>1,178,750</u>	<u>(8,885,120)</u>	<u>2,263,424</u>
Other capital assets:					
Buildings	100,466,457	497,736	-	21,920,164	122,884,357
Improvements	85,939,314	1,614,941	-	-	87,554,255
Machinery and equipment	69,579,090	4,290,672	4,825,798	-	69,043,964
Total other capital assets	<u>255,984,861</u>	<u>6,403,349</u>	<u>4,825,798</u>	<u>21,920,164</u>	<u>279,482,576</u>
Less accumulated depreciation for:					
Buildings	57,797,878	1,559,649	-	8,949,886	68,307,413
Improvements	35,278,931	2,985,391	-	-	38,264,322
Machinery and equipment	46,551,264	3,910,737	4,820,202	-	45,641,799
Total accumulated depreciation	<u>139,628,073</u>	<u>8,455,777</u>	<u>4,820,202</u>	<u>8,949,886</u>	<u>152,213,534</u>
Other capital assets, net	<u>116,356,788</u>	<u>(2,052,428)</u>	<u>5,596</u>	<u>12,970,278</u>	<u>127,269,042</u>
Totals	<u>\$ 118,973,604</u>	<u>\$ 7,658,050</u>	<u>\$ 1,184,346</u>	<u>\$ 4,085,158</u>	<u>\$ 129,532,466</u>

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

Depreciation was charged to governmental functions as follows:

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Academic services	\$ 5,039,791
Attendance and health services	26,616
Transportation services	1,646,956
Operations and facilities	1,126,398
Child nutrition services	315,338
Technology services	194,379
Administration	106,299
Total governmental activities depreciation expense	\$ 8,455,777

Loss on disposal of assets of \$5,596 was charged to the Transportation services function.

Construction in progress commitments are composed of the following at June 30, 2021:

	Project	Expended Through	Balance of	Future
	<u>Authorization</u>	<u>June 30, 2021</u>	<u>Authorization</u>	<u>Requirements</u>
Total school projects	\$ 34,380,849	\$ 23,634,335	\$ 10,746,514	\$ -

Of the amount expended through June 30, 2021, all \$23,634,335 relates to assets transferred to the City under the AHTIC provisions. The balance of authorization of \$10,746,514 will be transferred to the City as AHTIC once completed. There are purchase orders totaling \$6,014,323 at June 30, 2021, leaving \$4,732,191 balance of authorization available for project procurement.

(5) Leases

(a) Operating Leases

The School Board had three ongoing-leased buildings in FY2021. Part of the leased space expires on June 30, 2028 and other leased space in that same building expires on June 30, 2030. In FY2020, the School Board also signed a five-year lease with the Peninsula Airport Commission for airport hangar space. We also lease space for high school graduation ceremonies on a year-to-year basis. Total costs for such leases were approximately \$673,471 for the year ended June 30, 2021.

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

<u>Year ending June 30:</u>	
2022	\$ 718,257
2023	723,703
2024	729,262
2025	734,935
2026	728,900
2027-2030	2,063,066
	\$ 5,698,123

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(b) Capital Leases

The School Board has three lease agreements at June 30, 2021 for financing the acquisition of property and equipment.

The net book value of assets acquired through the three capital leases as of June 30, 2021 is as follows:

Machinery and equipment	\$ 1,736,103
Less accumulated depreciation	<u>(1,233,797)</u>
	<u>\$ 502,306</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

<u>Year ending June 30:</u>	
2022	356,981
2023	<u>17,621</u>
Total minimum lease payments	374,602
Less amounts representing interest	<u>(9,782)</u>
Present value of minimum capital lease payments	<u>\$ 364,820</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2021 follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2020</u>			<u>Additions</u>	<u>Reductions</u>
Compensated absences	\$ 5,468,924	\$ 3,170,866	\$ 2,580,923	\$ 6,058,867	\$ 2,726,490
Workers' compensation claims	4,831,741	2,226,505	996,624	6,061,622	1,212,324
Incurred but not reported health claims	2,876,000	31,729,760	31,851,760	2,754,000	2,754,000
Capital leases payable	979,470	-	614,650	364,820	347,257
Capital facility notes payable	14,768,288	-	968,241	13,800,047	167,301
OPEB NNPS Trust Fund	67,367,045	11,664,490	33,545,827	45,485,708	-
OPEB VRS health insurance credit	25,719,834	3,481,033	4,347,870	24,852,997	-
OPEB VRS group life insurance	14,685,589	4,035,256	4,118,527	14,602,318	-
VRS teacher pool pension	258,963,134	97,295,402	78,310,652	277,947,884	-
City of Newport News pension (NNERF)	85,067,976	24,770,116	9,208,012	100,630,080	-
Totals	<u>\$ 480,728,001</u>	<u>\$ 178,373,428</u>	<u>\$ 166,543,086</u>	<u>\$ 492,558,343</u>	<u>\$ 7,207,372</u>

Incurred but not reported health claims represent an estimate of healthcare claims incurred by our employees as of June 30, 2021, but not paid by our third-party claims' administrator. As we are self-insured for healthcare claims, we consider the entire amount as due within one year. In fact, the claims are paid in a matter of a few weeks after year-end as the medical providers submit their claims to the third-party administrator.

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

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

	Principal	Interest	Total
FY2022	\$ 167,301	\$ 43,006	\$ 210,307
FY2023	1,044,359	349,545	1,393,904
FY2024	1,114,019	322,942	1,436,961
FY2025	1,186,754	294,553	1,481,307
FY2026	1,262,683	264,302	1,526,985
FY2027 - FY2031	7,517,116	798,751	8,315,867
FY2032	1,507,815	39,972	1,547,787
Totals	\$ 13,800,047	\$ 2,113,071	\$ 15,913,118

The interest rate on \$11,691,889 of debt is 2.651% and an annual payment is due each July 15. The interest rate is 2.04% on \$2,108,158 of the debt and an annual payment is due each March 1.

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

(7) Defined Benefit Retirement Plans

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

1. Plan Description

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

All full-time regular employees hired on or before July 1, 2009 for the School Board and March 1, 2010 for the City are members of this fund. NNERF benefits are available only to employees with five years of service. School VRS employees, who did not have five years of service when the supplemental NNERF benefits were frozen at December 31, 2012, are not eligible for a supplemental benefit from NNERF. Employees hired after the above dates are in VRS, an agent multiple-employer defined benefit plan as discussed in note 7 (b). For the years ended June 30, 2021 and 2020, the total payroll of the School Board was approximately \$202.3 million and \$205.3 million, respectively, with approximately \$92.0 million and \$98.8 million covered by NNERF.

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At June 30, 2021, NNERF membership consisted of:

	Retirees and Beneficiaries	Vested Terminated or Frozen Employees	Active Employees Vested	Total
City general	1,575	630	569	2,774
City police and fire	1,070	241	480	1,791
Public utilities	336	80	149	565
School VRS	2,792	2,658	-	5,450
School Non-VRS	965	230	299	1,494
Total	6,738	3,839	1,497	12,074

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

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

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

2. Contributions

Effective January 1, 2013, employee contributions to the Plan were made mandatory. The Plan engages an actuary to determine the Actuarially Determined Contribution (ADC) in accordance with GAAP. The total contributions as a percentage of the ADC were 100% for the fiscal year 2019, 2020, and 2021, in accordance with the funding program established by the City in 2010. Contributions totaling \$8,485,299 and \$488,952 were made by the employer and employees, respectively, to NNERF during the year ended June 30, 2021. The percentage of contributions to covered payroll for fiscal year 2021 was 9.22% and 8.88% for fiscal year 2020. The

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percentage of normal costs to covered payroll was 8.04% for fiscal year ended June 30, 2021 and 8.13% for fiscal year ended June 30, 2020.

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

At June 30, 2021, the School Board reported a liability of \$100,630,080 for its proportionate share of the Net Pension Liability, measurements as of the reporting date are based on the fair value of assets as of June 30, 2020 and the Total Pension Liability (TPL) as of the valuation date, June 30, 2019, updated to June 30, 2020. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the School Board's proportion was 21.8353% as compared to 21.0465% at June 30, 2019.

For the year ended June 30, 2021, the School Board recognized pension expense of \$10,535,632.

At June 30, 2021, the School Board reported deferred outflows of resources related to NNERF pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 11,062,249
Contributions to the plan subsequent to the measurement date	<u>8,485,299</u>
Total	<u><u>\$ 19,547,548</u></u>

\$8,485,299 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ending June 30	Deferred Outflows
2022	\$ 746,928
2023	3,155,604
2024	4,274,495
2025	2,885,222
	\$ 11,062,249

4. Actuarial Assumptions

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

Actuarial valuation date	July 1, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Closed, 30 years level dollar from July 1, 2011
Remaining amortization period	20 years
Asset valuation method	Five-year smoothed market

Actuarial assumptions:

Investment rate of return	7.35%
Rate of salary increases:	Non-VRS Schools:
	3.00% for the next year
	2.00% for second year
	4.50% thereafter

Cost of living adjustment	1.26%
Inflation	2.60%
Rate of Mortality	RP-2014 Total Dataset Headcount-Weighted Healthy Annuitant Mortality Table, projected from 2006 base rates using MP2016

The long-term expected rate of return on NNERF investments was determined using best-estimate ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation), developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

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<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Large Cap Equities	4.6%	29.0%
Mid Cap Equities	4.8%	10.0%
Small Cap Equities	5.0%	3.0%
International Equities	5.0%	12.0%
Emerging Markets	6.0%	7.0%
Real Estate	4.8%	3.0%
Private Equities	7.0%	7.0%
Timberland	4.3%	9.0%
Fixed Income (Bonds)	-0.3%	19.0%
Cash	-1.0%	1.0%
Total		100.0%

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

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

	1.00% Lower	Current Discount Rate	1.00% Higher
	6.35%	7.35%	8.35%
Proportionate share of the NNERF Net Pension Liability	\$133,475,592	\$100,630,080	\$72,935,178

6. Pension Plan Fiduciary Net Position

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

(b) Virginia Retirement System:

1. Plan Description

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

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prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded service.

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

VRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report obtained from the VRS website at <https://www.varetire.org/pdf/publications/2020-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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VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Plan 1 is a defined benefit plan. The retirement benefit is based upon a member's age, service credit, and average final compensation at retirement using a formula.</p>	<p>Plan 2 is a defined benefit plan. The retirement benefit is based upon a member's age, service credit, and average final compensation at retirement using a formula.</p>	<p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based upon a member's age, service credit, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p><u>Eligible Members</u> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.</p>	<p><u>Eligible Members</u> Employees are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund. Members are covered under Plan 2 if they have a membership date prior to July 1, 2010, and they were</p>	<p><u>Eligible Members</u> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014.</p>

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VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<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 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>not vested before January 1, 2013.</p> <p><u>Hybrid Opt-In Election</u> Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>This includes:</p> <ul style="list-style-type: none"> • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.
<p><u>Retirement Contributions</u> Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. The School Board elected to phase in the required 5% member contribution; all employees have paid the full 5% as of July 1, 2014. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes</p>	<p><u>Retirement Contributions</u> Same as VRS Plan 1.</p>	<p><u>Retirement Contributions</u> A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer.</p>

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VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>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>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>Service Credit</u> Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><u>Service Credit</u> Same as Plan 1.</p>	<p><u>Service Credit</u> Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p>Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

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

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VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required, except as governed by law.</p>
<p><u>Calculating the Benefit</u> The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p><u>Calculating the Benefit</u> See definition under Plan 1.</p>	<p><u>Calculating the Benefit</u> <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>
<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>

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

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

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

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VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p>	<p><u>Disability Coverage</u> Employees of political subdivision and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members, which the School Board has elected to provide.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><u>Purchase of Prior Service</u> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement, and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><u>Purchase of Prior Service</u> Same as Plan 1.</p>	<p><u>Purchase of Prior Service Defined Benefit Component:</u> Same as VRS Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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2. Employees Covered by Benefit Terms – Nonprofessional

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Members receiving benefits	19
Inactive members:	
Vested inactive members	33
Non-vested inactive members	425
Inactive members active elsewhere in VRS	<u>69</u>
Total inactive members	<u>527</u>
Active Members	<u>530</u>
Total covered employees	<u><u>1,076</u></u>

3. Contributions

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

Professional

Each School Board's contractually required contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The contractually required rate, when combined with employee contributions, was expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$26,958,449 and \$25,367,460 for the years ended June 30, 2021 and 2020, respectively.

Nonprofessional

The political subdivision's contractually required contribution rate for the year ended June 30, 2021 was 3.85% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. Contributions to the pension plan from the School Board were \$305,524 and \$287,482 for the years ended June 30, 2021 and 2020, respectively.

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4. Net Pension Liability (Asset)

Professional

At June 30, 2021, the School Board reported a liability of \$277,947,884 for its proportionate share of the Net Pension Liability, which was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the School Board's proportion was 1.90995% as compared to 1.96772% at June 30, 2019.

Nonprofessional

The School Board Net Pension Asset of \$1,180,874 was measured as of June 30, 2020. The total pension liability used to calculate the Net Pension Asset was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

5. Actuarial Assumptions

The total pension liability for the Professional and Nonprofessional Plans were based on an actuarial valuation as of July 1, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including Inflation	3.5%-5.95%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

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

Mortality rates: 15 % of deaths are assumed to be service related.

Pre-Retirement:

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

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Post-Retirement:

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

Post-Disablement:

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

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

- Update to more current mortality table – RP-2014 projected to 2020
- Lowered rates at older ages and changed final retirement from 70 to 75
- Adjusted rates to better match experience at each year age and service through 9 years of service
- Lowered Disability rates
- Decreased the Discount rate from 7.00% to 6.75%

6. Long-Term Expected Rate of Return

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

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Asset Class	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Estate	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS-Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP-Private Investment Partnership	3.00%	6.49%	0.19%
	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.14%

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%

7. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020, on, school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability. employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School Board's Professional and Nonprofessional proportionate shares of the respective net pension liability (asset) using the discount rate of 6.75%, as well as what the School Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1.00% Lower 5.75%	Current Discount Rate 6.75%	1.00% Higher 7.75%
Professional Net Pension Liability	\$ 407,811,969	\$ 277,947,884	\$ 170,533,868
Nonprofessional Net Pension (Asset)	(450,387)	(1,180,874)	(1,768,516)

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Changes in Net Pension Asset – Nonprofessional Plan

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
Balance at July 1, 2019	\$ 4,711,524	\$ 6,120,568	\$ (1,409,044)
Changes for the Year:			
Service cost	819,408	-	819,408
Interest	315,045	-	315,045
Change of assumptions	-	-	-
Difference between expected and actual experience	571	-	571
Contributions -- employer	-	287,656	(287,656)
Contributions -- employee	-	503,370	(503,370)
Net investment income	-	119,404	(119,404)
Benefit Payments	(88,383)	(88,383)	-
Administrative expense	-	(3,420)	3,420
Other changes	-	(156)	156
Net Changes	1,046,641	818,471	228,170
Balances at June 30, 2020	\$ 5,758,165	\$ 6,939,039	\$ (1,180,874)

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

Professional

For the year ended June 30, 2021, the School Board recognized pension expense of \$27,480,474. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$ 21,141,015	\$ -
Change in assumptions	18,973,429	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	11,009,343
Change in expected versus actual experience	-	16,292,030
Contributions to the plan subsequent to the measurement date	26,958,449	-
Total	<u>\$ 67,072,893</u>	<u>\$ 27,301,373</u>

\$26,958,449 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed on page 54.

Nonprofessional

For the year ended June 30, 2021, the School Board recognized pension expense of \$307,918. At June 30, 2021, the School Board reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 108,836	\$ -
Change in assumptions	73,573	-
Net difference between projected and actual earnings on pension plan investments	215,270	-
Contributions to the plan subsequent to the measurement date	305,524	-
Total	<u>\$ 703,203</u>	<u>\$ -</u>

\$305,524 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as an increase of Net Pension Asset in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed below.

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Year Ending June 30	School Board Professional Retirement	School Board Non-Professional Plan
2022	\$ (3,260,315)	\$ 141,494
2023	4,284,118	128,870
2024	6,916,770	63,851
2025	5,514,746	63,464
2026	(642,248)	-
	\$ 12,813,071	\$ 397,679

10. Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of the 2020 VRS Comprehensive Annual Financial Report which may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf> by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

8. Other Postemployment Benefits (OPEB)

(a) NNPS OPEB Trust Fund

1. Plan Description

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

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

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Approximately 185 School Board retirees are grandfathered to participate in the City OPEB Fund's sponsored life insurance coverage paid for by the School Board. The premiums are not material. These retirees have elected supplemental coverage under the City OPEB fund.

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

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

Benefits

Pre-Medicare eligibility:

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

After-Medicare eligibility:

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

As of the July 1, 2020 actuarial valuation, the following employees were covered by the benefit terms of the NNPS OPEB plan:

Number of Participants	Total
Active	<u>1,216</u>
Retired	<u>2,007</u>
Total Participants	<u><u>3,223</u></u>

The OPEB Trust Fund does not issue a separate report.

2. Contributions Required and Contributions Made

OPEB funding policy provides for periodic employer contributions at actuarially determined rates that express, as percentages of annual covered payroll, contributions sufficient to accumulate sufficient assets to pay benefits when due. A level percentage of payroll with a

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25-year amortization period is used for purposes of computing the minimum accrual in accordance with GAAP. The projected unit credit method is used for cost calculations. Contributions to the OPEB plan from the School Board were \$5,340,619 and \$4,842,479 for the years ended June 30, 2021 and 2020, respectively.

3. Net NNPS OPEB liability

The school division's net NNPS OPEB liability of \$45,485,708 was measured as of June 30, 2021. The total NNPS OPEB liability was determined by an actuarial valuation performed as of July 1, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

4. Actuarial Methods and Assumptions

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

Actuarial valuation date	July 1, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Amortization period	20 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.00% net of investment expense and including inflation at 2.75%
Projected salary increases	Not Applicable
Healthcare inflation rate	6.75% initially (4.00% for Medicare), grading down to 4.25%/4.00% ultimate 3.50% for dental benefits
Inflation Rate	2.75%
Mortality Rate	Public 2010 Teachers Headcount mortality table (male and female) for Active Employees/Healthy Annuitants Generational with Projection Scale SSA18

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

5. Long-Term Expected Rate of Return

The long-term expected rate of return on NNPS OPEB plan investments was determined using a building-block method in which best estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the

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expected future real rates of return by the target asset allocation percentage and adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of real rates of return for each major asset class included in the OPEB's plan target asset allocation as of June 30, 2021, and the final investment return assumption, are summarized in the following table:

Asset Class	Long-Term Expected Real Return- Portfolio	Weight
Domestic Equity	6.10%	36.00%
International Funds	6.45%	18.00%
U.S. Fixed Income	1.35%	21.00%
Hedge Funds	3.00%	10.00%
Real Estate	4.85%	7.00%
Private Equity	8.10%	5.00%
Commodities	2.50%	3.00%
		100.00%
Total Weighted Average Expected Real Return	4.76%	
Plus Inflation	2.75%	
Total Return without Adjustment	7.51%	
Risk Adjustment	-0.51%	
Total Geometric Expected Return	7.00%	

6. Discount Rate

The discount rate used to measure the total NNPS OPEB liability is 6.43%. The School's funding expectations/policy is to contribute amounts annually to the NNPS OPEB trust to pay benefits for retirees, and allow the assets in the fund to accumulate earnings. The School Board expects benefits will be paid from the trust when a 50% funding level is reached. Based on this information, the School Board projects that benefits will be financed on a pay-as-you-go basis until 2027, then from the trust there forward. Therefore, the expected trust return of 7.00% is blended with the 20-year Aa bond rate of 1.92%. (Source: Fidelity general obligation municipal bond index).

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7. Changes in Net NNPS OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2020	\$ 94,572,354	\$ 27,205,309	\$ 67,367,045
Changes for the Year:			
Service cost	195,714	-	195,714
Interest	4,929,091	-	4,929,091
Change in assumptions	(7,281,461)	-	(7,281,461)
Difference between expected and actual experience	(6,235,481)		(6,235,481)
Contributions -- employer	-	5,340,619	(5,340,619)
Contributions -- employee	-	1,169,951	(1,169,951)
Net investment income	-	8,177,696	(8,177,696)
Benefit payments	(5,340,619)	(6,510,570)	1,169,951
Administrative expense	-	(29,115)	29,115
Net Changes	(13,732,756)	8,148,581	(21,881,337)
Balances at June 30, 2021	\$ 80,839,598	\$ 35,353,890	\$ 45,485,708

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

The following presents the net OPEB liability of the plans, calculated using the discount rate of 6.43%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1.00% Lower 5.43%	Current Discount Rate 6.43%	1.00% Higher 7.43%
Net OPEB Liability	\$ 53,523,803	\$ 45,485,708	\$ 38,720,362
Ratio of Plan Net Position to Total OPEB Liability	39.8%	43.7%	47.7%

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

The following presents the net OPEB liability of the plans, calculated using the healthcare trend rate of from 6.75% to an ultimate rate of 4.25%, as well as what each plan's net OPEB liability would be if it were calculated using trend rates for each year that are 1.00% lower or 1.00% higher than the current rates:

	1.00% Lower 3.25%	Current Ultimate Trend Rate 4.25%	1.00% Higher 5.25%
Total OPEB Liability	\$ 38,879,432	\$ 45,485,708	\$ 53,227,520
Ratio of Plan Net Position to Total OPEB Liability	47.6%	43.7%	39.9%

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

For the year ended June 30, 2021, the school division recognized NNPS OPEB expense of (\$5,010,684). At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the NNPS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,276,504
Change in assumptions	4,980,596	6,620,635
Net difference between projected and actual earnings	-	8,962,848
Total	\$ 4,980,596	\$ 19,859,987

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

Year Ended June 30	Deferred Inflow
2022	\$ (8,261,106)
2023	(4,316,821)
2024	(1,046,625)
2025	(1,254,839)
	\$ (14,879,391)

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(b) OPEB VRS Teacher Employee Health Insurance Credit

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

1. Plan Description

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

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

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

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

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

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

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

2. Contributions Required and Contributions Made

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS Teacher Employee HIC Program were \$2,034,165 and \$2,004,557 for the years ended June 30, 2021 and 2020, respectively.

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

At June 30, 2021, the School Board reported a liability of \$24,852,997 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the School Board's proportion of the VRS Teacher Employee HIC Program was 1.90515% as compared to 1.96470% at June 30, 2019.

For the year ended June 30, 2021, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of \$1,816,304. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program net OPEB expense was related to deferred amounts from changes in proportion.

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At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on VRS Teacher HIC OPEB plan investments	\$ 110,138	\$ -
Change in assumptions	491,309	135,789
Change in proportionate share	-	1,275,553
Difference between expected and actual experience	-	331,901
Contributions to the plan subsequent to the measurement date	2,034,165	-
Total	\$ 2,635,612	\$ 1,743,243

\$2,034,165 reported as deferred outflows of resources related to HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Deferred Inflows
2022	\$ (218,995)
2023	(208,079)
2024	(211,737)
2025	(189,369)
2026	(141,845)
Thereafter	(171,771)
	\$ (1,141,796)

4. Actuarial Methods and Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

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- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of 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, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Except for the change in discount rate, which was based on VRS board action effective as of July 1, 2019, changes to the actuarial assumptions as a result of the experience study are as follows:

- Update to more current mortality table – RP-2014 projected to 2020
- Lowered rates at older ages and changed final retirement from 70 to 75
- Adjusted rates to better match experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- Decreased discount rate from 7.00% to 6.75%

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5. Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,448,676
Plan Fiduciary Net Position	144,160
Employers' Net HIC OPEB Liability	\$ 1,304,516
 Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	 9.95%

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

6. Long-Term Expected Rate of Return

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

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equities	14.00%	8.34%	1.17%
MAPS-Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP-Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

7. Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Lower 5.75%	Current Discount Rate 6.75%	1.00% Higher 7.75%
Proportionate share of the VRS Teacher HIC OPEB Plan Net OPEB Liability	\$ 27,820,339	\$ 24,852,997	\$ 22,330,971

9. Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of the 2020 VRS Comprehensive Annual Financial Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

(c) Virginia Retirement System Group Life Insurance Program

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

10. Plan Description

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

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

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

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

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

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

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

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA): For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute. This amount will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit was increased to \$8,616 effective July 1, 2021.

11. Contributions

The contribution requirements for the GLI Program are governed by Section 51.1-506 and Section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer

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contribution. The School Board has elected to pay all of the employee contribution therefore those contributions are classified as employer contributions. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions, including both employer and employee contributions, to the GLI Program from the School Board were \$912,324 and \$873,869 for Professionals and were \$64,951 and \$62,540 for Non-professionals for the years ended June 30, 2021 and 2020, respectively.

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

At June 30, 2021, the School Board reported a liability of \$13,627,050 and \$975,268 for its proportionate share of the Professional and Non-professional Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the School Board's proportion was 0.81656% as compared to 0.84551% for Professionals and 0.05696% as compared 0.05844% for Non-professionals for the years ended June 30, 2020 and 2019, respectively.

For the year ended June 30, 2021, the School Board recognized GLI OPEB expense of \$393,905 and \$93,838 for Professionals and Non-professionals, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Professional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	681,509	284,541
Change in proportionate share	-	615,234
Investment Experience	409,345	
Difference between expected and actual experience	874,050	122,395
Contributions to the plan subsequent to the measurement date	2,263,950	-
	\$ 4,228,854	\$ 1,022,170

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Non-professional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 48,775	\$ 20,364
Change in proportionate share	191,811	-
Investment Experience	29,296	-
Difference between expected and actual experience	62,554	8,759
Contributions to the plan subsequent to the measurement date	161,056	-
	\$ 493,492	\$ 29,123

\$2,263,950 for Professionals and \$161,056 for Non-professionals reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022.

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

Year Ended June 30	Professional Deferred Inflows and Outflows	Non-Professional Deferred Outflows
2022	\$ 79,502	\$ 71,337
2023	195,103	79,610
2024	302,589	78,261
2025	340,012	57,029
2026	34,024	15,691
Thereafter	(8,496)	1,385
	\$ 942,734	\$ 303,313

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13. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation –	
Professional	3.5%– 5.95%
Non-Professional	3.5%– 5.35%
Investment rate of return	6.75%, net of plan investment expenses, including inflation*

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

Mortality rates – Professional

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

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

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

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

- Update to more current mortality table – RP-2014 projected to 2020
- Lowered rates at older ages and changed final retirement from 70-75
- Adjusted Withdrawal rates to better match experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience
- No change to salary scale
- Decrease in rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

- Updated to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and extended final retirement age from 70 to 75
- Adjusted termination rates to better fit experience at each age and service year
- Lowered disability rates
- No change to salary scale
- Decrease in rate from 7.00% to 6.75%

14. Net GLI OPEB Liability

The NOL for the GLI Program represents the program’s total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
Employers’ Net GLI OPEB Liability	\$ 1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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

15. Long-Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equities	14.00%	8.34%	1.17%
MAPS-Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP-Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

16. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS

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funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the GLI OPEB will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 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.

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

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

Professional

	1.00% Lower 5.75%	Current Discount Rate 6.75%	1.00% Higher 7.75%
School Board professional group's proportionate share of the GLI Program Net OPEB Liability	\$ 17,913,803	\$ 13,627,050	\$ 10,145,805

Non-professional

	1.00% Lower 5.75%	Current Discount Rate 6.75%	1.00% Higher 7.75%
School Board non-professional group's proportionate share of the GLI Program Net OPEB Liability	\$ 1,282,064	\$ 975,268	\$ 726,120

18. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of the 2020 VRS Comprehensive Annual Financial Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-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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(9) Self-Insurance

(a) Medical Benefits

The School Board is self-insured for its medical benefits through funding from the General Fund for employees up to \$200,000 per employee per year effective January 1, 2021 (the amount was \$175,000 per employee up through December 31, 2020). Claims in excess of the limitation are covered by third party insurance. Expenditures for “premiums” are charged to the fund to which the employees’ payroll expenditure is charged at amounts that approximate what third party insurers would have charged. The insurance coverage is substantially the same as in prior fiscal years.

Claims processing and payments for the medical claims are made through a third party administrator. The School Board uses the information provided by the third party administrator to aid in the determination of self-insurance liabilities. Amounts due in future years on claims as of June 30, 2021 are recognized as a long-term liability due within one year in the Statement of Net Position.

Changes in the incurred but not reported amount during the fiscal years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Claims payable at beginning of year	\$ 2,876,000	\$ 2,690,000
Claims and changes in estimates	31,729,760	33,641,050
Claim payments	(31,851,760)	(33,455,050)
Claims payable at end of year	\$ 2,754,000	\$ 2,876,000

(b) Workers’ Compensation

The School Board self-insures for workers’ compensation through funding from the Workers’ Compensation Special Revenue Fund. Expenditures are charged to the various departments at amounts that approximate what third party insurers would have charged. Amounts due in future years on claims made as of June 30, 2021 are accounted for as long-term liabilities. These long-term liabilities include an estimate of claims that have been incurred but not reported. The following is a reconciliation of changes in workers’ compensation claims payable for years ended June 30, 2021 and 2020:

	2021	2020
Claims payable at beginning of year	\$ 4,831,741	\$ 5,001,661
Claims and changes in estimates	2,226,505	1,651,138
Claim payments	(996,624)	(1,821,058)
Claims payable at end of year	\$ 6,061,622	\$ 4,831,741

(c) Other

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

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

(10) Contingent Liabilities

(a) *Litigation*

The School Board is involved in several lawsuits arising in the ordinary course of operations. It is the opinion of School Board management, based on the advice of the School Board attorney, that any losses incurred as a result of claims existing as of June 30, 2021 will not be material to the financial statements.

(b) *Grants*

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

(c) *COVID-19*

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the School Board's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time. Enrollment for the school year starting September 2021 was lower than expected, likely due in part to COVID-19. Our state revenue for FY2022 is largely driven by enrollment and should see a corresponding decline.

(11) Related Organizations

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

(12) Related Party Transaction

The School Board operates by authority of the charter of the City, which provides annual appropriations to the School Board for operating the school system and is obligated for all bonded indebtedness issued to benefit the School Board. The City is also the custodian of the majority of the School Board's cash and temporary investments and also provides a defined benefit pension plan to employees hired before July 1, 2009. The City provides services to the School Board, primarily 800-megahertz radio repairs, services related to the vehicle self-insurance program, Police Department security at School Board athletic events, and Parks & Recreation children's summer program services, through the City's General Fund. The School Board is charged based on established fee schedules or a shared cost formula. The total value of the services

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provided by the City and reimbursed by the School Board during the year ended June 30, 2021 was \$499,497. The School Board provides fiber WAN services, fiber WAN installation, buses for certain City field trips, and shared costs of a School Board building that houses City programs to the City during the year ended June 30, 2021 at charges of \$124,032. Amounts due to and due from the City for services are negligible and are generally settled on a monthly basis. The City provides school police resource officers at no charge to the School Board. The City Parks & Recreation Department provides services to children and citizens after regular school hours in School Board buildings at no rental charge to the City.

At June 30, 2021, the City owed the School Board \$7,317,173 for capital projects funding.

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

(13) Subsequent Events

The School Board has evaluated subsequent events (events occurring after June 30, 2021 through the date of the Report of Independent Auditor) in the preparation of these financial statements. There were no events subsequent to year-end requiring disclosure.

(14) Change in Accounting Principles

Effective July 1, 2020, the School Board adopted the provisions of Governmental Accounting Standards Board Statement No. 84 (GASB 84), *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reports purposes and how those activities should be reported. It required the School Board to follow specific criteria for identifying fiduciary activities and how those activities should be reported. The School Board reviewed its fiduciary activities to determine (1) whether the School Board is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. As a result, the School Activity Funds previously reported as an agency fund have been reclassified as a special revenue fund. The fund reclassification resulted in the restatement of the School Board's financial statements as of July 1, 2020 as follows:

	Government-wide Fiscal Year 2020
Net Position-as previously reported at June 30, 2020	\$ (277,093,805)
Net Change in Accounting Principal	1,706,700
Net Position-as restated	\$ (275,387,105)

	Other Nonmajor Governmental Funds Fiscal Year 2020
Fund Balance-as previously reported at June 30, 2020	\$ 21,191,611
Net Change in Accounting Principal	1,706,700
Fund Balance-as restated	\$ 22,898,311

REQUIRED SUPPLEMENTARY INFORMATION

**THE SCHOOL BOARD OF THE
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Required Supplementary Information (Unaudited)

General Fund Year Ended June 30, 2021

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

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
Commonwealth of Virginia:				
Standards of Quality funds	\$ 170,946,392	\$ 166,206,989	\$ 164,471,287	\$ (1,735,702)
Incentive funds	13,901,810	13,901,810	20,517,775	6,615,965
Categorical funds	137,279	137,279	66,735	(70,544)
Lottery funded programs	21,356,327	21,356,327	22,851,542	1,495,215
Other state agencies	5,000	5,000	-	(5,000)
City of Newport News	113,389,307	113,389,307	113,389,307	-
Federal government	3,108,980	7,848,383	7,630,772	(217,611)
Charges for services	1,883,753	1,883,753	1,422,250	(461,503)
Total revenues	<u>324,728,848</u>	<u>324,728,848</u>	<u>330,349,668</u>	<u>5,620,820</u>
Expenditures:				
Instructional services:				
Classroom instruction	128,337,847	122,963,805	123,620,586	(656,781)
Office of the principal	20,073,101	19,463,079	19,367,374	95,705
Special education	40,049,031	38,579,147	38,301,810	277,337
Career and technical	9,116,429	8,565,410	8,831,956	(266,546)
Talented and gifted	5,085,972	4,606,589	4,324,450	282,139
Summer school	1,079,717	1,720,214	1,820,674	(100,460)
Adult Education	162,328	162,328	175,635	(13,307)
Athletics/Drivers' Education	2,551,749	2,084,432	2,158,555	(74,123)
Pre school	5,777,003	4,956,839	4,642,003	314,836
Guidance and counseling	8,453,811	8,332,673	8,162,944	169,729
Improvement of instruction - staff	6,646,805	6,727,384	6,296,053	431,331
Media services	5,657,794	5,823,794	5,800,743	23,051
School social workers	1,659,381	1,353,091	1,223,334	129,757
Homebound	245,463	182,611	167,235	15,376
Instructional support-student leadership	1,124,396	725,109	615,832	109,277
Total academic services	<u>236,020,827</u>	<u>226,246,505</u>	<u>225,509,184</u>	<u>737,321</u>
Attendance and health services:				
Psychological services	1,707,743	1,300,942	1,280,051	20,891
Attendance	1,092,101	1,053,153	876,366	176,787
Health services	3,755,217	3,984,768	3,968,621	16,147
Total attendance and health services	<u>6,555,061</u>	<u>6,338,863</u>	<u>6,125,038</u>	<u>213,825</u>
Transportation services:				
Transportation administration	2,300,831	2,242,570	2,250,808	(8,238)
Vehicle operation services	14,072,140	14,182,325	14,228,445	(46,120)
Monitoring services	2,358,889	1,870,889	1,780,362	90,527
Vehicle maintenance services	2,422,459	2,285,559	2,267,957	17,602
Total transportation services	<u>21,154,319</u>	<u>20,581,343</u>	<u>20,527,572</u>	<u>53,771</u>

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CITY OF NEWPORT NEWS, VIRGINIA**

Required Supplementary Information (Unaudited)

General Fund Year Ended June 30, 2021

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

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Operations and Facilities:				
Security	\$ 3,652,025	\$ 3,113,466	\$ 3,044,386	\$ 69,080
Warehouse	307,263	307,924	309,268	(1,344)
Operations	1,313,263	1,190,722	1,116,919	73,803
Grounds services	1,177,585	1,177,585	1,166,375	11,210
Building services	27,789,937	35,762,888	35,614,665	148,223
Equipment services	3,500.00	3,500	3,500	-
Vehicle operation services	286,675	1,066,535	1,055,170	11,365
Child nutrition services	-	562,305	562,305	-
Facilities	-	320,770	320,770	-
Total operations and facilities	<u>34,530,248</u>	<u>43,505,695</u>	<u>43,193,358</u>	<u>312,337</u>
Technology services:				
Technology - classroom instruction	1,333,701	1,164,403	1,122,137	42,266
Technology - instructional support	7,594,426	7,738,316	7,770,478	(32,162)
Information technology	5,453,181	6,173,281	5,968,355	204,926
Technology - operations & maintenance	1,738,669	1,802,627	1,791,239	11,388
Total technology services	<u>16,119,977</u>	<u>16,878,627</u>	<u>16,652,209</u>	<u>226,418</u>
Administration:				
Information services	1,738,931	1,722,053	1,603,441	118,612
School Board	282,620	282,620	274,392	8,228
Superintendent's office	1,669,279	1,677,679	1,652,592	25,087
Human resources	2,720,061	2,720,061	3,027,841	(307,780)
Accountability	363,135	472,461	534,592	(62,131)
Business	2,025,252	2,160,489	2,141,509	18,980
Purchasing	520,050	791,476	702,996	88,480
Print shop	(10,767)	311,121	700,067	(388,946)
Total administration	<u>9,308,561</u>	<u>10,137,960</u>	<u>10,637,430</u>	<u>(499,470)</u>
Total expenditures	<u>323,688,993</u>	<u>323,688,993</u>	<u>322,644,791</u>	<u>1,044,202</u>
Other financing uses:				
Transfer to City of Newport News – debt service	1,039,855	1,039,855	1,039,855	-
Total other financing uses	<u>1,039,855</u>	<u>1,039,855</u>	<u>1,039,855</u>	<u>-</u>
Total expenditures and other financing uses	<u>324,728,848</u>	<u>324,728,848</u>	<u>323,684,646</u>	<u>1,044,202</u>
Net change in fund balances	-	-	6,665,022	6,665,022
Fund balance at beginning of year	21,598,742	21,598,742	21,598,742	-
Less encumbrances outstanding at June 30, 2020 expended or canceled at June 30, 2021	(15,766,541)	(15,766,541)	(15,722,818)	43,723
Add encumbrances outstanding at June 30, 2021	28,517,343	28,517,343	28,517,343	-
Increase in nonspendable inventories	292,462	292,462	292,462	-
Fund balance at end of year	<u>\$ 34,642,006</u>	<u>\$ 34,642,006</u>	<u>\$ 41,350,751</u>	<u>\$ 6,708,745</u>

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

Required Supplementary Information (Unaudited)

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

Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Pension Liability							
Service cost	\$ 422,992	\$ 487,107	\$ 571,242	\$ 589,528	\$ 622,391	\$ 754,780	\$ 819,408
Interest	45,008	76,377	109,773	156,742	182,205	235,956	315,045
Benefit payments, including refunds of employee contributions	(13,178)	(26,584)	(19,080)	(46,216)	(110,743)	(66,469)	(88,383)
Change in assumptions	-	-	-	(181,126)	-	163,847	-
Difference between expected and actual experience	-	(63,569)	22,631	(122,907)	51,870	219,381	571
Net change in total pension liability	454,822	473,331	684,566	396,021	745,723	1,307,495	1,046,641
Total pension liability -- beginning	649,566	1,104,388	1,577,719	2,262,285	2,658,306	3,404,029	4,711,524
Total pension liability -- ending	<u>\$ 1,104,388</u>	<u>\$ 1,577,719</u>	<u>\$ 2,262,285</u>	<u>\$ 2,658,306</u>	<u>\$ 3,404,029</u>	<u>\$ 4,711,524</u>	<u>\$ 5,758,165</u>
Plan fiduciary net position							
Contributions -- employer	\$ 375,675	\$ 261,980	\$ 261,217	\$ 231,378	\$ 276,857	\$ 289,226	\$ 287,656
Contributions -- employee	226,048	284,255	296,130	345,945	422,842	472,079	503,370
Net investment income	221,774	104,055	64,857	423,954	318,845	376,257	119,404
Benefit payments, including refunds of employee contributions	(13,178)	(26,584)	(19,080)	(46,216)	(110,743)	(66,469)	(88,383)
Administrative expense	(698)	(876)	(1,265)	(1,869)	(2,215)	(2,784)	(3,420)
Other	12	(24)	(23)	(405)	(314)	(244)	(156)
Net change in plan fiduciary net position	809,633	622,806	601,836	952,787	905,272	1,068,065	818,471
Plan fiduciary net position -- beginning	1,160,169	1,969,802	2,592,608	3,194,444	4,147,231	5,052,503	6,120,568
Plan fiduciary net position -- ending	<u>\$ 1,969,802</u>	<u>\$ 2,592,608</u>	<u>\$ 3,194,444</u>	<u>\$ 4,147,231</u>	<u>\$ 5,052,503</u>	<u>\$ 6,120,568</u>	<u>\$ 6,939,039</u>
Total net pension asset -- beginning	\$ (510,603)	\$ (865,414)	\$ (1,014,889)	\$ (932,159)	\$ (1,488,925)	\$ (1,648,474)	\$ (1,409,044)
Total net pension asset -- ending	<u>\$ (865,414)</u>	<u>\$ (1,014,889)</u>	<u>\$ (932,159)</u>	<u>\$ (1,488,925)</u>	<u>\$ (1,648,474)</u>	<u>\$ (1,409,044)</u>	<u>\$ (1,180,874)</u>
Plan net position as a percentage of total pension asset	227.6%	255.5%	342.7%	278.5%	306.5%	434.4%	587.6%
Covered Payroll	\$ 3,917,266	\$ 4,012,012	\$ 6,499,789	\$ 7,793,308	\$ 9,712,181	\$ 10,920,615	\$ 11,707,429
Net pension asset as a percentage of covered payroll	22.1%	25.3%	14.3%	19.1%	17.0%	12.9%	10.1%

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

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

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Required Supplementary Information (Unaudited)

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

	Year Ended June 30						
School Board Teacher Retirement Plan:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Employer's proportion of the net pension liability	2.06946%	2.07000%	2.04154%	2.02429%	1.99247%	1.96772%	1.90995%
Employer's proportionate share of the net pension liability	\$ 250,088,000	\$ 260,538,000	\$ 286,104,000	\$ 248,946,000	\$ 234,314,000	\$ 258,963,134	\$ 277,947,884
Employer's covered payroll	\$ 142,400,000	\$ 145,324,977	\$ 155,708,543	\$ 159,685,425	\$ 161,022,234	\$ 164,776,215	\$ 166,991,982
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	175.62%	179.28%	183.74%	155.90%	145.52%	157.16%	166.44%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%	72.92%	74.81%	73.51%	71.47%
Newport News Employee Retirement Fund:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Employer's proportion of the net pension liability	22.85650%	20.31030%	19.71100%	18.57830%	18.70110%	21.04650%	21.83530%
Employer's proportionate share of the net pension liability	\$ 81,092,361	\$ 80,247,927	\$ 91,756,052	\$ 75,985,892	\$ 72,279,374	\$ 85,067,976	\$ 100,630,080
Employer's covered payroll	\$ 126,100,000	\$ 123,619,906	\$ 118,639,692	\$ 113,302,877	\$ 108,187,035	\$ 103,823,307	\$ 98,821,339
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	64.31%	64.92%	77.34%	67.06%	66.81%	81.94%	101.83%
Plan fiduciary net position as a percentage of the total pension liability	70.67%	68.28%	63.67%	68.74%	71.25%	70.03%	66.60%

The amounts presented are as of the measurement date.

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

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Required Supplementary Information (Unaudited)

Schedule of Contributions for the Virginia Retirement System and NNERF

Year Ended June 30

Year Ended	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
School Board (non-teacher) Pension Plan:					
2015	\$ 375,675	\$ 375,675	\$ -	\$ 4,102,012	9.16%
2016	328,332	328,332	-	6,499,789	5.05%
2017	290,298	290,298	-	7,793,308	3.72%
2018	297,786	297,786	-	9,712,181	3.07%
2019	289,226	289,226	-	10,920,615	2.65%
2020	287,482	287,482	-	11,707,429	2.46%
2021	305,524	305,524	-	11,500,998	2.66%
School Board Teacher Retirement Plan:					
2015	\$ 21,648,000	\$ 21,648,000	\$ -	\$ 145,324,977	14.90%
2016	20,744,442	20,744,442	-	155,708,543	13.32%
2017	20,947,209	20,947,209	-	159,685,425	13.12%
2018	27,964,364	27,964,364	-	161,022,234	17.37%
2019	25,197,255	25,197,255	-	164,776,215	15.29%
2020	25,367,460	25,367,460	-	166,991,982	15.19%
2021	26,958,449	26,958,449	-	158,063,115	17.06%
Newport News Employee Retirement Fund:					
2015	\$ 6,711,771	\$ 6,711,771	\$ -	\$ 123,619,906	5.43%
2016	7,779,308	7,688,476	90,832	118,639,692	6.48%
2017	7,270,772	7,270,772	-	113,302,877	6.42%
2018	7,611,499	7,611,499	-	108,187,035	7.04%
2019	8,598,267	8,598,267	-	103,823,307	8.28%
2020	8,773,351	8,773,351	-	98,821,339	8.88%
2021	8,485,299	8,485,299	-	92,036,126	9.22%

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

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

Required Supplementary Information (Unaudited)

Schedule of Changes in Net OPEB Liability

Year Ended June 30

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB Liability					
Service cost	\$ 346,158	\$ 356,543	\$ 367,239	\$ 190,014	\$ 195,714
Interest	6,228,890	6,134,980	5,576,757	5,173,959	4,929,091
Difference between expected and actual experience	-	-	(19,223,441)	-	(6,235,481)
Change in assumptions	-	13,762,045	(7,065,612)	4,456,495	(7,281,461)
Benefit payments	(6,171,067)	(5,120,869)	(4,710,799)	(4,842,479)	(5,340,619)
Net change in total OPEB liability	403,981	15,132,699	(25,055,856)	4,977,989	(13,732,756)
Total OPEB liability -- beginning	99,113,541	99,517,522	114,650,221	89,594,365	94,572,354
Total OPEB liability -- ending	<u>\$ 99,517,522</u>	<u>\$ 114,650,221</u>	<u>\$ 89,594,365</u>	<u>\$ 94,572,354</u>	<u>\$ 80,839,598</u>
Plan fiduciary net position					
Contributions -- employer	\$ 6,745,919	\$ 5,120,869	\$ 4,710,799	\$ 4,842,479	\$ 5,340,619
Contributions -- members	1,525,148	1,506,699	1,413,703	1,361,282	1,169,951
Net investment income	2,489,541	2,238,661	1,162,759	807,842	8,177,696
Benefit payments	(6,171,067)	(6,627,568)	(6,124,502)	(6,203,761)	(6,510,570)
Administrative expense	(23,168)	(26,340)	(26,688)	(27,197)	(29,115)
Other changes	-	-	(27,000)	-	-
Net change in plan fiduciary net position	4,566,373	2,212,321	1,109,071	780,645	8,148,581
Plan fiduciary net position -- beginning	18,536,899	23,103,272	25,315,593	26,424,664	27,205,309
Plan fiduciary net position -- ending	<u>\$ 23,103,272</u>	<u>\$ 25,315,593</u>	<u>\$ 26,424,664</u>	<u>\$ 27,205,309</u>	<u>\$ 35,353,890</u>
Net OPEB Liability -- Beginning of Year	<u>\$ 80,576,642</u>	<u>\$ 76,414,250</u>	<u>\$ 89,334,628</u>	<u>\$ 63,169,701</u>	<u>\$ 67,367,045</u>
Net OPEB Liability -- End of Year	<u>\$ 76,414,250</u>	<u>\$ 89,334,628</u>	<u>\$ 63,169,701</u>	<u>\$ 67,367,045</u>	<u>\$ 45,485,708</u>
Plan Fiduciary Net Position as a percentage of Total					
OPEB Liability	23.2%	22.1%	29.5%	28.8%	43.7%
Covered Payroll	\$ 111,269,858	\$ 102,181,521	\$ 96,501,902	\$ 92,110,467	\$ 84,826,533
Net OPEB Liability as a percentage of Covered Payroll	72.3%	87.4%	65.5%	73.1%	53.6%

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

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

Required Supplementary Information (Unaudited)

Schedule of Investment Returns

Year Ended June 30

<u>Year</u>	<u>Annual Money- Weighted Rate of Return, net of Investment Expenses</u>
2016	12.8%
2017	9.7%
2018	4.6%
2019	3.1%
2020	30.1%

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

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

Required Supplementary Information (Unaudited)

Schedule of Employer's OPEB Contributions

Year Ended June 30

Year Ended	Contractually Determined Employer Contribution	Actual Employer Contribution	Percentage Contributed	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2012	\$ 5,926,175	\$ 5,926,175	100.00%	\$ -	\$ 136,661,837	4.34%
2013	8,625,943	8,625,943	100.00%	-	128,553,728	6.71%
2014	8,548,391	8,548,391	100.00%	-	119,767,787	7.14%
2015	7,407,843	7,407,843	100.00%	-	111,511,673	6.64%
2016	6,897,333	6,897,333	100.00%	-	105,746,207	6.52%
2017	6,745,919	6,745,919	100.00%	-	111,269,858	6.06%
2018	5,120,869	5,120,869	100.00%	-	102,181,521	5.01%
2019	4,710,799	4,710,799	100.00%	-	96,501,902	4.88%
2020	4,842,479	4,842,479	100.00%	-	92,110,467	5.26%
2021	4,588,500	5,340,619	116.39%	(752,119.00)	84,826,533	6.30%

Actuarial Assumptions:

Valuation date	7/1/2020
Measurement date	6/30/2021
Actuarial cost method	Entry Age Normal
Amortization period	22 years
Asset valuation method	Market Value
Inflation	7.20% initially, grading down to 4.50% ultimate
Salary Increases	NA
Investment rate of return	7.00% net of investment expenses and including inflation

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

Required Supplementary Information (Unaudited)

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

Year Ended June 30

	<u>VRS 2017</u>	<u>VRS 2018</u>	<u>VRS 2019</u>	<u>VRS 2020</u>
Employer's proportion of the net Teacher HIC OPEB plan liability	2.02361%	1.99148%	1.96470%	1.90515%
Employer's proportionate share of the net Teacher HIC OPEB plan liability	\$ 25,671,000	\$ 25,286,000	\$ 25,719,834	\$ 24,852,997
Employer's covered payroll	\$ 159,703,318	\$ 161,058,323	\$ 164,792,500	\$ 167,020,303
Employer's proportionate share of the net Teacher HIC OPEB plan liability as a percentage of its covered payroll	16.07%	15.70%	15.61%	14.88%
Plan fiduciary net position as a percentage of the total Teacher HIC OPEB liability	7.04%	8.08%	8.97%	9.95%

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

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

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

Required Supplementary Information (Unaudited)

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

Year Ended June 30

Year Ended	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2012	\$ 909,423	\$ 909,423	-	\$ 151,570,450	0.60%
2013	1,674,664	1,674,664	-	150,870,658	1.11%
2014	1,679,874	1,679,874	-	151,339,978	1.11%
2015	1,631,376	1,631,376	-	153,903,373	1.06%
2016	1,649,993	1,649,993	-	155,659,733	1.06%
2017	1,772,707	1,772,707	-	159,703,318	1.11%
2018	2,151,528	2,151,528	-	161,058,323	1.34%
2019	1,976,811	1,976,811	-	164,792,500	1.20%
2020	2,004,557	2,004,557	-	167,020,303	1.20%
2021	2,034,165	2,034,165	-	168,083,938	1.21%

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

Required Supplementary Information (Unaudited)

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

Year Ended June 30

	VRS PROFESSIONAL 2017	VRS NON-PROFESSIONAL 2017	VRS PROFESSIONAL 2018	VRS NON-PROFESSIONAL 2018	VRS PROFESSIONAL 2019	VRS NON-PROFESSIONAL 2019	VRS PROFESSIONAL 2020	VRS NON-PROFESSIONAL 2020
Employer's proportion of the net GLI OPEB liability	0.87085%	0.04305%	0.85173%	0.05185%	0.84551%	0.05696%	0.81656%	0.58440%
Employer's proportionate share of the net GLI OPEB liability	\$ 13,105,000	\$ 648,000	\$ 12,936,000	\$ 787,000	\$ 13,758,698	\$ 926,891	\$ 13,657,050	\$ 975,268
Employer's covered payroll	\$ 160,630,602	\$ 7,941,396	\$ 161,954,625	\$ 9,859,090	\$ 165,748,568	\$ 11,166,678	\$ 168,051,675	\$ 12,027,008
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.16%	8.16%	7.99%	7.98%	8.30%	8.30%	8.13%	8.11%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	48.86%	51.22%	51.22%	52.00%	52.00%	52.64%	52.64%

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

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

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

Required Supplementary Information (Unaudited)

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

Year Ended June 30

Year Ended	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
VRS Professional Plan:					
2012	\$ 425,629	\$ 425,629	-	\$ 152,010,363	0.28%
2013	728,269	728,269	-	151,722,722	0.48%
2014	730,865	730,865	-	152,263,605	0.48%
2015	742,648	742,648	-	154,718,281	0.48%
2016	752,231	752,231	-	156,714,789	0.48%
2017	835,279	835,279	-	160,630,602	0.52%
2018	842,164	842,164	-	161,954,625	0.52%
2019	861,893	861,893	-	165,748,568	0.52%
2020	873,869	873,869	-	168,051,675	0.52%
2021	912,324	912,324	-	168,948,972	0.54%
VRS Non-Professional Plan:					
2012	\$ 7,319	\$ 7,319	-	\$ 2,613,851	0.28%
2013	18,148	18,148	-	3,780,751	0.48%
2014	21,999	21,999	-	4,583,022	0.48%
2015	28,171	28,171	-	5,868,882	0.48%
2016	32,016	32,016	-	6,669,969	0.48%
2017	41,295	41,295	-	7,941,396	0.52%
2018	51,267	51,267	-	9,859,090	0.52%
2019	58,067	58,067	-	11,166,678	0.52%
2020	62,540	62,540	-	12,027,008	0.52%
2021	64,951	64,951	-	12,027,977	0.54%

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

Notes To Required Supplementary Information

June 30, 2021

(1) Budgetary Data

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

- (i) On or before April 1, the School Board submits to the City Council of the City proposed operating budgets for the General Fund, the Workers' Compensation Special Revenue Fund and the Textbook Special Revenue Fund for the forthcoming fiscal year. The operating budgets include proposed expenditures and other financing uses and the means of financing them.
- (ii) A public hearing on the City budget, which includes the School Board, is held after a synopsis of the budget is published in a local newspaper of general circulation. An appropriation ordinance must be adopted by the City Council by May 15.
- (iii) The School Board and Superintendent may amend the budget or make transfers between functions and budgetary line items without City Council approval. However, the School Board may not make transfers or expend any sum of money in excess of City Council appropriations, at the fund level, without the consent of the City Council. The legal level of budgetary control for the General Fund, the Workers' Compensation non-major Special Revenue Fund and the Textbook non-major Special Revenue Fund is the fund level; however, management control is exercised over the budget at the budgetary line item level. Appropriations, except for encumbrances and reserved fund balances, lapse at year-end.
- (iv) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for the following:
 - 1) Encumbrances are included as budgetary expenditures;
 - 2) Capital lease other financing sources and the accompanying capital lease expenditures are not included as budgetary resources or expenditures;
 - 3) The net change for the prepaid medical self-insurance program is excluded from the budget comparison;
 - 4) Revenue from the City that is designated for debt service and returned to the City to pay debt service is included for budgetary purposes but excluded for GAAP purposes.
- (v) Annual legally adopted operating budgets are not adopted for any other Special Revenue Funds. The School Board adopts an annual, but not a legal, operating budget for the Child Nutrition Services Fund. Program budgets for the Grants Special Revenue Fund, the Adult Education Special Revenue Fund and the State Construction Capital Projects Fund are approved by executive departments on a basis consistent with the related grant applications. Project budgets are appropriated by City Council (on a project basis, not an annual basis) for the General Obligation Bond Fund and the General Capital Projects Fund whereby the budgets remain open and carry over to succeeding years until the project is complete.

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

Notes To Required Supplementary Information

June 30, 2021

(2) Intergovernmental Revenue – City of Newport News

A reconciliation of intergovernmental revenue follows:

City budget appropriations	\$ 113,389,307
Less amounts recorded by City	<u>(1,057,652)</u>
City revenue - GAAP basis	<u><u>\$ 112,331,655</u></u>

SUPPLEMENTARY INFORMATION

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

June 30, 2021

Special Revenue Funds:

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

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

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

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

Enterprise Academy – to account for the regional school district providing alternative educational services for middle and high school students. The School Board is designated as the responsible party.

School Activity Funds – to account for funds held in bank accounts in each school's name for school activities. The principal of each school is designated by the School Board as the responsible party.

Capital Projects Funds:

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

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

Combining Balance Sheet

Other Nonmajor Governmental Funds

June 30, 2021

Assets	Special Revenue Funds						Capital Projects Fund	Total Other Nonmajor Governmental Funds
	Workers' Compensation	Textbooks	Child Nutrition	Adult Education	Enterprise Academy	School Activity Funds	General Cash	
	Cash and cash equivalents	\$ 5,665,502	\$ 7,295,559	\$ 4,085,961	\$ 253,366	\$ 2,881	\$ 1,391,024	\$ 380,694
Cash with agent	250,000	-	-	-	-	-	-	250,000
Prepaid items	-	-	-	-	-	11,094	-	11,094
Accounts receivable	100,108	-	-	44,664	-	-	-	144,772
Due from other governments:								
Federal - Department of Agriculture	-	-	1,460,690	-	-	-	-	1,460,690
Inventories, at cost	-	-	897,959	-	-	-	-	897,959
Total assets	<u>\$ 6,015,610</u>	<u>\$ 7,295,559</u>	<u>\$ 6,444,610</u>	<u>\$ 298,030</u>	<u>\$ 2,881</u>	<u>\$ 1,402,118</u>	<u>\$ 380,694</u>	<u>\$ 21,839,502</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 42,338	\$ -	\$ 334,574	\$ -	\$ 2,881	\$ 18,527	\$ 8,555	\$ 406,875
Accrued liabilities	-	-	16,833	-	-	-	-	16,833
Total liabilities	<u>42,338</u>	<u>-</u>	<u>351,407</u>	<u>-</u>	<u>2,881</u>	<u>18,527</u>	<u>8,555</u>	<u>423,708</u>
Fund balances:								
Restricted:								
Adult education services	-	-	-	156,764	-	-	-	156,764
Capital projects	-	-	-	-	-	-	163,090	163,090
Child nutrition services	-	-	6,093,203	-	-	-	-	6,093,203
Textbooks	-	7,284,563	-	-	-	-	-	7,284,563
Workers' compensation	5,949,912	-	-	-	-	-	-	5,949,912
Assigned to:								
Adult education services	-	-	-	141,266	-	-	-	141,266
Contractual obligations	23,360	10,996	-	-	-	-	209,049	243,405
Student activities	-	-	-	-	-	1,383,591	-	1,383,591
Total fund balances	<u>5,973,272</u>	<u>7,295,559</u>	<u>6,093,203</u>	<u>298,030</u>	<u>-</u>	<u>1,383,591</u>	<u>372,139</u>	<u>21,415,794</u>
Total liabilities and fund balance	<u>\$ 6,015,610</u>	<u>\$ 7,295,559</u>	<u>\$ 6,444,610</u>	<u>\$ 298,030</u>	<u>\$ 2,881</u>	<u>\$ 1,402,118</u>	<u>\$ 380,694</u>	<u>\$ 21,839,502</u>

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

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

Other Nonmajor Governmental Funds

Year Ended June 30, 2021

	Special Revenue Funds					School	Capital	Total Other
	Workers'		Child	Adult	Enterprise	Activity	Projects	
	Compensation	Textbook	Nutrition	Education	Academy	Funds	General	Governmental
							Cash	Funds
Revenues:								
Intergovernmental:								
Commonwealth of Virginia	\$ -	\$ 1,974,217	\$ 304,200	\$ 128,717	\$ -	\$ -	\$ -	\$ 2,407,134
Federal government	-	-	14,457,491	-	-	-	-	14,457,491
Charges for services	1,589,767	-	44,707	116,195	-	-	-	1,750,669
Investment income	19,429	-	10,744	-	-	-	-	30,173
Miscellaneous	-	-	-	-	-	629,303	-	629,303
Total revenues	1,609,196	1,974,217	14,817,142	244,912	-	629,303	-	19,274,770
Current expenditures:								
Academic services	-	1,337,401	-	260,990	1,157,670	952,412	-	3,708,473
Attendance and health services	-	-	-	-	42,615	-	-	42,615
Operations and facilities	-	-	76,910	-	92,281	-	-	169,191
Child nutrition services	-	-	13,381,918	-	-	-	-	13,381,918
Technology	-	-	-	-	94,091	-	-	94,091
Administration	988,861	-	-	-	-	-	-	988,861
Capital outlay	-	-	-	-	-	-	3,701,383	3,701,383
Total expenditures	988,861	1,337,401	13,458,828	260,990	1,386,657	952,412	3,701,383	22,086,532
Other financing sources:								
Transfers in	-	-	-	-	1,386,657	-	-	1,386,657
Total other financing sources	-	-	-	-	1,386,657	-	-	1,386,657
Net change in fund balances	620,335	636,816	1,358,314	(16,078)	-	(323,109)	(3,701,383)	(1,425,105)
Fund balances at beginning of year	5,352,937	6,658,743	4,792,301	314,108	-	-	4,073,522	21,191,611
Prior period adjustment - change in accounting principle	-	-	-	-	-	1,706,700	-	1,706,700
Fund balances at beginning of year as restated	5,352,937	6,658,743	4,792,301	314,108	-	1,706,700	4,073,522	22,898,311
Decrease in nonspendable inventory	-	-	(57,412)	-	-	-	-	(57,412)
Fund balances at end of year	\$ 5,973,272	\$ 7,295,559	\$ 6,093,203	\$ 298,030	\$ -	\$ 1,383,591	\$ 372,139	\$ 21,415,794

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

Workers' Compensation Fund

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Charges for services	\$ 1,865,000	\$ 1,865,000	\$ 1,589,767	\$ (275,233)
Investment income	60,000	60,000	19,429	(40,571)
Total revenues	<u>1,925,000</u>	<u>1,925,000</u>	<u>1,609,196</u>	<u>(315,804)</u>
Expenditures:				
Administration				
Claims	2,173,500	2,173,500	847,789	1,325,711
Administrative	150,000	150,000	136,357	13,643
Total Administration	<u>2,323,500</u>	<u>2,323,500</u>	<u>984,146</u>	<u>1,339,354</u>
Total expenditures	<u>2,323,500</u>	<u>2,323,500</u>	<u>984,146</u>	<u>1,339,354</u>
Net change in fund balances	(398,500)	(398,500)	625,050	1,023,550
Fund balance at beginning of year	5,352,937	5,352,937	5,352,937	-
Less encumbrances outstanding at June 30, 2020 expended or canceled at June 30, 2021	(28,075)	(28,075)	(28,075)	-
Add encumbrances outstanding at June 30, 2021	23,360	23,360	23,360	-
Fund balance at end of year	<u>\$ 4,954,437</u>	<u>\$ 4,954,437</u>	<u>\$ 5,973,272</u>	<u>\$ 1,023,550</u>

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

Textbook Fund

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Commonwealth of Virginia	\$ 2,076,630	\$ 2,088,646	\$ 1,974,217	\$ (114,429)
Total revenues	2,076,630	2,088,646	1,974,217	114,429
Expenditures:				
Academic services	2,076,630	2,088,646	1,348,397	740,249
Total expenditures	2,076,630	2,088,646	1,348,397	740,249
Net change in fund balances	-	-	625,820	(625,820)
Fund balance at beginning of year	6,658,743	6,658,743	6,658,743	-
Less encumbrances outstanding at June 30, 2020 expended or canceled at June 30, 2021	(473,445)	(473,445)	-	473,445
Add encumbrances outstanding at June 30, 2021	10,996	10,996	10,996	-
Fund balance at end of year	\$ 6,196,294	\$ 6,196,294	\$ 7,295,559	\$ (1,099,265)

STATISTICAL SECTION

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

**STATISTICAL SECTION
(Unaudited)**

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

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

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

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

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

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

Net Position by Component (Unaudited)

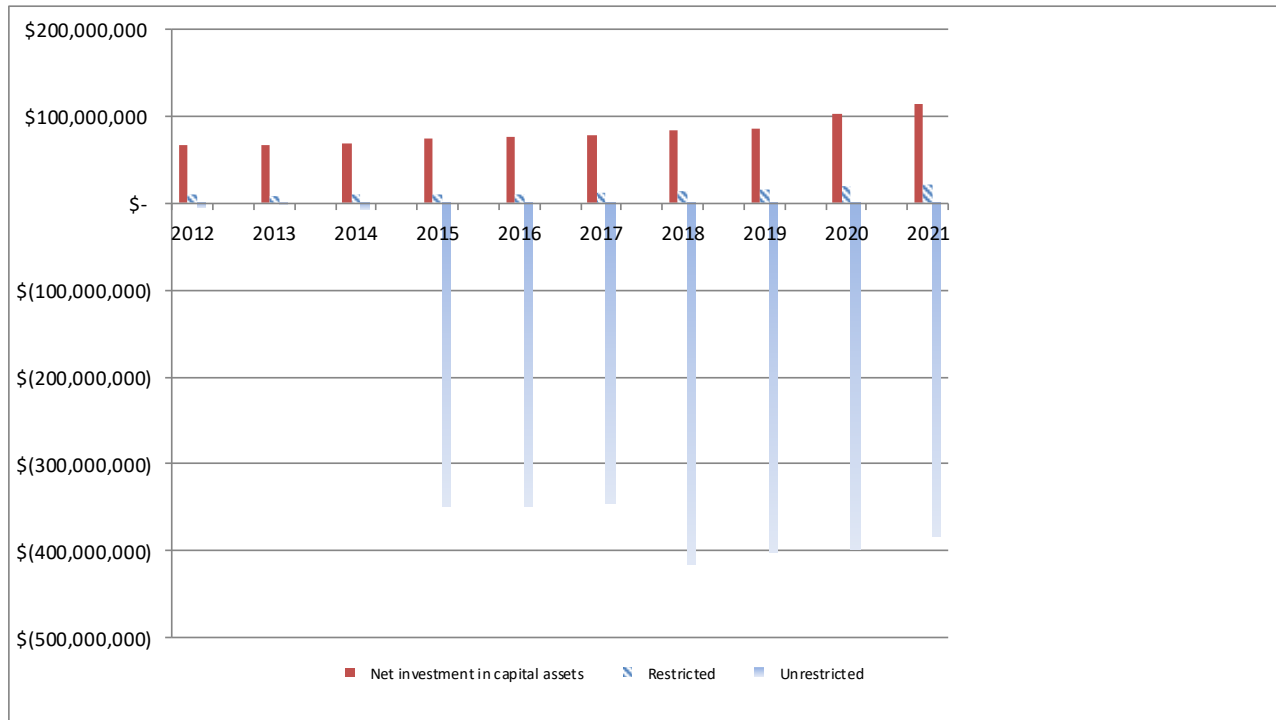
Last Ten Fiscal Years

(Accrual Basis of Accounting)

Fiscal Year

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Net investment in capital assets	\$ 67,370,342	\$ 66,806,834	\$ 68,663,255	\$ 73,864,578	\$ 76,396,233	\$ 79,134,691	\$ 83,735,916	\$ 85,817,478	\$ 103,225,846	\$ 115,367,599
Restricted	10,268,578	9,143,955	10,355,978	10,161,823	9,887,365	12,979,322	14,453,268	16,488,390	19,271,354	21,031,123
Unrestricted	(4,156,231)	(1,530,491)	(6,480,188)	(349,008,517)	(348,482,706)	(344,837,917)	(415,912,591)	(401,816,864)	(397,884,305)	(383,563,356)
Total net position	<u>\$ 70,326,179</u>	<u>\$ 73,482,689</u>	<u>\$ 74,420,298</u>	<u>\$ 72,539,045</u>	<u>\$ (264,982,116)</u>	<u>\$ (252,723,904)</u>	<u>\$ (317,723,407)</u>	<u>\$ (299,510,996)</u>	<u>\$ (275,387,105)</u>	<u>\$ (247,164,634)</u>

NOTE - Implementation of GASB 68 and GASB 71 regarding pensions is the reason that unrestricted declined so significantly in FY2015 and implementation of GASB 75 regarding other postemployment benefits is the reason that unrestricted declined so significantly in FY2018. FY2020 has been restated due to the implementation of GASB 84, *Fiduciary Activities*.



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

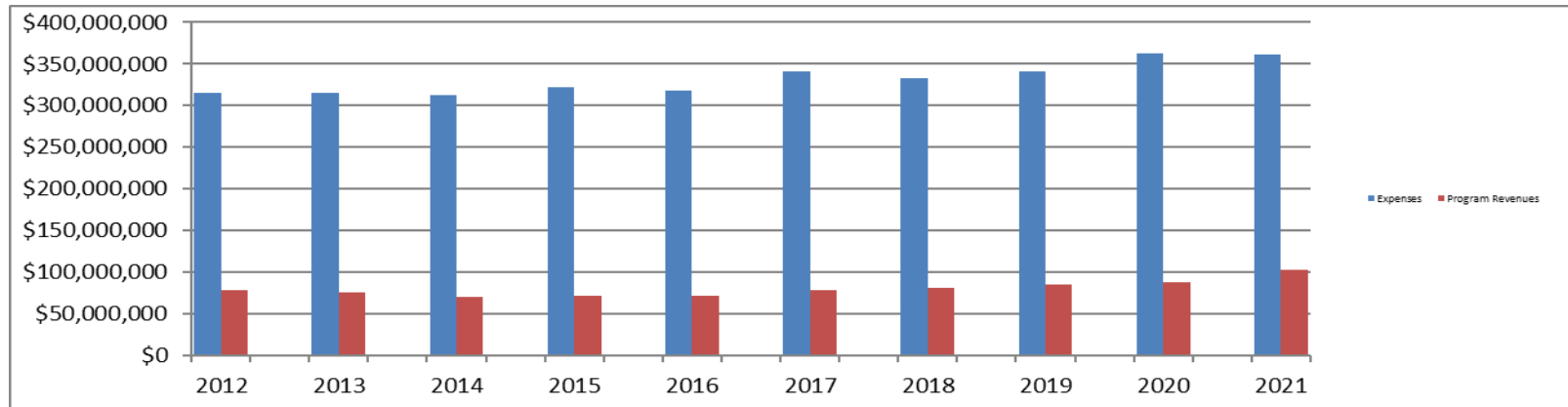
Expenses, Program Revenues and Net Expense (Unaudited)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

Fiscal Year

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
Academic services	\$ 227,368,609	\$ 224,047,407	\$ 220,242,178	\$ 226,919,153	\$ 223,914,542	\$ 239,059,534	\$ 233,563,436	\$ 237,092,146	\$ 251,796,113	\$ 256,176,304
Attendance and health services	-	5,410,181	5,370,389	5,477,238	5,516,924	5,819,807	5,772,856	5,789,055	5,840,823	6,369,060
Transportation services	18,703,166	18,732,095	17,760,521	18,060,597	17,178,198	19,401,940	19,477,828	20,414,287	22,340,038	17,253,221
Operations and facilities	34,635,744	31,507,246	32,334,959	32,217,732	29,940,440	33,551,144	32,622,223	32,634,471	33,407,917	32,942,678
Child nutrition services	14,079,191	15,155,813	15,045,887	16,318,436	16,719,938	17,410,411	17,763,684	17,874,039	19,389,589	13,760,362
Technology services	12,799,635	12,189,933	13,352,948	13,305,419	14,816,817	15,885,584	14,763,143	17,282,063	19,015,003	23,102,537
Administration	7,627,183	7,718,428	8,320,335	9,677,653	9,478,014	8,808,208	8,540,498	9,658,002	10,830,253	10,661,816
Interest on capital debt	503,181	387,257	282,261	258,111	40,858	861,885	502,197	470,071	445,834	425,488
Total expenses	<u>315,716,709</u>	<u>315,148,360</u>	<u>312,709,478</u>	<u>322,234,339</u>	<u>317,605,731</u>	<u>340,798,513</u>	<u>333,005,865</u>	<u>341,214,134</u>	<u>363,065,570</u>	<u>360,691,466</u>
Program Revenues										
Charges for services:										
Academic services	1,395,070	1,200,596	1,431,667	1,694,406	1,043,101	994,482	964,365	1,079,119	1,257,017	852,522
Operations and facilities	597,360	480,397	258,467	417,127	443,071	425,862	456,180	369,970	612,132	573,749
Child nutrition services	3,923,464	3,510,490	3,310,549	3,054,562	2,959,508	2,435,283	2,137,859	1,306,961	479,983	44,707
Technology services	192,388	180,020	169,063	106,760	526,503	878,545	118,209	298,250	252,776	-
Administration	-	1,007,426	857,254	2,446,135	2,095,897	2,094,329	1,543,042	3,094,401	1,704,338	1,701,941
Operating grants and contributions	70,250,802	68,549,968	62,988,257	62,730,008	62,893,347	69,051,155	73,811,020	77,131,195	82,297,679	98,065,482
Capital grants and contributions	2,537,511	867,746	858,967	1,308,589	885,030	1,931,173	1,371,676	1,632,915	1,662,668	1,495,769
Total program revenues	<u>78,896,595</u>	<u>75,796,643</u>	<u>69,874,224</u>	<u>71,757,587</u>	<u>70,846,457</u>	<u>77,810,829</u>	<u>80,402,351</u>	<u>84,912,811</u>	<u>88,266,593</u>	<u>102,734,170</u>
Net Expense	<u>\$ 236,820,114</u>	<u>\$ 239,351,717</u>	<u>\$ 242,835,254</u>	<u>\$ 250,476,752</u>	<u>\$ 246,759,274</u>	<u>\$ 262,987,684</u>	<u>\$ 252,603,514</u>	<u>\$ 256,301,323</u>	<u>\$ 274,798,977</u>	<u>\$ 257,957,296</u>



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

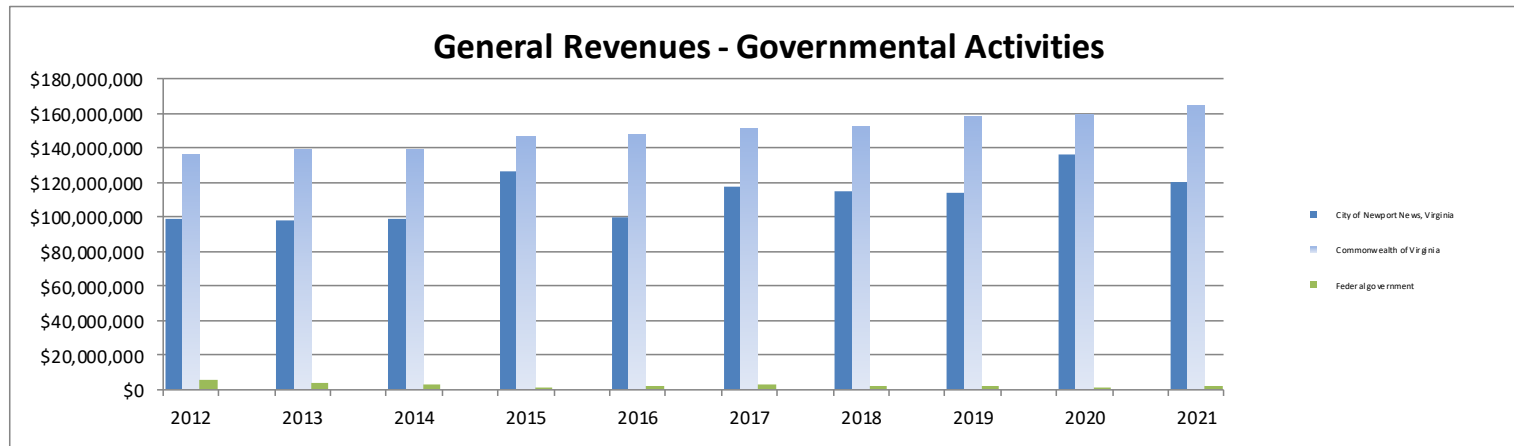
General Revenues and Total Changes in Net Position (Unaudited)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

Fiscal Year

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net Expense										
Total net expense	\$236,820,114	\$239,351,717	\$ 242,835,254	\$ 250,476,752	\$ 246,759,274	\$ 262,987,684	\$ 252,603,514	\$ 256,301,323	\$ 274,798,977	\$ 257,957,296
General Revenues and Other Changes in Net Position										
Governmental activities:										
Grants not restricted to specific programs										
City of Newport News, Virginia	98,754,050	98,085,490	99,150,620	126,133,857	99,916,844	117,586,726	115,076,604	113,885,271	136,449,303	119,779,623
Commonwealth of Virginia	135,823,650	138,444,470	139,113,046	146,829,384	147,216,415	151,605,074	151,756,817	157,975,478	158,975,313	164,471,287
Federal government	5,380,140	3,740,091	2,672,988	1,173,182	2,380,330	3,211,922	1,877,070	2,464,163	1,623,208	1,898,684
Interest	18,784	19,275	17,347	15,432	28,693	59,166	110,753	188,822	168,344	30,173
Miscellaneous	-	-	-	-	-	-	39,418	-	-	-
Total general revenues	239,976,624	240,289,326	240,954,001	274,151,855	249,542,282	272,462,888	268,860,662	274,513,734	297,216,168	286,179,767
Change in Net Position	3,156,510	937,609	(1,881,253)	23,675,103	2,783,008	9,475,204	16,257,148	18,212,411	22,417,191	28,222,471
Net position at beginning of year	70,326,179	73,482,689	74,420,298	72,539,045	(264,982,116)	(262,199,108)	(252,723,904)	(317,723,407)	(299,510,996)	(277,093,805)
Prior period adjustment	-	-	-	-	(361,196,264)	-	-	(81,256,651)	-	1,706,700
Net position at end of year	\$ 73,482,689	\$ 74,420,298	\$ 72,539,045	\$ 96,214,148	\$ (623,395,372)	\$ (252,723,904)	\$ (236,466,756)	\$ (380,767,647)	\$ (277,093,805)	\$ (247,164,634)



**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**
Fund Balances – Governmental Funds (Unaudited)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
Fiscal Year

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Fund										
Nonspendable	\$ 708,477	\$ 1,416,350	\$ 1,812,575	\$ 1,748,790	\$ 1,295,585	\$ 1,114,494	\$ 1,169,262	\$ 862,212	\$ 1,032,201	\$ 1,324,663
Assigned to	23,589,331	27,509,853	27,925,260	23,648,913	24,068,826	22,342,891	21,500,629	19,703,260	20,566,541	33,317,343
Unassigned	-	619,750	-	-	-	-	-	333,194	-	6,708,745
Total General Fund	<u>\$ 24,297,808</u>	<u>\$ 29,545,953</u>	<u>\$ 29,737,835</u>	<u>\$ 25,397,703</u>	<u>\$ 25,364,411</u>	<u>\$ 23,457,385</u>	<u>\$ 22,669,891</u>	<u>\$ 20,898,666</u>	<u>\$ 21,598,742</u>	<u>\$ 41,350,751</u>
All Other Governmental Funds										
Nonspendable	\$ 336,143	\$ 402,407	\$ 390,017	\$ 521,172	\$ 547,528	\$ 452,121	\$ -	\$ -	\$ -	\$ -
Restricted	10,268,578	9,143,955	10,355,978	10,161,823	9,887,365	12,979,322	14,453,268	16,488,390	17,564,654	19,647,532
Assigned	2,440,928	5,881,305	2,038,882	19,738,006	5,071,163	6,631,329	11,183,556	9,437,748	13,033,303	7,498,780
Total all other governmental funds	<u>\$ 13,045,649</u>	<u>\$ 15,427,667</u>	<u>\$ 12,784,877</u>	<u>\$ 30,421,001</u>	<u>\$ 15,506,056</u>	<u>\$ 20,062,772</u>	<u>\$ 25,636,824</u>	<u>\$ 25,926,138</u>	<u>\$ 30,597,957</u>	<u>\$ 27,146,312</u>

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

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

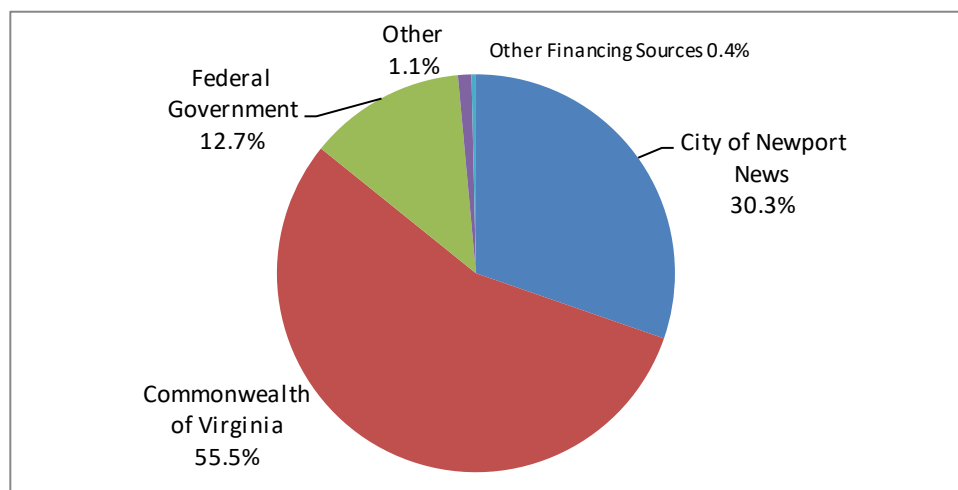
Governmental Funds' Revenues and Other Financing Sources (Unaudited)

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Amounts in Thousands)

Fiscal Year	City of Newport News	Commonwealth of Virginia	Federal Government	Other	Other Financing Sources	Total Revenues and Other Financing Sources
2012	\$ 108,842,095	\$ 161,348,404	\$ 52,580,026	\$ 6,928,714	\$ -	\$ 329,699,239
2013	105,888,340	165,372,234	46,216,240	6,412,005	1,072,755	324,961,574
2014	104,055,471	167,995,494	37,479,790	6,202,320	18,165	315,751,240
2015	127,074,351	174,050,882	37,375,412	8,349,290	663,485	347,513,420
2016	108,353,173	173,853,546	38,426,543	7,991,806	11,164,235	339,789,303
2017	118,449,648	184,807,119	40,643,471	7,236,401	8,726,166	359,862,805
2018	119,466,869	190,106,100	38,128,069	5,952,241	956,819	354,610,098
2019	115,844,014	198,941,247	39,812,518	6,787,509	24,895	361,410,183
2020	129,798,856	205,412,034	38,258,465	5,023,827	382,981	378,876,163
2021	117,767,918	215,546,634	49,576,257	4,238,143	1,386,657	388,515,609



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

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

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

Fiscal Year

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

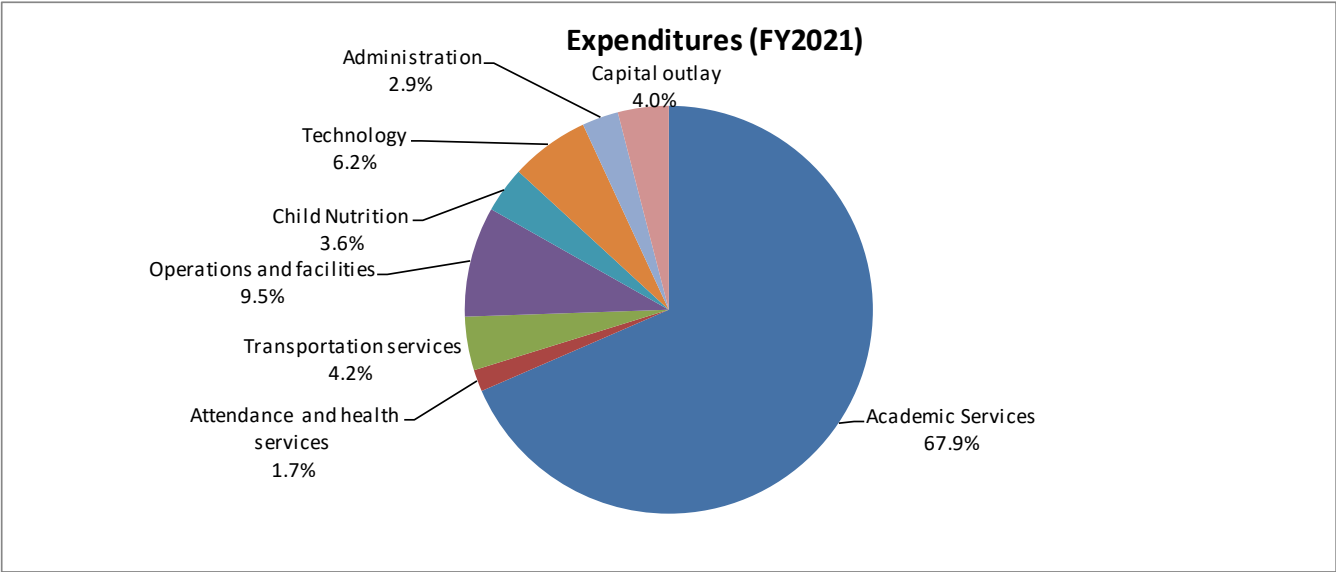
Governmental Funds' Expenditures, Other Financing Sources, Change in Fund Balance and Debt Service Ratio (Unaudited)

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

Fiscal Year

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues and other financing sources (Table V)	\$ 329,699,239	\$ 324,961,574	\$ 315,751,240	\$ 347,513,420	\$ 339,789,303	\$ 359,862,805	\$ 354,610,098	\$ 361,410,183	\$ 378,876,163	\$ 388,515,609
Academic services	\$ 227,559,797	\$ 221,425,243	\$ 219,338,755	\$ 226,859,864	\$ 228,286,657	\$ 236,673,539	\$ 239,527,188	\$ 246,562,614	\$ 248,464,507	\$ 253,889,143
Attendance and health services	-	5,429,791	5,426,772	5,582,154	5,772,945	5,855,981	6,007,327	6,128,941	5,842,841	6,412,225
Transportation services	17,575,505	17,520,252	16,900,789	17,141,068	16,747,043	18,260,506	19,143,378	19,895,100	20,752,509	15,758,240
Operations and facilities	33,658,928	30,366,533	31,502,312	31,474,496	30,267,232	32,690,252	33,161,240	31,973,588	32,359,915	32,401,525
Child nutrition services	14,217,246	15,237,387	15,127,188	16,617,410	17,460,389	17,364,347	18,585,550	18,833,316	19,572,622	13,484,160
Technology services	12,916,263	12,188,113	13,616,968	13,577,254	15,655,607	15,747,776	15,137,753	17,923,925	19,131,895	23,209,936
Administration	2,391,998	7,309,967	8,054,340	9,654,222	9,740,468	8,711,954	8,735,554	10,084,005	10,756,984	10,671,653
Capital outlay	13,967,918	11,142,657	5,450,745	9,316,121	30,684,616	19,367,766	6,890,110	9,421,003	15,526,391	14,935,077
Debt service										
Principal	3,352,473	2,631,723	2,803,222	3,888,129	346,321	524,590	1,819,714	1,262,985	1,291,896	1,582,891
Interest	503,181	387,257	282,261	258,111	40,858	456,872	907,210	470,071	445,834	425,488
Other financing uses	-	-	18,165	-	19,821	1,282,834	-	24,895	-	1,386,657
Total expenditures and other financing uses	\$ 326,143,309	\$ 323,638,923	\$ 318,521,517	\$ 318,521,517	\$ 355,021,957	\$ 356,936,417	\$ 349,915,024	\$ 362,580,443	\$ 374,145,394	\$ 374,156,995
Change in fund balance	\$ 3,555,930	\$ 1,322,651	\$ (2,770,277)	\$ 28,991,903	\$ (15,232,654)	\$ 2,926,388	\$ 4,695,074	\$ (1,170,260)	\$ 4,730,769	\$ 14,358,614
Debt service as a percentage of noncapital expenditures	1.2%	1.0%	1.0%	1.0%	0.1%	0.3%	0.8%	0.5%	0.5%	0.6%



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

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

Last Ten Fiscal Years

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

Fiscal year	(1) Population	(2) Assessed value of property	(3) Personal Income	Capital lease and facility notes payable debt	Ratio of debt to assessed value	Net debt per capita	Ratio of debt to personal income
2012	180,719	\$ 16,878,501	\$ 6,672,878	\$ 8,653	0.05%	\$ 48	0.13%
2013	180,726	16,307,403	6,891,612	7,094	0.04%	39	0.10%
2014	182,020	16,207,738	7,045,829	4,290	0.03%	24	0.06%
2015	182,965	16,319,157	7,377,992	1,066	0.01%	6	0.01%
2016	182,385	16,716,737	7,448,898	11,863	0.07%	65	0.16%
2017	181,825	17,082,661	7,470,774	18,783	0.11%	103	0.25%
2018	179,388	17,372,973	7,770,354	17,920	0.10%	100	0.23%
2019	178,626	18,056,404	7,969,244	16,657	0.09%	93	0.21%
2020	186,247	18,712,760	Not Available	15,748	0.08%	85	Not Available
2021	Not Available	19,594,195	Not Available	14,165	0.07%	Not Available	Not Available

Notes: (1) Source: 2012-2015 – Bureau of Economic Analysis; 2016-2020, U. S. Bureau of Census, 2021 data not yet available

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

(3) Source: 2012-2019 Bureau of Economic Analysis, 2020-2021 data not yet available

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

Table VIII

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

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

Last Four Fiscal Years

No tests were administered in 2020 due to COVID-19

Grade 3												
Test	School Board					State						
	2018	2019	2020	2021	Change	2018	2019	2020	2021	Change		
English: Reading	63	56	-	41	(15)	72	71	-	61	(10)		
Mathematics	59	70	-	23	(47)	73	82	-	54	(28)		
Grade 4												
Test	School Board					State						
	2018	2019	2020	2021	Change	2018	2019	2020	2021	Change		
English:Reading	64	60	-	52	(8)	76	75	-	68	(7)		
Mathematics	67	69	-	30	(39)	79	83	-	56	(27)		
Virginia Studies	73	64	-	18	(46)	85	81	-	53	(28)		
Grade 5												
Test	School Board					State						
	2018	2019	2020	2021	Change	2018	2019	2020	2021	Change		
English: Reading.	71	65	-	47	(18)	80	78	-	66	(12)		
Mathematics	67	70	-	26	(44)	77	81	-	51	(30)		
Science	71	70	-	22	(48)	79	79	-	50	(29)		
Grade 6												
Test	School Board					State						
	2018	2019	2020	2021	Change	2018	2019	2020	2021	Change		
English:Reading	68	62	-	53	(9)	80	77	-	69	(8)		
Mathematics	71	69	-	31	(38)	79	78	-	45	(33)		
Grade 7												
Test	School Board					State						
	2018	2019	2020	2021	Change	2018	2019	2020	2021	Change		
English:Reading	68	66	-	56	(10)	81	79	-	71	(8)		
Mathematics	58	69	-	21	(48)	69	78	-	45	(33)		
Grade 8												
Test	School Board					State						
	2018	2019	2020	2021	Change	2018	2019	2020	2021	Change		
English: Writing	58	53	-	39	(14)	73	70	-	54	(16)		
English: Reading.	64	62	-	55	(7)	77	76	-	69	(7)		
Mathematics	40	43	-	16	(27)	71	77	-	43	(34)		
Science	66	65	-	39	(26)	78	78	-	58	(20)		
Civics/Economics	70	68	-	48	(20)	86	82	-	61	(21)		
End of Course												
Test	School Board					State						
	2018	2019	2020	2021	Change	2018	2019	2020	2021	Change		
English: Writing	78	76	-	67	(9)	84	81	-	76	(5)		
English: Reading	82	81	-	74	(7)	87	86	-	81	(5)		
Algebra I	70	81	-	16	(65)	81	86	-	43	(43)		
Algebra II	88	92	-	64	(28)	89	91	-	78	(13)		
Geometry	70	77	-	46	(31)	77	83	-	73	(10)		
Earth science	72	72	-	48	(24)	81	81	-	67	(14)		
Biology	74	69	-	53	(16)	82	83	-	66	(17)		
Chemistry	83	78	-	36	(42)	89	88	-	52	(36)		
World History I	82	79	-	18	(61)	82	80	-	53	(27)		
World History II	33	25	-	59	34	84	81	-	44	(37)		
VA & U. S. History	78	51	-	10	(41)	84	68	-	29	(39)		
World Geography	72	68	-	47	(21)	82	80	-	58	(22)		

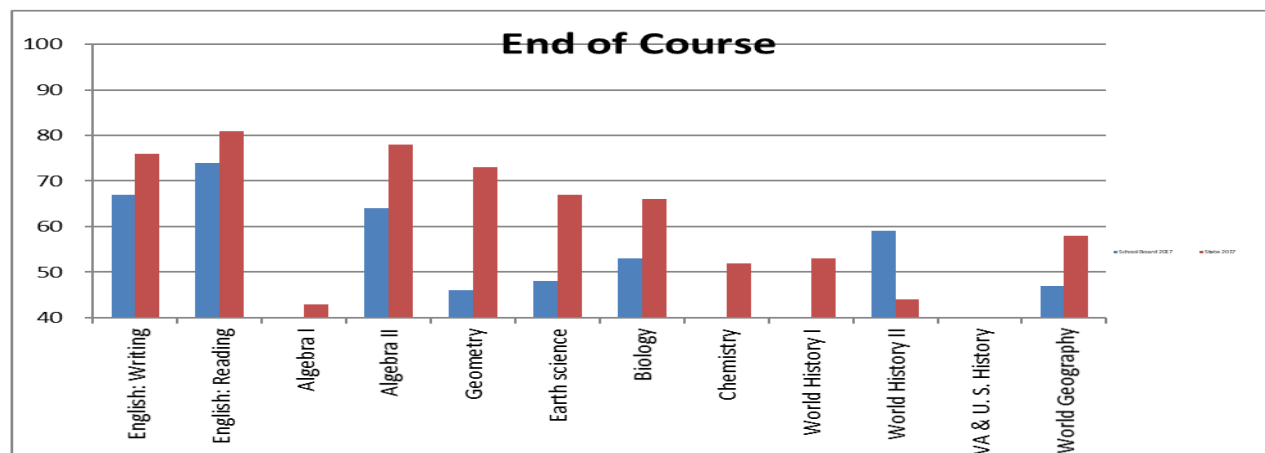
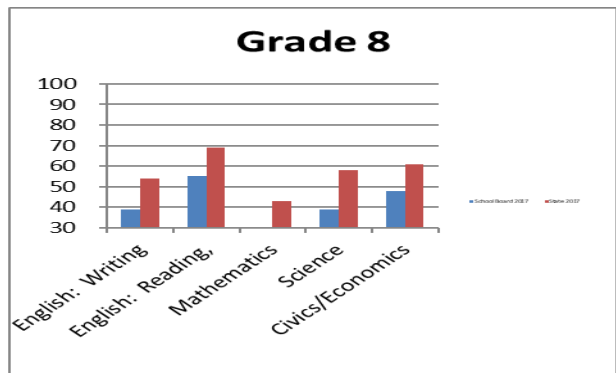
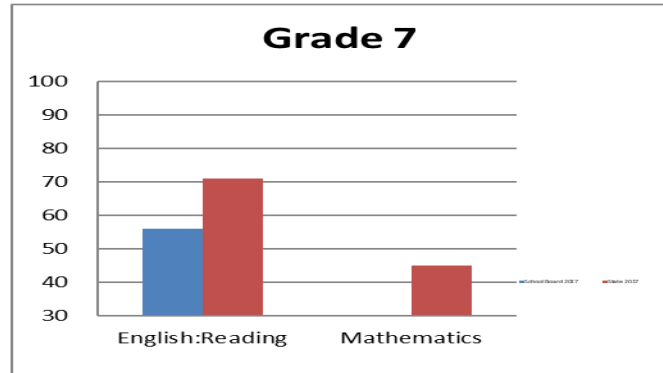
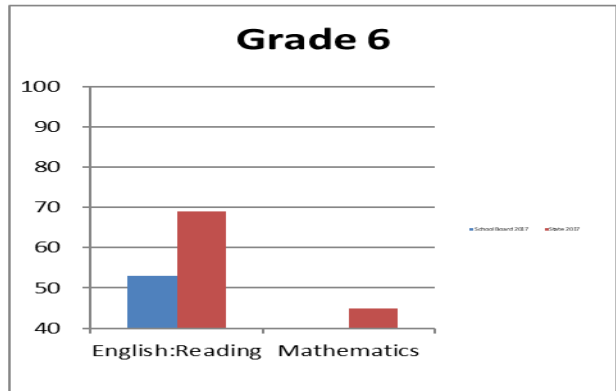
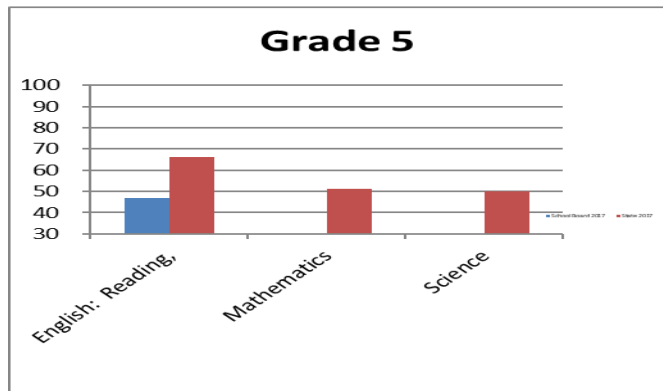
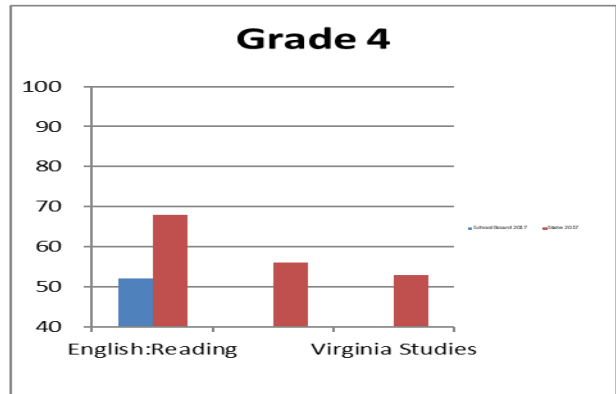
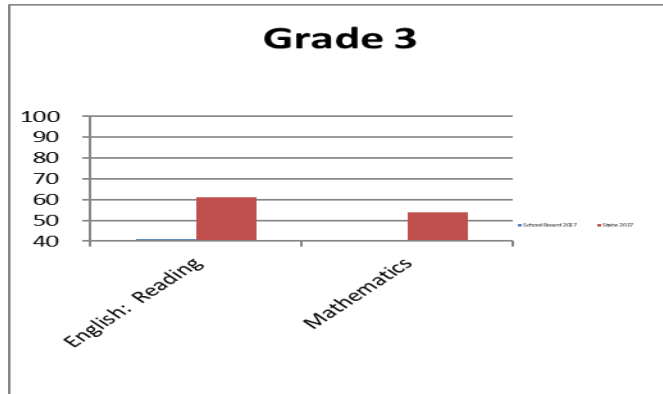
Source - Virginia Department of Education Division Report Card

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

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

Last Four Fiscal Years

No tests were administered in 2020 due to COVID-19



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

Miscellaneous Statistics (Unaudited)

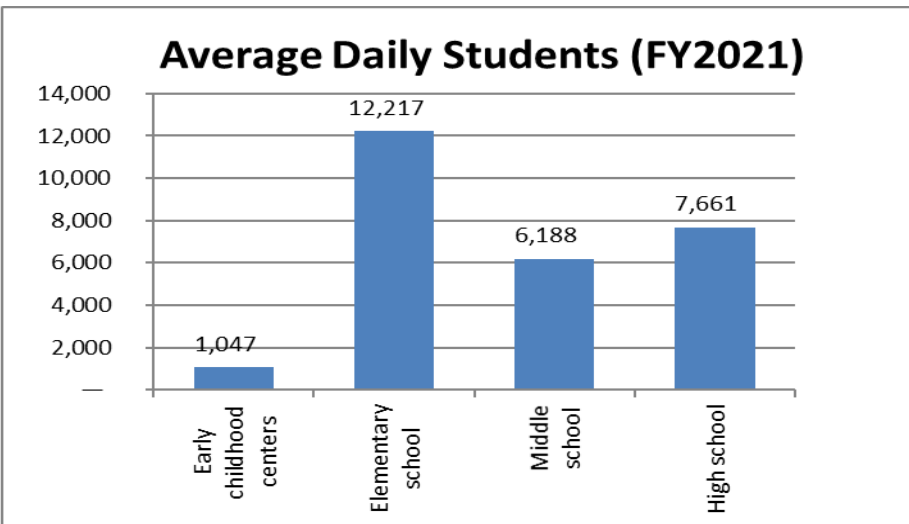
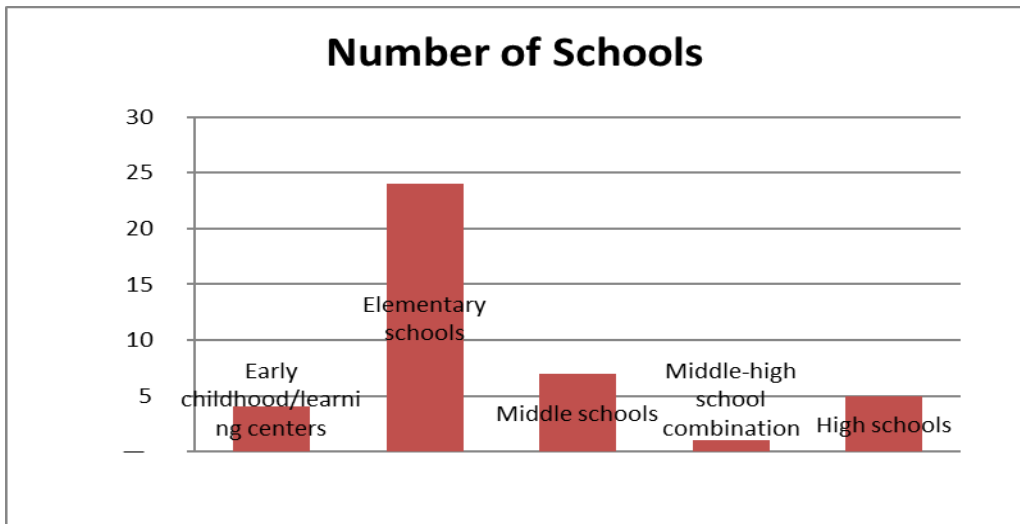
June 30, 2021

City of Newport News General Information

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

The School Board of the City of Newport News

Number of schools:		Average daily students (FY2021):	
Early childhood/learning centers	4	Early childhood centers	1,047
Elementary schools	24	Elementary school	12,217
Middle schools	7	Middle school	6,188
Middle-high school combination	1	High school	<u>7,661</u>
High schools	<u>5</u>		
Total	<u><u>41</u></u>	Total	<u><u>27,113</u></u>



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

Demographic Statistics (Unaudited)

Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income (In thousands)	(3) Per Capita Income	(4) School Enrollment	(5) Unemployment Rate (%)
2012	180,719	\$ 6,672,878	\$ 36,923	27,701	7.4%
2013	180,726	6,891,612	37,862	27,590	6.9%
2014	182,020	7,045,829	38,509	27,804	6.4%
2015	182,965	7,377,992	40,453	27,488	6.0%
2016	182,385	7,448,898	40,967	27,253	5.0%
2017	181,825	7,470,774	41,646	26,993	4.9%
2018	179,388	7,770,354	43,501	26,873	4.2%
2019	178,626	7,969,244	44,465	26,916	3.5%
2020	186,247	Not Available	Not Available	26,836	5.8%
2021	Not Available	Not Available	Not Available	25,664	8.0%

Notes:

(1) Source: 2012-2015 – Bureau of Economic Analysis; 2016-2021, U. S. Bureau of Census

(2) Source: 2012-2019 Bureau of Economic Analysis; 2020-2021 data not yet available

(3) Source: 2012-2019 Bureau of Economic Analysis; 2020-2021 data not yet available

(4) City of Newport News School System - average ADM as of March 31st of each year

Early childhood enrollment is not included.

(5) 2012-2014 Virginia Workforce Connection, 2015-2021 Virginia Labor Market Information

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

Capital Asset Information (Unaudited)

Last Ten Fiscal Years

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Schools										
Elementary										
Buildings (Note 1)	24	24	24	24	24	24	24	24	24	24
Average age of buildings (Note 2)	48 years	49 years	50 years	51 years	52 years	50 years	51 years	52 years	53 years	54 years
Modular learning cottages	71	71	71	71	71	71	71	71	71	71
Square feet	1,534,997	1,534,997	1,534,997	1,534,997	1,534,997	1,563,147	1,563,147	1,563,147	1,563,147	1,563,147
Capacity (based on current program)	15,600	15,600	15,600	15,600	15,600	15,750	15,750	15,750	15,750	15,482
Enrollment (as of September 30)	13,686	13,597	13,664	13,664	13,519	13,418	13,205	13,239	13,003	12,217
Percent of capacity used	88%	87%	88%	88%	87%	85%	84%	84%	83%	79%
Middle										
Buildings (Note 1)	8	8	8	8	8	8	8	8	8	8
Average age of buildings (Note 2)	40 years	41 years	42 years	43 years	44 years	45 years	46 years	47 years	48 years	49 years
Modular learning cottages	14	14	14	14	14	14	14	14	14	14
Square feet	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260
Capacity (based on current program)	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,623
Enrollment (as of September 30)	6,191	6,138	6,152	6,152	6,162	5,911	5,912	6,243	6,263	6,188
Percent of capacity used	83%	82%	82%	82%	82%	79%	79%	83%	84%	81%
High										
Buildings	6	6	6	6	6	6	6	6	6	6
Average age of buildings (Note 2)	28 years	29 years	30 years	31 years	32 years	33 years	34 years	35 years	36 years	37 years
Alternative high school facilities (leased)	2	2	2	2	2	2	2	2	2	2
Modular learning cottages	20	20	20	20	20	20	20	20	20	20
Square feet	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000
Capacity (based on current program)	8,570	8,570	8,570	8,570	8,570	8,570	8,570	8,570	8,570	10,004
Enrollment (as of September 30)	8,139	7,963	7,963	7,963	7,540	7,757	7,756	7,705	7,570	7,661
Percent of capacity used	95%	93%	93%	93%	88%	91%	91%	90%	88%	77%
Early Childhood Centers										
Buildings	4	4	4	4	4	4	4	4	4	4
Average age of buildings (Note 2)	37 years	38 years	39 years	40 years	41 years	42 years	43 years	44 years	45 years	46 years
Square feet	206,403	206,403	206,403	206,403	206,403	206,403	206,403	206,403	206,403	206,403
Capacity (based on current program)	2,050	2,050	2,050	2,050	1,919	1,919	1,919	1,919	1,919	1,892
Enrollment (as of September 30)	1,637	1,632	1,456	1,456	1,504	1,428	1,528	1,465	1,446	1,047
Percent of capacity used	80%	80%	71%	71%	78%	74%	80%	76%	75%	55%
Administrative and Operations										
Buildings	6	6	6	6	6	6	6	5	5	5
Average age of buildings	37 years	38 years	39 years	40 years	41 years	42 years	43 years	35 years	36 years	37 years
Square feet	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000
Transportation										
Buildings	1	1	1	1	1	1	1	1	1	1
Age of building	35 years	36 years	37 years	38 years	39 years	40 years	41 years	1 year	2 year	3 year
Square feet	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Buses	375	386	365	356	335	336	335	338	338	340

Source: Newport News Public Schools insurance and facility department records

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

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

In many cases, the buildings have received additions and/or extensive renovations, such as roof, window and HVAC replacements.

However, the following schools have received such an extensive renovation, that the age of the building is based upon the year of renovation, rather than the year of original construction:

An Achievable Dream Middle and High School, (2007 instead of 1951), Crittenden Middle School (1994 instead of 1949, and Washington Middle School (2006 instead of 1929)

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

Operational Statistics (Unaudited)

Last Ten Fiscal Years

Fiscal Year	(1) Cost per Student	(2) Elementary Student/ Teacher Ratio	(2) Secondary Student/ Teacher Ratio	(3) Percentage of Students on Free/Reduced Lunch
2012	\$ 10,842	14.0	12.5	59.1%
2013	10,658	14.1	12.7	60.8%
2014	10,563	14.4	13.7	61.3%
2015	11,043	13.7	12.0	62.9%
2016	11,191	14.2	12.9	64.2%
2017	11,600	14.0	13.1	64.1%
2018	11,947	13.9	13.2	67.9%
2019	12,343	14.4	12.7	75.6%
2020	12,596	14.3	13.2	76.4%
2021	13,129	14.1	14.4	90.5%

- Sources:
- (1) Cost per student based upon formula for operating costs per the Virginia Department of Education and published in table 15 of the Annual Superintendent's Report on their website. Starting with FY2012, pre-school students are included in the cost per student. (FY2021 data based on internal estimates and not yet verified and published by the State)
 - (2) Student/teacher ratio includes all teachers (including resource and special education) and is published by the Virginia Department of Education on their website. (data for 2021 is estimated by School Board pending State publishing the data on their website)
 - (3) Percentage of students on free/reduced lunch from Newport News Public Schools Child Nutrition Services Department.

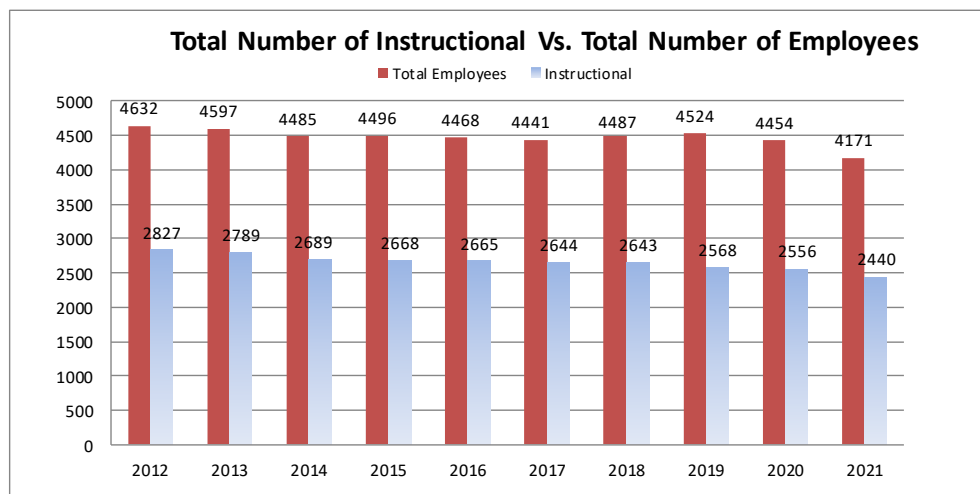
**THE SCHOOL BOARD OF THE
CITY OF NEWPORT NEWS, VIRGINIA**

Full Time Equivalent District Employees by Type (Unaudited)

Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Supervisory:										
Principals	41	41	42	39	40	39	38	41	39	34
Assistant principals	72	72	76	77	77	72	75	73	71	60
Instructional administrative	59	58	56	59	60	60	54	76	86	66
Other administrative and professional	55	57	57	57	55	55	72	71	64	49
Instructional:										
Elementary classroom teachers	1,251	1,248	1,223	1,139	1,227	1,236	1,245	1,209	1,203	1,156
Secondary classroom teachers	771	738	693	801	734	702	707	713	714	674
Guidance counselors	91	95	95	95	95	93	90	93	94	90
Librarians	46	44	39	40	42	42	45	43	45	36
Technology	31	29	28	28	27	27	30	28	26	30
Other instructional	121	141	145	121	112	117	117	95	112	101
Social workers	16	16	14	13	13	14	13	15	16	18
Teacher assistants	500	478	452	431	415	413	396	372	366	335
Support Services:										
Psychologists	17	17	17	17	17	17	17	17	17	17
Instructional technical	36	40	38	41	40	41	47	25	40	37
Instructional clerical	192	186	180	180	179	171	169	203	189	184
Non-instructional technical	108	99	98	104	89	89	81	93	109	101
Non-instruction clerical	27	33	34	35	34	36	37	40	32	42
Nurses	51	53	52	52	56	55	55	58	60	57
Bus drivers	315	318	310	308	309	312	340	348	320	273
Bus assistants	90	97	96	113	99	106	102	104	100	89
Custodians	243	242	233	240	238	238	250	281	240	248
Child nutrition services	346	344	346	344	344	347	341	374	351	311
Security officers	63	64	62	61	64	65	70	63	66	65
Skilled trades	88	85	85	85	86	81	82	86	91	95
Other	2	2	14	16	16	13	14	3	3	3
Total	4,632	4,597	4,485	4,496	4,468	4,441	4,487	4,524	4,454	4,171

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



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

Teacher Base Salaries (Unaudited)

Last Ten Fiscal Years

Fiscal Year	Minimum Salary	Maximum Salary	Newport News Average Salary	Statewide Average Salary
2012	\$ 38,205	\$ 56,761	\$ 48,228	\$ 52,096
2013	38,500	56,761	48,045	52,923
2014	39,500	57,879	49,540	53,756
2015	40,500	59,590	50,219	54,486
2016	41,500	59,884	51,153	54,891
2017	42,600	61,931	52,838	56,351
2018	43,250	63,406	52,854	57,249
2019	44,535	64,998	55,595	59,301
2020	45,000	66,398	55,740	55,505
2021	45,000	65,417	59,618	N/A

Sources: Minimum and Maximum salaries from Newport News Public Schools Budget Document, Appendix 2 for teachers with a Bachelors degree working standard 192-day contract. Newport News and Statewide average salary from Superintendent's annual financial report Table 19 as published by the Virginia Department of Education on their website, except FY2021 is from our submission to the State but not yet verified. FY2021 Statewide Average is not yet available.

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

Principal Taxpayers of the City of Newport News (Unaudited)

June 30, 2021 and Nine Years Prior
(Amounts in Thousands)

Taxpayer	2012 Taxes (1)	Percentage of Total Assessments	2021 Taxes (1)	Percentage of Total Assessments
Huntington Ingalls Incorporated	\$ 16,471	7.05%	\$ 28,280	9.46%
Canon Virginia, Inc.	3,514	1.51%	5,615	1.88%
The Mariners' Museum	1,625	0.70%	3,853	1.29%
Virginia Electric & Power Co.	2,121	0.91%	3,451	1.15%
Vitesco Technologies USA LLC	-	0.00%	2,352	0.79%
Ferguson Enterprises Corp	539	0.23%	2,033	0.68%
PR Patrick Henry, LLC	1,505	0.64%	1,732	0.58%
Virginia Natural Gas Inc.	641	0.27%	1,372	0.46%
Verizon Virginia LLC	1,430	0.61%	1,018	0.34%
Pointe Hope LLC			1,004	0.34%
IREIT Newport News Tech Center LLC			906	0.30%
Liebherr-America Inc			704	0.24%
Dominion Terminal Associates	1,135	0.49%	688	0.23%
RPAI US Management LLC			681	0.23%
Oyster Point Residential LLC	448	0.19%	675	0.23%
BRG Meridian Parkside LLC	379	0.16%	616	0.21%
Venture Newport News LLC			615	0.21%
Patrick Henry Hospital	496	0.21%	610	0.20%
Compass at City Center LLC			610	0.20%
Continental Automotive Systems US, Inc.	1,958	0.84%	-	
Kinder Morgan Operating LP	953	0.41%	-	
Inland Western Newport News	724	0.31%	-	
Bottling Group LLC	569	0.24%	-	
Cox Communications Hampton Roads Inc	497	0.21%	-	
DCO Realty Inc	459	0.20%	-	
CSX Transportation	353	0.15%	-	
Harbours LLC	334	0.15%	-	
	<u>\$ 36,151</u>	<u>15.48%</u>	<u>\$ 56,815</u>	<u>19.02%</u>

Note: (1) Includes real estate and personal property tax assessments for these taxpayers. Current taxpayer name used if different from 2012

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

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

Principal Employers of the City of Newport News (Unaudited)
June 30, 2021 and Nine Years Prior

Employer	2012 Employees	Percentage of Total City Employment	2021 Employees	Percentage of Total City Employment
Huntington Ingalls Industries, Inc.	10,000 - 25,000	18.74%	10,000 - 25,000	19.51%
Riverside Regional Medical Center	1,000 - 5,000	3.21%	5,000 - 10,000	8.36%
Newport News Public Schools	1,000 - 5,000	3.21%	1,000 - 5,000	3.34%
City of Newport News	1,000 - 5,000	3.21%	1,000 - 5,000	3.34%
U.S. Department of Defense	1,000 - 5,000	3.21%	1,000 - 5,000	3.34%
Ferguson Enterprises Inc.	1,000 - 5,000	3.21%	1,000 - 5,000	3.34%
Christopher Newport University	1,000 - 5,000	3.21%	1,000 - 5,000	3.34%
U.S. Department of the Army and Air Force	1,000 - 5,000	3.21%	1,000 - 5,000	3.34%
Canon	1,000 - 5,000	3.21%	1,000 - 5,000	3.34%
WalMart	—	—	500 - 1,000	0.84%
Hampton Newport News Community Services Board	500 - 999	0.80%	—	—
	18,500 - 65,999	45.22%	22,500 - 71,000	52.09%

Source: Virginia Employment Commission

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia (the "School Board"), a component unit of the City of Newport News, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated December 6, 2021. Our report includes a reference to other auditors who audited the financial statements of the Student Activity Funds, a special revenue fund of the School Board. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report recognizes that the School Board implemented one new accounting standard effective July 1, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Richmond, Virginia
December 6, 2021