

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020



Equity for All



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

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INTRODUCTORY SECTION



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' 2020 Vision

Our students achieve at high levels, are well-rounded, critical thinkers, and have a passion to learn.

ACPS has an engaging and collaborative climate that promotes ethical behavior and values diversity.

ACPS is a vital part of the fabric of our community, and Alexandria residents and businesses take pride in our schools.





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Superintendent
Dr. Gregory C. Hutchings, Jr.

School Board

Chair
Cindy Anderson

Vice Chair
Veronica Nolan

Members

Meagan L. Alderton
Ramee A. Gentry
Jacinta Greene
Margaret Lorber
Michelle Rief
Christopher A. Suarez
Heather Thornton

December 2, 2020

The Honorable Chair Anderson and
Members of the Alexandria City School Board and
Citizens of the City of Alexandria, Virginia:

We are pleased to submit the *Comprehensive Annual Financial Report* (CAFR) of the Alexandria City Public Schools (ACPS) for the fiscal year ended June 30, 2020. It has been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to local government entities. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position as well as the financial condition of ACPS for the fiscal year ended June 30, 2020. ACPS is considered a component unit of the City of Alexandria, Virginia (City) and, accordingly, the financial position and results of operations of ACPS are also reflected in the financial statements included in the City's CAFR.

An independent audit of the Board's finances is required each fiscal year by either the Virginia Auditor of Public Accounts or a firm of independent Certified Public Accountants. The *Code of Virginia* (Section 15.2-2510) requires ACPS to submit its audit report to the Auditor of Public Accounts by November 30 of each year; which was extended to December 15, 2020. This document will be submitted in fulfillment of this requirement. An audit was also conducted to meet the requirements of the Federal Single Audit Act Amendment of 1996 and related Office of Management and Budget Uniform Grant Guidance.

ACPS' financial statements were audited by CliftonLarsenAllen LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of ACPS for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the ACPS financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP).

The independent audit of the financial statements of the school division was part of the broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal control and legal requirements involving the administration of federal awards. The independent auditors’ report is available in the Other Supplementary Information section of the CAFR.

The report is intended to present a comprehensive summary of significant financial data to meet the needs of citizens, taxpayers, financial institutions and the Board. GAAP requires that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Alexandria City Public Schools

Alexandria City Public Schools is a school division located within and serving the residents of the City of Alexandria.

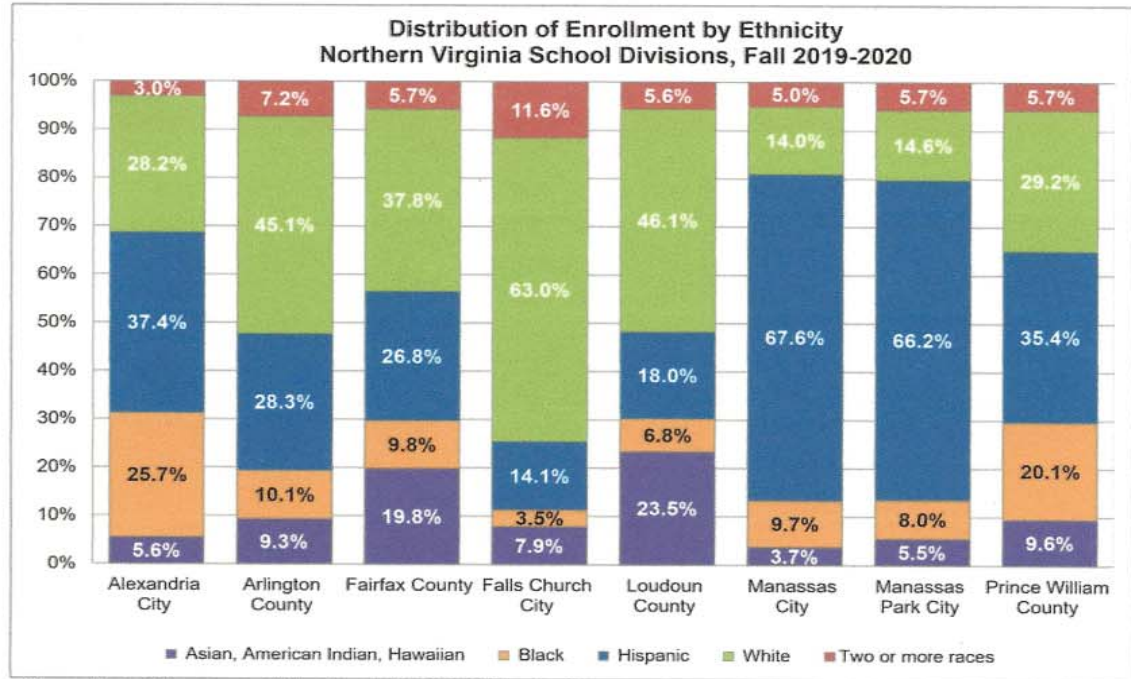
The City is located on the west bank of the Potomac River across from Washington, D.C., and was established in 1749 by an Act of the Virginia General Assembly. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. It has a total area of 15.8 square miles and an estimated population of approximately 159,200 according to the US Census Bureau.

The City is a primary government that is financially accountable for a legally separate entity, the School Board of the City of Alexandria (Board). The Board is the elected body established under Virginia law to provide public education from pre-kindergarten through twelfth grade to children residing within the City of Alexandria, Virginia. The Board consists of nine members who each serve a three-year term. The Board members elect one member to serve as Chair of the Board and a second member to serve as Vice-Chair of the Board.

The Board determines educational policy and employs a superintendent of schools to administer the school division. The Board has no power to levy or collect taxes or increase the City appropriation. Because of its relationship with the City, it is considered a component unit of the City, as defined by GAAP. ACPS has no component units for financial reporting purposes.

ACPS ranks 16th in enrollment of the 132 school divisions in the Commonwealth of Virginia and is in close proximity to the three largest Virginia school divisions (Fairfax, Prince William, and Loudoun County Public Schools). It has a vibrant multicultural community, and students reflect an even broader diversity than that of the City. ACPS served a student population of approximately 16,117 students in

the 2019-2020 school year, with students who come from more than 120 different countries, speak more than 121 languages, and represent a myriad of cultural and socioeconomic groups. The chart below illustrates this rich diversity compared to neighboring school divisions.



Source: Virginia Department of Education, 2019-2020 Fall Membership

ACPS has experienced significant enrollment increases over the past seven years and estimates that this growth trend will continue in the coming years. In the 2020-2021 school year, ACPS received an additional 322 students, or a 2.0 percent increase in enrollment over the prior year. The City and ACPS are dedicated to ensuring the academic success for each and every student.

Currently, the school division operates one high school with two campuses (a 9th grade campus and a campus for grades 10-12), two middle schools (grades 6 – 8), two K – 8 schools, and eleven elementary schools (grades pre-K – 5). ACPS operates alternative education programs to meet the needs of students through the flexible online learning Satellite Program and the Chance for Change Academy (an interim education facility). ACPS also operates the Northern Virginia Juvenile Detention Center School and the Early Childhood Center.

Most of ACPS school buildings were built between the 1940's and the 1960's. By 2021, five of the 17 ACPS facilities will be older than 75-years. This includes Mount Vernon, Matthew Maury, George Mason, and Douglas MacArthur elementary schools, and George Washington Middle School. Over the next 20 years, an additional seven schools will reach 75- plus years. This underlines our concern for maintenance and replacement of our aged systems and infrastructure.

Local Economic Outlook and Long-term Financial Planning

Since 2009, the Greater Metropolitan Washington DC area economic performance continues to show improvement in increased real estate listings and sales prices. The City of Alexandria and Northern Virginia usually outperform the rest of the Commonwealth. The 2016 unemployment rate, population 16 years and over, for the City and the Commonwealth are 4.0 percent and 5.9 percent, respectively, a reduction compared to 4.5 percent and 6.5 percent in 2015. These rates continue to be significantly lower than the average national unemployment rate of 7.4 percent for 2017 and 8.3 percent for 2016, respectively.

After four years of declines through 2010, real estate assessments, which generate over half of the City's General Fund revenues, continue to grow. Residential assessments increased by 5.3 percent of value compared to 2019, while commercial assessments increased by 2.8 percent. This marks the 10th year in a row that assessed values have increased.

ACPS is funded from local, state, and federal resources. State and City funds are the two largest sources of revenue and represent approximately 99.6 percent of total General Fund revenues. ACPS does not have the authority to levy taxes to directly support education; as such the school division is fiscally dependent on the City. State revenues are determined based on Average Daily Membership (ADM) and the local composite index, which measures a school division's ability to pay education costs to meet the Commonwealth's Standard of Quality (SOQ). Significant funding is also received from federal grants.

Each year, ACPS staff develops and presents a five-year fiscal forecast with varying revenue and expenditure assumptions to facilitate informed decision-making as a part of the budget process. With approximately 83 percent of General Fund revenue derived from the City appropriation, assumptions regarding the City's revenue growth and the resulting increase or decrease in the City appropriation can drive forecast results. Similarly for budgeted expenditures, salaries and benefits comprise approximately 88 percent of total General Fund expenditures and assumptions related to salary increases, as well as the growth of healthcare and retirement costs, also drive forecast results. The most recent forecast shows that the school division will face funding shortfalls that range from approximately \$11.8 million for FY 2022 to over \$64.9 million by FY 2026. Under the *Code of Virginia*, School Boards are required to adopt a balanced budget which means the projected revenues plus beginning fund balance must fully cover the total estimated expenditures. As a result, the school board and division leadership are analyzing various strategies to increase revenue and reduce costs, while maximizing overall efficiency to ensure structural deficits do not continue.

Major Initiatives

Alexandria City Public Schools (ACPS) is committed to providing every student with a high quality education, a welcoming learning environment and the skills and resources needed to succeed today and after graduation.

In June 2020, the Alexandria City School Board adopted a new five-year strategic plan with racial equity at its heart. The priorities of the school division are outlined through a series of five goals focused around a common value of ensuring equity is ingrained in the work we do. The **ACPS 2025 Strategic Plan: Equity For All** is a bold and courageous roadmap that is timely and will position ACPS as a national leader in redefining PreK-12 education as a deliberately inclusive and supportive experience where all succeed.

The plan creates a vision for the school division of empowering all students to thrive in a diverse and ever-changing world and has a mission to ensure success by inspiring students and addressing barriers to learning. The plan has five core values: ACPS is welcoming, empowering, equity-focused, innovative and results-driven.

The plan's five goals are: systemic alignment, instructional excellence, student accessibility and support, strategic resource allocation, and family and community engagement. To achieve its goals, ACPS will align its strategies, systems and resources with a theory of action, which is defined as a set of beliefs about how we manage our schools to improve student outcomes and eliminate opportunity and achievement gaps for low-income students, Black and Hispanic students, English learners, and students with disabilities. Through the 2025 Strategic Plan — developed by a Strategic Planning Committee made up of 60 staff, community members, parents and students, with support from FourPoint Education Partners, an education consultancy firm that specializes in strategic planning — ACPS pledges to provide an equitable, high quality education which is accessible and engaging to all students. Going forward, racial equity will be at the center of every decision that the school division will make.

To ensure the school division is set up for success to be able to accomplish the goals of the new strategic plan, ACPS underwent a reorganization of its senior leadership positions in January 2020. Senior leadership roles now include a chief of staff, who is responsible for both Human Resources, Facilities and Operations, and a chief of school and community relations who oversees the Office of Communications and the Office of Community Partnerships and Engagement. In addition, the newly named Department of Teaching, Learning and Leadership has undergone its own reorganization to increase its effectiveness.

On March 13, 2020, ACPS closed its school buildings due to the COVID-19 pandemic. ACPS has continued to provide students and families with various educational opportunities. Our school division has provided students and families access to technology, instructional learning materials, educational resources, meals, and support services during the crisis.

Our “Enhanced Continuity of Learning Plan 1.0” addressed student and staff needs following the school buildings closing. The “Enhanced Continuity of Learning Plan 2.0” extended and redefined educational resources available to students, including both instructional packets, synchronous learning, asynchronous learning, and online lessons. The “Continuity of Learning Plan 3.0: Summer Learning through Engagement and Enrichment for All” addressed learning loss, engagement and enrichment. The “Enhanced Continuity of Learning Plan 4.0: Reimagining Schools” is aligned with global, national, federal, state, and local guidelines. Over the summer, the “Virtual PLUS+ Phased Reentry Plan (5.0)” was developed to

ensure a safe and healthy learning environment for our students, staff, and families throughout the ongoing closures into the fall. This plan continues to ensure fidelity to Virtual PLUS+ while planning for a phased-in approach for reopening schools and buildings. As we have worked to provide resources, ongoing instruction and supports, we have continued to seek feedback from our leaders, staff, students, families, and community, as well as provide progress updates based on data and feasibility factors.

The COVID-19 pandemic has taught us to be adaptable and flexible, while keeping equity at the heart of the work. In spring 2020, we worked with local internet companies and partners to expand wifi access to all our students in grades three to 12, who already had access to Chromebooks. Throughout the spring and into the early summer, we started to look to acquire technology for all our students in pre-K through grade two, who did not have access before the pandemic. By August 2020, all ACPS students in all grades had access to both the equipment and technology necessary to allow them to access learning online.

This summer, ACPS also adopted a program to offer free summer learning opportunities for all students for the first time to help counter the learning loss due to the pandemic and to help ensure students did not fall any further behind due to the summer break. We are aware that the learning loss due to the pandemic is real and that students from socio-economically disadvantaged families are often disproportionately affected. This summer program opportunity went some way toward ensuring access to resources at a time when students most needed them.

Much of the work planned to our aging facilities was expedited due to the pandemic and has been completed ahead of schedule. In the fall of 2019, the Alexandria City School Board made the decision to postpone the demolition of the old Patrick Henry Elementary School facility and repurpose it to use as “swing space” to house students from Douglas MacArthur Elementary School while their school was being modernized. The modernization of Douglas MacArthur has continued throughout the pandemic and remains on schedule to be completed in 2023.

The School Board voted to retain a one high school model for Alexandria and find ways to expand the footprint of the Minnie Howard Campus, while working with Alexandria City staff to accommodate desires to increase Alexandria’s affordable housing stock. Despite initial budget concerns due to the pandemic, the High School Project continues to explore options to solve our capacity issues and redefine the high school experience in terms of programming for future generations. The High School Project aims to rethink the way we are delivering our high school education and, at the same time, solve space issues that come with a growing student body. Alexandria City is growing and is likely to face the challenge of educating up to 5,000 high school students over the next five to 10 years.

Over the summer of 2020, the Alexandria City School Board and ACPS started a process to consider changing the names of two schools: Matthew Maury Elementary School and T.C. Williams High School. Matthew Maury was an oceanographer who served the Confederacy and helped oversee Virginia’s military preparations and resistance to the Union. Matthew Maury Elementary School was

named after him in the 1920s, as part of a movement to create an image of the war as a heroic narrative and justify the South's loss. T.C. Williams High School was named after Thomas Chambliss Williams, who was the superintendent of ACPS from the mid-1930s until 1963, resisted desegregation and argued that Black and white students learned differently and should remain in separate schools. ACPS is critically aware that there is a pressing need in our schools, our community and our nation to find ways to talk about race constructively and respectfully. One of the ways that we can move forward is by acknowledging our own history, while refusing to allow that history to define who we currently are as a school division in the present. On November 23, 2020, the Alexandria City School Board voted 9-0 in favor of changing the names of both T.C. Williams High School and Matthew Maury Elementary School, consigning to history two individuals whose legacies have no place in Alexandria City Public Schools.

ACPS continues the work to become a high-performing school division. The ACPS graduation rate for 2020 stayed steady at 82% — a particular achievement during a year of unprecedented educational upheaval, which saw students struggle to stay connected when schools moved to an all-virtual model, through the introduction of Virtual PLUS+, at a critical time for many to complete the requirements needed to graduate on time. Anecdotally, ACPS learned that its students faced difficult decisions to keep up with their academic schedules while supporting family life, which may have caused them to relocate or find alternative means to contribute to their families after employment options became scarce and food insecurity increased. ACPS has already seen the effects of this on our student achievement data. The dropout rate for ACPS was higher than usual this school year at 14%.

ACPS student support teams have been continuously reaching out to connect with students since schools moved to a virtual model in the spring. When the pandemic hit, they updated individual graduation plans for high school seniors to ensure they were still able to access the credits and resources they needed to graduate. These school-based teams have continued to engage students — particularly English learner students — this fall. ACPS saw 93% of all students engage in at least 50% of their classes in the first week of school and will continue to monitor the data to ensure that students are getting the support they need. Over the summer, ACPS set up a Virtual PLUS+ Helpline, which took more than 2,367 calls in its first week of operation, of which 1,851 were from families who speak a language other than English. ACPS also set up a helpdesk to assist in-person with technology needs.

This coming school year, we will continue to focus on working with our families, staff and students to reopen our school buildings and review how to continue to improve serving all our students in the “new normal.”

Financial Information

ACPS ended the fiscal year in sound financial condition. The government-wide financial statements reflect expenditures in excess of revenues by \$6.8 million. General Fund revenues exceed expenditures and other financing sources by approximately \$4.4 million using the modified accrual basis of accounting. The FY 2020 comprehensive annual financial report reflects continued strong and fiscally prudent management practices.

Fund Accounting: ACPS reports its financial activities through the use of fund accounting. This is a system wherein transactions are reported in self-balancing sets of accounts to reflect the results of activities. (See Note 1 of the Notes to the Basic Financial Statements for a summary of significant accounting policies and descriptions of fund types.)

Internal Control: ACPS management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school division 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 GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements are free of any material misstatements. The concept of reasonable assurance is based on the assumption that the cost of internal financial controls should not exceed the benefits expected to be derived from their implementation. As a result, one inherent limitation of internal controls is that a certain degree of risk will always be unavoidable because of cost/benefit considerations.

For both general and special revenue funds, ACPS utilizes a fully integrated accounting system as well as an automated system of controls for fixed assets and payroll. These systems, coupled with the manual review of each voucher before payment, ensure that the financial information generated is both accurate and reliable.

The audit for the year ended June 30, 2020, disclosed no material internal control weaknesses or material instances of noncompliance or other violations of laws, regulations, contracts and grant agreements.

Budgetary Control: Under Virginia law (Section 22.1-93), the School Board must prepare and approve an annual budget by May 15 or within 30 days of the receipt of the estimates of state funds, whichever shall later occur. ACPS maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget. The fiscal year begins on July 1 and ends on June 30 with all annual unencumbered appropriations lapsing at year end. Outstanding encumbrances of certain governmental funds at the end of the fiscal year are re-appropriated, as part of the following fiscal year's operating budget.

Budgets are also prepared annually for the Grants and Special Projects Fund and the School Nutrition Fund (special revenue funds). The school lunch program is dependent on federal and state reimbursements and cafeteria sales to support its overall lunch and breakfast food service activities.

The Capital Projects Fund is budgeted on a project-by-project basis and represents the entire project budget for projects expected to begin that fiscal year. Debt service funds are established by the City in accordance with the requirements of bondholders. All budget and expenditures related to the capital projects fund are currently recorded in the City's financial system.

Management and legal control is exercised at the budgetary department level within each fund. ACPS also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at the end of the fiscal year in the general fund, grants and special projects fund, and the school food services fund are carried forward and available in the subsequent fiscal year as appropriate.

Each department administrator and school principal is furnished with monthly financial reports showing the status of the budget accounts for which they are responsible and detailed transaction reports. They are also provided a report listing outstanding encumbrances for the current and prior years.

Other Information

Awards

Certificate of Excellence (ASBO): The Association of School Business Officials International (ASBO) awarded the Alexandria City Public Schools a Certificate of Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This prestigious international certificate award is the highest form of recognition in school financial reporting and is valid for a period of one year only. This is the 17th consecutive year that ACPS has achieved this prestigious award.

This Financial Reporting award was designed by ASBO to enable school officials to achieve a high standard of financial reporting. The award is only conferred to school systems that have met or exceeded the standards of the program. We believe that the current CAFR also conforms to the ASBO Certificate of Excellence program requirements and we are submitting it to ASBO to determine its eligibility for another certificate.

Certificate of Achievement (GFOA): The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to ACPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This was the 10th year ACPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement by the GFOA, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet GFOA's Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the two awards for excellence in financial reporting described above, ACPS has also earned the *Meritorious Budget Award* from the ASBO for the fiscal year ended June 30, 2020. This award is valid for a period of one year only and we believe that our budget report continues to conform to the program requirements of ASBO. We will be submitting our fiscal year 2021 budget to ASBO to determine the School Board's eligibility for another certificate award and GFOA's new "Award for Best Practices in School Budgeting" program.

Acknowledgements

The preparation of this report would not have been possible without the hard work, professional dedication, and continuing efforts of the entire staff of the Financial Services Department. We would like to express our sincere appreciation to everyone in the department who assisted with and contributed to the preparation of this report. We would also like to acknowledge the cooperation and assistance of the ACPS departments and schools throughout the year in their efficient administration of ACPS' financial operations. Appreciation is also extended to the School Board and ACPS leadership team whose continuing support is vital to the financial health of the school division. This report is the result of extensive teamwork throughout ACPS.

Respectfully submitted,

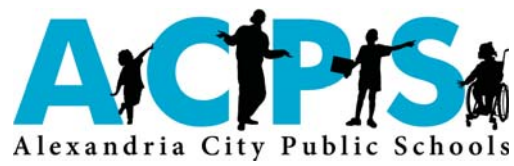
E-SIGNED by Dr. Gregory Hutchings, Jr.
on 2020-12-11 12:31:34 EST

Gregory C. Hutchings, Jr., Ed.D.
Superintendent

E-SIGNED by Michael Covington
on 2020-12-11 13:07:24 EST
Michael A. Covington
Director, Accounting

E-SIGNED by Dominic Turner
on 2020-12-11 13:28:23 EST

Dominic B. Turner
Chief of Financial Services



School Board

Cindy Anderson	Chair
Veronica Nolan	Vice-Chair
Meagan L. Alderton	Member
Ramee A. Gentry	Member
Jacinta Greene	Member
Margaret Lorber	Member
Michelle Rief	Member
Christopher A. Suarez	Member
Heather Thornton	Member
Jennifer Abbruzzese	Director of Policy and Board Initiatives
Susan Neilson	Clerk of the Board

Superintendent's Leadership Team

Dr. Gregory C. Hutchings, Jr.	Superintendent of Schools
Dominic B. Turner	Chief of Financial Services, Superintendent's Designee
Julia A. Burgos	Chief of School & Community Relations
Dr. Julie Crawford	Chief of Student Services & Equity
Dr. Elizabeth Hoover	Chief of Technology
Dr. Terri Mozingo	Chief of Teaching, Learning & Leadership, Superintendent's Designee
Clinton Page	Chief of Accountability & Research
Dr. Stephen Wilkins	Chief of Staff
Dr. Alicia Hart	Acting Executive Director, Facilities & Operations
Kurt Huffman	Executive Director, Community Partnership & Engagement
Dr. Marcia Jackson	Executive Director, Student Services
Helen Lloyd	Executive Director, Communications
Dr. Gerald Mann, Jr.	Executive Director, Instructional Support
Dr. Bethany Nickerson	Executive Director, English Learner Services
Darrell Sampson	Executive Director, Student Support Teams
Theresa A. Werner	Executive Director, Specialized Instruction
Kennetra Wood	Executive Director, Equity & Alternative Programs

Introduction-Organizational Chart





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Alexandria City Public Schools

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

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



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

Claire Hertz, SFO
President

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

David J. Lewis
Executive Director



Government Finance Officers Association

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

Presented to

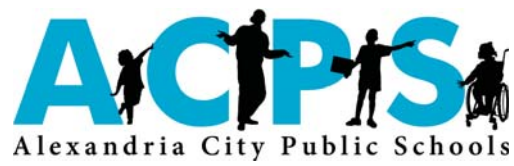
**Alexandria City Public Schools
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #1

Academic Excellence and Educational Equity: Every student will be academically successful and prepared for life, work, and college.





CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Members of the Alexandria City School Board
Alexandria, 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 Alexandria City Public Schools (ACPS) (a component unit of the City of Alexandria, Virginia), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise ACPS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

The Members of the Alexandria City School Board
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Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ACPS' basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of ACPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of ACPS' 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 ACPS' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
December 2, 2020



FINANCIAL SECTION

Management's Discussion & Analysis



ACPS' goal #2

Family and Community Engagement: ACPS will partner with families and the community in the education of Alexandria's youth.

Introduction

Our discussion and analysis of Alexandria City Public Schools' (ACPS) financial performance provides an overview of ACPS' financial activities for the fiscal year ended June 30, 2020. The intent of this management discussion and analysis is to consider ACPS' financial performance as a whole. Readers should also review the letter of transmittal, basic financial statements, notes to the basic financial statements, and supplementary information to enhance their understanding of ACPS' financial performance.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments, as amended. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The reporting model is a combination of both government-wide financial statements and fund financial statements.

Financial Highlights

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The financial status of ACPS, as reflected by net position, decreased by \$6.8 million to a deficit of \$228.4 million at June 30, 2020. The total net position is comprised of \$16.1 million net investment in capital assets, \$3.6 million is restricted for grant and special revenue programs; \$7.0 million is restricted for health benefits reserves and \$4.9 million is restricted for net pension assets. The unrestricted net position deficit increased by \$7.6 million, to a total deficit of \$260.0 million.

On a government-wide basis for governmental activities, the school division's expenses of \$319.9 million exceeded revenues of \$313.2 million by \$6.8 million.

FUND FINANCIAL STATEMENTS

As of the close of the current fiscal year, ACPS' governmental funds reported combined ending fund balances of \$18.8 million, an increase of \$1.0 million in comparison with the prior year. Of this \$18.8 million combined fund balance, \$7.1 million is available as unassigned fund balance and may be designated for use at the discretion of the School Board or management.

At June 30, 2020, the General Fund reported an ending fund balance of \$15.2 million, a increase of \$4.4 million from the prior year. The fiscal year 2020 original budget included a planned use of fund balance in the amount of \$5.7 million.

Overview of the Financial Statements

This Financial Section of the Comprehensive Annual Financial Report consists of four parts: 1) Management's Discussion and Analysis (MD&A), 2) basic financial statements (government-wide and fund statements) including notes to the financial statements, 3) required supplementary information, and 4) other supplementary information.

The basic financial statements consist of two kinds of statements that present different views of ACPS' financial activities. The government-wide financial statements provide both long-term and short-term information about ACPS' overall financial status. The fund financial statements report ACPS' operations in more detail than the government-wide statements.

The Statement of Net Position and Statement of Activities provide information on a government-wide basis. These statements present an aggregate view of ACPS' financial position. Government-wide statements contain useful long-term information as well as information for the just completed fiscal year.

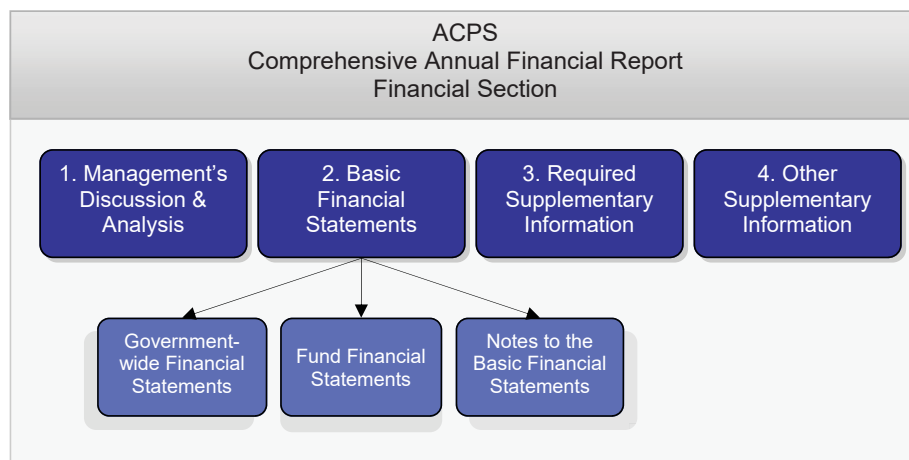
The remaining statements are fund financial statements that focus on the individual funds of ACPS, providing primarily short-term information. Fund statements report operations in more detail than government-wide statements.

The notes to the financial statements explain some of the information in the statements and provide additional disclosures so that statement users have a complete picture of ACPS' financial activities and position.

The required supplementary information further enhances the financial statements with budgetary comparisons and pension trend data. The budgetary comparisons provide three separate types of information: the original budget, the final amended budget and the actual expenditures. Three statements are required to be presented in connection with the defined benefit plans; schedule of employer contributions, schedule of changes in net pension liability and a schedule of employer's share of net pension liability. For the OPEB trust, two schedules are required; schedule of employer contributions and a schedule of changes in net OPEB liability.

The other supplementary information refers to information about our fiduciary funds and is presented immediately following the required supplementary information on pensions.

The following diagram shows how the various parts of the financial section are arranged and relate to one another.



Government-wide Financial Statements

The government-wide statements report information about ACPS as a whole, using accounting methods similar to those used in private-sector companies. The Statement of Net Position and the Statement of Activities provide information about the activities of the school division as a whole, presenting both an aggregate and a long-term view of the financial position. These statements include all assets, liabilities and deferred inflows and outflows of resources using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position presents information on all of ACPS' (1) assets and deferred outflows of resources, (2) liabilities and deferred inflows of resources, and (3) the difference between them reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of the school division is improving or deteriorating.

The Statement of Activities presents information on ACPS' costs of providing services and the resources obtained to finance those services. This statement also highlights to what extent ACPS programs are able to cover their costs with user fees, operating grants and contributions, as opposed to being financed with general revenues. In addition, the statement provides overall information as to whether the financial position has improved or deteriorated during the fiscal year.

Financial Analysis of ACPS as a Whole

In government-wide financial statements, the activities can be divided into two categories: governmental activities and business-type activities. ACPS reports only governmental activities, since it has no business-type activities. The governmental activities of ACPS include the school division's principal functions, such as instruction, administration, operation and maintenance of school buildings, pupil transportation, food services, and attendance and health. These governmental activities are primarily supported by the City of Alexandria (the City), State aid and intergovernmental revenues.

In response to GASB Statement No. 34, the Virginia General Assembly passed a law that established the local option of creating, for financial reporting purposes, a tenancy in common between the city/county and the local school board when the city/county issues bonds for financing school construction. The sole purpose of the law is to allow cities and counties the ability to match the recording of school assets and related liabilities. As a result, certain school assets financed with the City's general obligation bonds are recorded as part of the primary government rather than as part of ACPS.

According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the School Board when the bonds are repaid. Capital debt financing activities are not reported in the ACPS financial statements, but rather in the City's financial statements.

Net position. The table below, provides a summary of ACPS' net position as of June 30, 2020 compared to June 30, 2019.

Summary of Net Position As of June 30,				
	Governmental Activities			Percentage Change
	2020	2019	Variance	2020-2019
ASSETS				
Current assets	\$ 75,889,553	\$ 68,599,802	\$ 7,289,751	10.6%
Net Pension Assets	4,863,175	5,050,065	(186,890)	-3.7%
Capital assets, net	16,754,004	15,599,998	1,154,006	7.4%
<i>Total assets</i>	<u>97,506,732</u>	<u>89,249,865</u>	<u>8,256,867</u>	9.3%
DEFERRED OUTFLOWS OF RESOURCES	<u>63,127,529</u>	<u>41,717,250</u>	<u>21,410,279</u>	51.3%
LIABILITIES				
Current liabilities	49,467,465	45,535,290	3,932,175	8.6%
Long-term liabilities	11,137,241	9,925,564	1,211,677	12.2%
Net OPEB liabilities	46,784,479	47,876,319	(1,091,840)	-2.3%
Net pension liabilities	251,317,609	219,040,487	32,277,122	14.7%
<i>Total liabilities</i>	<u>358,706,794</u>	<u>322,377,660</u>	<u>36,329,134</u>	11.3%
DEFERRED INFLOWS OF RESOURCES	<u>30,352,554</u>	<u>30,247,620</u>	<u>104,934</u>	0.3%
NET POSITION				
Net investment in capital assets	16,114,529	14,333,077	1,781,452	12.4%
Restricted	15,474,520	16,447,104	(972,584)	-5.9%
Unrestricted	(260,014,136)	(252,438,346)	(7,575,790)	3.0%
<i>Total net position</i>	<u>\$ (228,425,087)</u>	<u>\$ (221,658,165)</u>	<u>\$ (6,766,923)</u>	3.1%

- **Current Assets** increased by \$7.3 million or 10.6 percent from fiscal year 2019. The increase was primarily due to increases in equity in pooled cash balances which were partially offset by decreases in due from other governments.
- **Capital Assets, net of depreciation** increased \$1.2 million, or 7.4 percent, from the prior year due to the purchase of 32 new buses and vehicles and renovation of the various school cafeterias, roofing and HVAC systems.
- **Deferred Outflows of Resources** increased \$21.4 million overall, or 51.3 per cent, primarily due to increases of \$18.5 million in retirement plan differences due to changes in assumptions and increases of \$2.9 million of OPEB differences primarily from change in assumptions.
- **Current Liabilities** increased \$3.9 million, or 8.6 per cent, primarily due to increased payable and payroll accruals.
- **Long-term Liabilities** increased \$1.2 million, or 12.2 per cent, due to increases in compensated absences.
- **Net OPEB Liabilities** decreased \$1.1 million or 2.3 percent, due to reduction in the ACPS OPEB Trust Net liability of \$3.4 million, which was partially offset by increases of \$2.3 million in the net OPEB liabilities for the VRS Health Insurance Credit and Group Life Programs.

- **Net Pension Liabilities** increased \$32.3 million, or 14.7 per cent, due to increases of \$27.9 million in the net pension liability for the VRS Teachers Retirement Plan and \$4.2 million for the ACPS Employees Supplemental Plan.

Changes in net position. The following table presents the changes in net position from fiscal year 2019 to 2020:

Changes in Net Position For the fiscal years ending, June 30, <u>Governmental Activities</u>				
	<u>2020</u>	<u>2019</u>	<u>Variance</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 2,010,570	\$ 2,621,376	\$ (610,806)	-23.3%
Operating grants and contributions	21,815,170	21,284,473	530,697	2.5%
General revenues:				
City appropriation	241,198,310	227,228,450	13,969,860	6.1%
State aid	47,555,041	45,601,267	1,953,774	4.3%
Other local funds	602,456	512,845	89,611	17.5%
Total revenues	<u>313,181,547</u>	<u>297,248,411</u>	<u>15,933,136</u>	5.4%
Expenses				
Instructional:				
General instruction	234,272,086	217,023,617	17,248,469	7.9%
Adult education	974,024	1,017,138	(43,114)	-4.2%
Summer school	1,308,415	1,276,386	32,029	2.5%
Support Services:				
Administration	23,327,072	20,544,620	2,782,452	13.5%
Attendance and health services	7,169,663	6,472,139	697,524	10.8%
Pupil transportation	8,730,888	10,001,757	(1,270,869)	-12.7%
Plant operations and maintenance	34,285,464	30,141,853	4,143,611	13.7%
Operation of Noninstructional Services:				
Food services	9,880,857	9,738,817	142,040	1.5%
Total expenses	<u>319,948,469</u>	<u>296,216,327</u>	<u>23,732,142</u>	8.0%
Change in net position	(6,766,922)	1,032,084	\$ (7,799,006)	-755.7%
Net Position-beginning balance	(221,658,165)			
Net Position-ending balance	<u>\$ (228,425,087)</u>			

- The total Net Position deficit increased \$6.8 million, or 3.1 percent, to a deficit of \$228.4 million in fiscal year 2020 from a deficit of \$221.7 million in fiscal year 2019. Total revenues increased \$15.9 million or 5.4 percent from fiscal year 2019, while expenses increased \$23.7 million or 8.0 percent.
- The total appropriation received from the City of Alexandria increased \$14.0 million to \$241.2 million compared to \$227.2 million from 2019. The appropriation related to the Capital Projects Fund increased \$6.1 million from 2019 and the City's appropriation to the General Fund increased \$7.9 million to \$231.7 million in 2020, compared to \$223.8 million in 2019, an increase of 3.5 percent.
- Increases in state aid were primarily due to higher sales taxes revenues received by the state, Medicaid revenue received and state allocations of lottery revenues.

- The City appropriation and general state aid accounted for 92 cents of every dollar of ACPS' revenue received. The remaining 8 cents of every dollar of revenue is funded with federal and state aid for specific programs, charges for services, and miscellaneous revenues.
- The majority of ACPS's expenses are directly related to the provision of services to students, including classroom instruction, attendance and health, transportation and school nutrition. These services account for 83 cents of every dollar spent. The remainder supports administrative costs (7 cents per dollar), operations and maintenance (10 cents per dollar).
- Total expenses for governmental activities in 2020 increased \$23.7 million, or 8.0 percent, to \$319.9 million compared to \$296.2 million in 2019.
- General Instructional expenses increased \$17.2 million from 2019. These costs included 4.0 additional full-time equivalent (FTEs) positions added during FY 2020. The growth in general instructional expenses reflects the continued alignment of our operating budget to dedicate more resources towards classroom instruction and significant enrollment increases.
- Plant and operations expenses increased \$4.1 million over 2019. These areas reflected increased costs for security services and repairs and maintenance in our schools.

Notable activities occurring during FY2020 were as follows.

Coronavirus Pandemic

The state-wide closure ordered by Virginia Governor Northam in March 2020, resulted in the closure of ACPS schools and facilities through June 30, 2020. All contract employees remained on salary and school operations continued remotely. Home learning packages were distributed to all students and teacher led virtual learning sessions were conducted for all grades and classes.

Due to the economic uncertainty of the impact of pandemic closure on the Commonwealth's and Alexandria City revenues, ACPS initiated cost cutting and cost containment actions, as follows,

- A hiring freeze was implemented on all non-critical vacant positions.
- Since classrooms were closed, the use of short-term teacher substitutes was curtailed.
- Transportation costs associated with private carriers for students with special needs were eliminated.
- All non-local travel was suspended.

No CARES Act funding was received as revenue in FY20 and no expenditures were incurred in FY20 related to the CARES Act program.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. ACPS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All ACPS funds are reported in the governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

ACPS' fund financial statements provide detail information about the most significant funds, and not ACPS as a whole. Governmental fund reporting focuses on showing how money flows in and out of funds and the balances left at year-end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of ACPS' operations and the services it provides.

The Board adopts an annual appropriated budget for governmental funds. For fiscal year 2020, all governmental funds have been designated as major funds. The budgetary comparison schedules for the General, Grants and Special Projects and School Nutrition funds have been provided in the Required Supplementary Information section of this report (Exhibits IX, X and XI respectively).

At the end of FY 2020, ACPS' governmental funds reported combined fund balances of \$18.8 million, a increase of \$1.0 million in comparison with fiscal year 2019. Of this combined total fund balance, \$1.8 million or 9.5 percent constitutes non-spendable fund balance which reflects inventories and prepaid items that are in a non-liquid form and cannot be spent, \$3.4million or 17.9 percent constitutes restricted fund balance for grant programs, capital projects and school nutrition programs and \$5.1 million or 27.1 percent constitutes committed fund balance which is designated by the School Board for use in fiscal year 2021, \$1.5 million or 8.0 percent constitutes assigned fund balance which is designated for outstanding encumbrances at year-end, and \$7.1 million or 37.7 percent constitutes unassigned fund balance which is not constrained at all and can be used for any purpose by the Board. See Note 12 for additional information on our fund balance designations.

The following schedules present a summary of the General Fund by type of revenue and expenditures by function for the period ended June 30, 2020 as compared to June 30, 2019. They also depict the amount and percentage increases and decreases in relation to prior year amounts reported.

General Fund Revenues

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

Revenues for the General Fund totaled \$280.3 million for 2020, which was \$9.7 million or 3.6 percent

Alexandria City Public Schools, Virginia

Financial-Management's Discussion & Analysis

higher than revenues received in 2019. The majority of annual funding received by ACPS is paid by the City, which provided an appropriation of \$231.7 million in FY 2020. This represented an increase of \$7.8 million or 3.5 percent over the FY 2019 appropriation. The second largest revenue source is from the Commonwealth of Virginia; increased \$2.0 million, or 4.3 percent, to a total of \$47.6 million in FY 2020; which is primarily due to additional state sales taxes and Medicaid revenues.

Tuition and fees decreased 34.9 percent due to lower fees collected for summer school and adult education programs.

Other local revenue is primarily federal grant indirect cost recoveries and rebates received from vendors. The increase from 2019 is due to increased rebates received from our purchase card program.

General Fund Revenues by Source						
Source	FY 2020		FY 2019		Increase (Decrease) from FY 2019	
	Amount (000)s	Percent of Total	Amount (000)s	Percent of Total	Amount (000)s	Percentage Change
City of Alexandria	\$ 231,669	82.7 %	\$ 223,829	82.7 %	\$ 7,840	3.5 %
State Aid	47,555	16.9	45,601	16.8	1,954	4.3
Federal Aid	133	0.0	131	0.0	2	1.5
Tuition and Fees	317	0.1	487	0.2	(170)	(34.9)
Other Local Funds	603	0.2	513	0.2	90	17.5
Total Revenues	\$ 280,277	100.0 %	\$ 270,561	100.0 %	\$ 9,716	3.6 %

Amounts may not add due to rounding

General Fund Expenditures & Other Financing Sources and Uses

General Fund expenditures totaled \$274.3 million for fiscal year 2020, which was an increase of \$3.7 million, or 1.4 percent from fiscal year 2019. The following illustration presents the amounts of General Fund expenditures by function and the increase or decrease from the previous year for each function, as well as, the comparison of other financing sources and uses with the prior year.

For fiscal year 2020, the School Board awarded a full step increase to all eligible employees and a 1% bonus was awarded to those employees at the top of the salary scale. Also, only 4.0 FTEs were added to our staffing in FY 2020. These increases in personnel cost, including related increased employee benefits costs, are reflected in all ACPS functions. Other significant changes in operating fund expenditures are summarized below:

General Fund Expenditures by Function and Other Financing (Sources) Uses						
Function	FY 2020		FY 2019		Increase (Decrease) From FY 2019	
	Amount (000)s	Percent of Total	Amount (000)s	Percent of Total	Amount (000)s	Percent Change
General instruction	\$ 211,534	77.1 %	\$ 207,804	76.8 %	\$ 3,730	1.8 %
Adult education	570	0.2	609	0.2	(39)	(6.4)
Summer school	1,147	0.4	1,122	0.4	25	2.2
Administration	20,328	7.4	20,023	7.4	305	1.5
Attendance and health	6,890	2.5	6,598	2.4	292	4.4
Pupil transportation	9,995	3.6	10,589	3.9	(594)	(5.6)
Plant operations and maintenance	22,543	8.2	22,460	8.3	83	0.4
Food services	657	0.2	755	0.3	(98)	(13.0)
Debt Service						
Principal	627	0.2	616	0.2	11	1.8
Interest	18	0.0	30	0.0	(12)	(40.0)
Total Expenditures	\$ 274,309	100.0 %	\$ 270,606	100.0 %	\$ 3,703	1.4 %
Other Financing (Sources) Uses						
Transfers In	\$ -		\$ -		\$ -	- %
Transfers Out	1,556		1,523		33	2.2 %
Total Other Financing (Sources) Uses, net	\$ 1,556		\$ 1,523		\$ 33	

Amounts may not add due to rounding

- General instruction costs increased by \$3.7 million, or 1.8 percent, due to instruction-based positions added to staffing, driven by continued student enrollment growth and the growing population of students with additional needs.
- Transfers out in Other Financing Uses of \$1.6 million from the General Fund reflect ACPS' contribution to the Virginia Preschool Initiative program in the Grants and Special Projects Fund.

Fund Balances

The FY 2020 General Fund Original Budget, as adopted by the School Board, reflected the usage of \$5.7 million of fund balance committed to offset the amount of budgeted expenditures and funds transfers that exceeded budgeted revenues. This budgeted usage of fund balance is consistent in the General Fund budget adoption process of prior years. At the close of FY 2020, general fund balance increased by \$4.4 million.

The Grant and Special Projects Fund is used to account for federal, state, and local grants restricted for specified school purposes by the grantor. During FY 2020, total grant funding was relatively flat from FY 2019. At June 30, 2020, the Grants and Special Projects Fund balance consisted of \$0.2 million restricted for the purposes specified in the grant awards.

The Capital Projects Fund is used to account for the acquisition, renovation or construction of ACPS facilities. Payments for all capital projects initiated by ACPS, in accordance with the School Board and City Council approved ACPS capital plan, are processed and disbursed by the City. The fund balance of the Capital Projects Fund at June 30, 2020 was \$0.5 million. It represents funding dedicated to ACPS by the City for approved capital projects in advance of incurred capital expenditures.

As previously stated, certain school assets and projects may be financed with the City's general obligation bonds and as a result, disbursements for those activities are recorded as part of the primary government. Any capital debt financing activities are reported in the City's financial statements, and are not reflected in ACPS financial statements. According to law, the tenancy in common ends when the associated debt obligation is repaid, at which time the related assets revert to the School Board. No capital assets reverted to ACPS in 2020, due to the end of the tenancy in common.

The School Nutrition Fund is used to account for the preparation and serving of student meals. At the end of 2020, the School Nutrition fund balance reflected \$0.2 million in nonspendable fund balance for inventory and prepaid items and \$2.7 million in restricted fund balance for school nutrition operations. This fund is self-supported by the revenues earned and does not rely upon the General Fund to support its operations.

Capital Assets

At June 30, 2020, ACPS had \$16.8 million invested in land, construction in progress, buildings and building improvements, and furniture and equipment for governmental activities, net of accumulated depreciation (see Note 5 for additional information on capital assets). This amount represents an increase of \$1.2 million from last year due to the purchase of school buses and vehicles.

Major capital project expenditures during fiscal year 2020 that are reflected in the City's capital fund are,

- *Douglas MacArthur New School Construction*- A residential lot adjacent to the Douglas MacArthur Elementary School was purchased for approx. \$1 million. This property will be joined with the current school property to expand the campus for increased capacity. Construction on the new

school is expected to begin in the fall of 2020.

- *Old Patrick Henry School Construction for Swing Space*- Renovations totaling \$5 million to the old Patrick Henry Elementary School was completed during FY20 to prepare this facility for use as swing space during the demolition and construction of the new Douglas MacArthur Elementary School. Starting in September 2020, Douglas MacArthur Elementary School will be moving, as a school, into the former Patrick Henry School in the fall of 2020 while a new school is built.
- *Capacity Construction/Renovations*- Approx. \$4.2 million was expended to finalize the construction of the new Patrick Henry K-8 School. An additional \$2.8 million was spent on renovations to increase school capacity at the Early Childhood Center at John Adams Elementary School.
- *Renovations and Repairs of Aging Schools*- \$5 million for various renovations/repairs to various aging schools.
- *Heating, Ventilation, and Air Conditioning (HVAC)*- HVAC systems repaired at Jefferson Houston K-8 School and George Washington Middle School for \$3.6 million.
- *School Buses and Vehicles*- New school buses and vehicles were purchased for \$2 million to replace aging equipment and increased student enrollment, as well as for facilities management.
- *Ferdinand T Day Elementary New Gymnasium*- A new gymnasium was added to the school at a cost of \$1.7 million.
- *Curriculum Materials*- \$0.7 million for the purchase of new textbooks.

Other major capital project expenditures during fiscal year 2020 that are reflected in the ACPS' governmental funds are,

- *School Nutrition Services*- Renovations and upgrades to school cafeterias at Cora Kelly Elementary School, T.C. Williams High School and John Adams High School were completed for \$0.6 million and approx. \$0.1 million was spent to update school cafeteria ovens and equipment across the district.
- *Title I Instruction*- \$0.1 million for capital purchases for the Title I program across the district including laminators and copiers/printers.
- *Vehicles*- \$0.2 million for vehicles to transport ambulatory and non-ambulatory ACPS students.

Under legislation passed by the General Assembly of Virginia, projects under construction and any school assets funded by the City's long-term debt are carried in the City's financial records until the associated debt has been paid in full. When the bonded debt is retired, the assets and any remaining asset value are transferred to ACPS. The table below reflects only those assets that have been transferred to or purchased by ACPS.

Capital Assets (net of accumulated depreciation) As of June 30,				
	Governmental Activities		Increase (Decrease)	Percentage Change
	2020	2019		
Land	\$ 999,381	\$ 999,381	\$ -	- %
Construction-in-progress	757,599	700,655	56,944	8.13
Buildings and building improvements	5,779,728	5,106,065	673,663	13.19
Furniture and equipment	9,217,296	8,793,897	423,399	4.81
Totals	\$ 16,754,004	\$ 15,599,998	\$ 1,154,006	7.4 %

General Fund Budgetary Highlights

The annual budget is prepared on a basis consistent with accounting principles generally accepted in the United States for the General Fund. All annual unencumbered appropriations lapse at fiscal year-end.

The budget is prepared by fund, organizational unit and account. During the fiscal year, upon receiving the final allocations from the State, transfers and adjustments are made to the budget allocations.

The following schedule presents a summary of the General Fund revenues and expenditures by type compared to the original and final budgets for the period ended June 30, 2020. Revenues in the original and final budgets totaled \$280.7 million. Expenditures in the original budget were \$284.8 million, while the final budget totaled \$285.5 million. The final expenditure budget reflects zero-sum changes made throughout the year, plus the increase associated with the expenditures of funds encumbered at the end of FY 2019.

Financial-Management's Discussion & Analysis

**General Fund
Revenues and Expenditures
Budget to Actual Comparison**

	FY 2020			Variance from Final Budget (Under) / Over
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
City of Alexandria	\$ 231,669,496	\$ 231,669,496	\$ 231,669,496	\$ -
State aid	47,676,132	47,676,132	47,555,042	(121,090)
Federal aid	288,424	288,424	133,283	(155,141)
Tuition and fees	410,937	410,937	316,661	(94,277)
Other local funds	645,802	645,802	602,457	(43,345)
Total Revenues	<u>280,690,791</u>	<u>280,690,791</u>	<u>280,276,938</u>	<u>(413,853)</u>
Expenditures				
Salaries	178,881,843	177,442,668	173,523,381	(3,919,287)
Benefits	71,193,368	71,218,536	67,480,510	(3,738,026)
Purchased Services	14,105,260	15,438,088	13,860,816	(1,577,272)
Other Charges	10,330,955	10,527,902	10,249,481	(278,421)
Materials and Supplies	7,598,430	8,046,261	6,506,092	(1,540,169)
Capital Outlay	2,691,547	2,831,431	2,689,207	(142,224)
Total Expenditures	<u>284,801,403</u>	<u>285,504,887</u>	<u>274,309,488</u>	<u>(11,195,399)</u>
Excess (Deficiency) of revenue over (under) expenditures	<u>(4,110,611)</u>	<u>(4,814,096)</u>	<u>5,967,450</u>	<u>10,781,546</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(1,613,613)	(1,613,613)	(1,555,604)	(58,009)
Total Other Financing Sources and Uses	<u>(1,613,613)</u>	<u>(1,613,613)</u>	<u>(1,555,604)</u>	<u>(58,009)</u>
Change in Fund Balance	<u>\$ (5,724,224)</u>	<u>\$ (6,427,709)</u>	<u>\$ 4,411,846</u>	<u>\$ 10,839,555</u>

- Actual General Fund revenues were slightly below the final budget by \$0.4 million, primarily due to lower than estimated sales tax collections and school program revenues as a result of statewide closures for the COVID-19 pandemic.
- Expenditures were \$11.2 million or 3.9 percent below the final budget primarily due to the cost containment measures implemented during the closure.

The budget variances above do not include the value of any outstanding encumbrances that remained open at year end. There were outstanding encumbrances for the general fund totaling \$1.5 million, that were carried over into FY 2021.

Fiduciary Funds

ACPS is the trustee for its employees' pension plan and other post-employment benefit trust. It is also responsible for an agency fund which covers the student activity fund (SAF) program. All of the fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from ACPS' government-wide statements because ACPS cannot use these assets to finance its operations. The financial statements for the plan are prepared on the accrual basis of accounting. The student activity monies are also accounted for in this fund type as an agency fund. The School Activity Account Fund is presented in Exhibits VII and XVI of this report.

The basic Fiduciary Fund financial statements are presented in Exhibits VII and VIII, and the combining statements for the Fiduciary Fund are presented in Exhibits XIV and XV of this report.

Economic Factors and 2021 Fiscal Year Budget

The School division considers many factors when developing the next year's budget. Primary factors include projected student enrollment growth compared to the student teacher ratios in each classroom and the number of new staff needed to meet those program goals, employee benefit increases, facilities costs, and other factors. ACPS continues to experience significant increases in student enrollment.

For FY 2020, enrollment increased to 16,117 students. From FY 2017 through FY 2020, the elementary school enrollment increased by approx. 5.8 percent, from 8,416 to 8,907 students. Middle school has increased by 4.9 percent, from 2,886 to 3,037 students and high school has increased by 9.7 percent, from 3,754 to 4,118 students; a total growth of 1,012 students.

Projected enrollment for the 2020-21 school year includes a 2.2 percent growth (about 356 students) compared to the prior school year and over the next nine years through FY 2029, enrollment growth is projected to increase to approximately 18,331 students, or a total growth of 11.3 percent compared to our current level. ACPS has maintained smaller class sizes for an enhanced learning environment for students. Class size caps — 22 for kindergarten, 24 for grades 1 and 2, and 26 for grades 3 to 5 in elementary schools, remain competitive with other school divisions in Northern Virginia.

The capital improvement program moves the division towards improving its facilities through a comprehensive modernization approach. The approach considers additional capacity, renovation of existing buildings, swing space, and transportation. Achieving the capacity to serve our growing population of students remains a challenge that provides significant spending pressure on our capital projects budget.

ACPS' growing student population continues to reflect very diverse demographics and special needs. Our students represent 120 different countries and speak 121 native languages. The enrollment in the English Learner (EL) program represents 31.5 percent of total student population for FY 2020 and is one of the highest percentages of students receiving EL services in the Northern Virginia school divisions. The proportion of our students participating in the free and reduced-price meal program in FY 2012 was 56.4 percent and this has increased in FY 2020 to 58.6 percent, which is the highest percentage of the Northern Virginia school divisions. This is significantly different than the general Alexandria City population, which has only 10.8 percent of the population living under the poverty line based on the U.S. Census Bureau, 2018 data.

All of these factors contribute towards increased costs to educate our students and provide significant

challenges towards balancing our budget.

Despite these very difficult economic times and the financial challenges associated with continued increased student enrollment and more diverse student needs to address, ACPS will continue to put its limited resources where it matters the most: To improve student learning for each and every child in the school division. Through resource realignment, ACPS will maintain small class sizes, dedicate more money to instruction, add more teachers for core classes, physical education, ELL and special education programs, and continue to fund school exemplary programs and teacher professional development.

The initial plans for the FY 2021 budget began with the Alexandria City Manager proposing to fully fund the ACPS School Board City Appropriation request of \$241.44 million. In March 2020, ACPS and the City of Alexandria funding plans were greatly impacted by the COVID-19 pandemic which forced the closure all ACPS schools and most local businesses in Alexandria. In response to the reduced projected revenues anticipated by the City, the City of Alexandria City Council revised the City's FY 2021 appropriation to ACPS to \$234.04 million. This reflects an increase of 1.0 percent compared to the FY 2020 final budget.

In June 2020, the School Board adopted a balanced budget for fiscal year 2021 that reflected General Fund resources of \$286.6 million, which includes the approved use of \$4.8 million of available unrestricted fund balance.

The total expenditures of \$286.6 million in the FY 2021 final General Fund budget is an increase of 0.6 percent compared to the FY 2020 final budget. Total positions funded through combined funds show a net increase of 41.77 FTE or 1.6 percent, for a total of 2,648.84 FTEs.

Contacting the Alexandria City Public Schools Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of ACPS' finances and to show ACPS' accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Financial Services Department at Alexandria City Public Schools, 1340 Braddock Place, Alexandria, Virginia 22314, telephone 703-619-8040 or visit the school's web site at <https://va01918616.schoolwires.net/Page/344>.



FINANCIAL SECTION

Basic Financial Statements



ACPS' goal #3

An Exemplary Staff: ACPS will recruit, develop, support, and retain a staff that meets the needs of every student.

Exhibit I

Alexandria City Public Schools, Virginia
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Equity in pooled cash and investments	\$ 62,518,647
Due from other governments	11,362,819
Other receivables	173,465
Prepaid items and other assets	1,592,493
Inventories	242,129
Net pension assets	4,863,175
Capital assets:	
Land	999,381
Construction-in-progress	757,599
Other capital assets, net	14,997,024
Total assets	97,506,732
Deferred Outflows of Resources	
OPEB	6,995,796
Pensions	56,131,733
Total deferred outflows of resources	63,127,529
Total assets and deferred outflows of resources	\$ 160,634,261
Liabilities	
Accrued personnel services	\$ 30,331,870
Accounts payable	13,116,949
Unearned revenue	3,079,767
Long-term liabilities:	
Due within one year	2,938,879
Due in more than one year	11,137,241
Net OPEB liabilities	46,784,479
Net pension liabilities	251,317,609
Total liabilities	358,706,794
Deferred Inflows of Resources	
OPEB	6,439,309
Pensions	23,913,245
Total deferred inflows of resources	30,352,554
Net Position	
Net investment in capital assets	16,114,529
Restricted for grant and special revenue programs	3,610,261
Restricted for health benefits	7,001,084
Restricted for net pension assets	4,863,175
Unrestricted	(260,014,136)
Total net position	(228,425,087)
Total liabilities, deferred inflows of resources and net position	\$ 160,634,261

See accompanying notes to the basic financial statements.

Alexandria City Public Schools, Virginia

Financial Section-Basic Financial Statements

Exhibit II

Alexandria City Public Schools, Virginia
Statement of Activities
For the Year Ended June 30, 2020

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
				Governmental Activities
Instructional:				
General instruction	\$ 234,272,086	\$ 51,645	\$ 14,597,725	\$ (219,622,716)
Adult education	974,024	70,914	-	(903,110)
Summer school	1,308,415	69,862	-	(1,238,553)
Support Services:				
Administration	23,327,072	-	-	(23,327,072)
Attendance and health services	7,169,663	-	-	(7,169,663)
Pupil transportation	8,730,888	-	-	(8,730,888)
Plant operations and maintenance	34,285,464	182,575	-	(34,102,889)
Operation of Non-instructional Services:				
Food services	9,880,857	1,635,574	7,217,445	(1,027,838)
<i>Total governmental activities</i>	<u>\$ 319,948,469</u>	<u>\$ 2,010,570</u>	<u>\$ 21,815,170</u>	<u>(296,122,729)</u>
General revenues:				
Unrestricted intergovernmental revenue				
City of Alexandria				241,198,310
Commonwealth of Virginia				47,555,041
Other				602,456
<i>Total general revenues</i>				<u>289,355,807</u>
Change in net position				(6,766,922)
<i>Net position-July 1, 2019</i>				<u>(221,658,165)</u>
<i>Net position-June 30, 2020</i>				<u>\$ (228,425,087)</u>

See accompanying notes to the basic financial statements.

Alexandria City Public Schools, Virginia

Financial Section-Basic Financial Statements

Exhibit III

Alexandria City Public Schools, Virginia

Balance Sheet
Governmental Funds
June 30, 2020

	General	Capital Projects	Grants & Special Projects	School Nutrition	Total Governmental Funds
Assets					
Equity in pooled cash and investments	\$ 51,570,273		\$ -	\$ -	\$ 51,570,273
Due from other governments	1,296,582	3,922,637	5,652,324	491,276	11,362,819
Due from other funds	4,048,512	3,356,404	-	3,192,251	10,597,167
Other receivables	-	-	36,566	52,432	88,998
Prepaid items and other assets	1,547,416	-	43,207	1,870	1,592,493
Inventories	-	-	-	242,129	242,129
Total assets	\$ 58,462,783	\$ 7,279,041	\$ 5,732,097	\$ 3,979,958	\$ 75,453,879
Liabilities					
Accrued personnel services	\$ 30,489,360	\$ -	\$ 966,337	\$ 498,451	\$ 31,954,148
Accounts payable and accrued liabilities	4,292,925	6,760,833	104,040	402,895	11,560,693
Unearned revenue	4,499	-	431,258	168,509	604,266
Rent abatement credit	1,892,439	-	-	-	1,892,439
Due to other funds	6,548,655	-	4,048,512	-	10,597,167
Total liabilities	43,227,878	6,760,833	5,550,147	1,069,855	56,608,713
Fund Balances					
Nonspendable	1,538,385	-	-	243,999	1,782,384
Restricted	-	518,208	181,950	2,666,104	3,366,262
Committed	5,098,743	-	-	-	5,098,743
Assigned	1,499,682	-	-	-	1,499,682
Unassigned	7,098,095	-	-	-	7,098,095
Total fund balances	15,234,905	518,208	181,950	2,910,103	18,845,166
Total liabilities and fund balances	\$ 58,462,783	\$ 7,279,041	\$ 5,732,097	\$ 3,979,958	\$ 75,453,879

See accompanying notes to the basic financial statements.

Alexandria City Public Schools, Virginia

Financial Section-Basic Financial Statements

Exhibit III-1

Alexandria City Public Schools, Virginia
*Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position
June 30, 2020*

Total fund balances-governmental funds		\$ 18,845,166
Amounts reported for governmental activities in the statement of net position are different from amounts reported for governmental funds because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. (Note 5)		
Non-depreciable assets	\$ 1,756,980	
Depreciable assets	70,353,875	
Less: Accumulated depreciation	<u>(55,356,851)</u>	16,754,004
Net Pension Assets recorded for the amount of Plan Fiduciary Net Position in excess of Total Pension Liability, included in the Statement of Net Position. (Note 7)		
Virginia Retirement System- Political Subdivision		4,863,175
Deferred Outflows of Resources affecting total pension liabilities and retirement plan fiduciary net position, that are reported in the Statement of Net Position. (Note 7)		
Difference between projected and actual investment earnings	868,033	
Difference between employer contributions and proportionate share	3,925,807	
Difference between expected/actual experience	145,315	
Difference due to changes in assumptions	26,833,797	
Employer retirement contributions after measurement date	<u>24,358,781</u>	56,131,733
Deferred Outflows of Resources affecting total OPEB liabilities and OPEB plan fiduciary net position, that are reported in the Statement of Net Position. (Note 8)		
Difference between expected/actual experience	918,390	
Difference between projected and actual investment earnings	779,011	
Difference between employer contributions and proportionate share	702,792	
Difference due to changes in assumptions	1,731,947	
Employer retirement contributions after measurement date	<u>2,863,656</u>	6,995,796
Liabilities applicable to the ACPs' governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Long-term obligations are not recorded in the governmental funds, but are reported in the Statement of Net Position. (Notes 6 & 9)		
Compensated absences, LT	(9,007,340)	
Compensated absences, Current Increase	(464,883)	
Capital leases	(639,474)	
Workers' compensation claims	<u>(449,706)</u>	(10,561,403)
Internal service funds are used by management to track and record the costs of the health insurance programs offered to employees and retirees. The net revenue of the internal service fund is reported with governmental activities in the Statement of Net Position.		
		7,001,084
Deferred Inflows of Resources affecting total pension liabilities and retirement plan fiduciary net position, that are reported in the Statement of Net Position. (Note 7)		
Difference between expected/actual experience	(16,336,591)	
Difference due to changes in assumptions	(479,527)	
Difference between employer contributions and proportionate share	(1,327,742)	
Difference between projected and actual investment earnings	<u>(5,769,385)</u>	(23,913,245)
Deferred Inflows of Resources affecting total OPEB liabilities and OPEB plan fiduciary net position, that are reported in the Statement of Net Position. (Note 8)		
Difference between expected/actual experience	(4,423,051)	
Difference between projected and actual investment earnings	(283,650)	
Difference between employer contributions and proportionate share	(359,212)	
Difference due to changes in assumptions	<u>(1,373,396)</u>	(6,439,309)
Net Pension Liabilities recorded for the amount of Total Pension Liabilities that exceed the Plan Fiduciary Net Position included in the Statement of Net Position. (Note 7)		
		(251,317,609)
Net OPEB Liabilities recorded for the amount of Total OPEB Liabilities that exceed the OPEB Plan Fiduciary Net Position included in the Statement of Net Position. (Note 8)		
		<u>(46,784,479)</u>
Total net position - governmental activities		<u>\$ (228,425,087)</u>

See accompanying notes to the basic financial statements.

Alexandria City Public Schools, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	Capital Projects	Grants & Special Projects	School Nutrition	Total Governmental Funds
Revenues					
Intergovernmental:					
City of Alexandria	\$ 231,669,496	\$ 9,528,814	\$ -	\$ -	\$ 241,198,310
State aid	47,555,042	-	3,622,853	211,478	51,389,373
Federal aid	133,283	-	10,496,673	7,005,967	17,635,923
Tuition and fees	316,660	-	58,335	-	374,995
Food sales	-	-	-	1,488,863	1,488,863
Other	602,457	-	344,916	146,711	1,094,084
Total revenues	280,276,938	9,528,814	14,522,777	8,853,019	313,181,548
Expenditures					
Current:					
General instruction	211,534,016	-	14,992,613	-	226,526,629
Adult education	569,735	-	404,289	-	974,024
Summer school and kindergarten prep	1,147,293	-	73,033	88,089	1,308,415
Administration	20,327,573	-	544,930	-	20,872,503
Attendance and health services	6,890,082	-	26,693	-	6,916,775
Pupil transportation	9,994,851	-	-	-	9,994,851
Plant operations and maintenance	22,542,769	-	17,534	-	22,560,303
Food services	657,095	-	44,395	9,309,243	10,010,733
Capital improvement services	-	12,383,016	-	-	12,383,016
Debt Service					
Principal	627,448	-	-	-	627,448
Interest	18,626	-	-	-	18,626
Total expenditures	274,309,488	12,383,016	16,103,487	9,397,332	312,193,323
Excess (deficiency) of revenues over (under) expenditures	5,967,450	(2,854,202)	(1,580,710)	(544,313)	988,225
Other Financing Sources (Uses)					
Transfers In	-	-	1,555,604	-	1,555,604
Transfers Out	(1,555,604)	-	-	-	(1,555,604)
Total other financing sources (uses)	(1,555,604)	-	1,555,604	-	-
Net change in fund balances	4,411,846	(2,854,202)	(25,106)	(544,313)	988,225
<i>Fund Balances-July 1, 2019</i>	<i>10,823,059</i>	<i>3,372,410</i>	<i>207,056</i>	<i>3,454,416</i>	<i>17,856,941</i>
<i>Fund Balances-June 30, 2020</i>	<i>\$ 15,234,905</i>	<i>\$ 518,208</i>	<i>\$ 181,950</i>	<i>\$ 2,910,103</i>	<i>\$ 18,845,166</i>

See accompanying notes to the basic financial statements.

Alexandria City Public Schools, Virginia

Financial Section-Basic Financial Statements

Exhibit IV-1

Alexandria City Public Schools, Virginia
*Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2020*

Net change in fund balances - total governmental funds	\$	988,225
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Amounts reported for governmental activities in the Statement of Activities are different because:

Pension expense reported in the Statement of Activities was adjusted to reflect the differences between pension expenses and employer contributions and the actuarial assumptions and actual vs expected performance of the ACPS retirement plans. (Note 7)

Virginia Retirement System-Teacher Employers	\$ (3,744,999)		
Virginia Retirement System-Political Subdivisions	(82,147)		
Employees' Supplemental Retirement System	<u>(7,260,347)</u>		(11,087,493)

OPEB expense reported in the Statement of Activities was adjusted to reflect the differences between OPEB expenses and employer contributions and changes in actuarial assumptions and actual vs expected performance of the OPEB plan. (Note 8)

1,020,669

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 new capital outlays exceeded depreciation in the current period. (Note 5)

1,154,006

In the Statement of Activities, sick pay, vacation pay, workers' compensation, and other postemployment benefits are measured by the amount accrued during the year. In governmental funds, expenditures for these items are measured by the amount actually paid. (Notes 6 & 9)

Compensated absences, LT Increase	(1,903,313)		
Compensated absences, Current Increase	(62,934)		
Capital Leases	627,448		
Workers' compensation	<u>(141,456)</u>		(1,480,255)

The Internal Service Fund is used by management to track and record the costs of the health insurance programs offered to employees and retirees. The net revenue of the internal service fund is reported with governmental activities.

2,637,926

Change in net position - governmental activities

\$ (6,766,922)

See accompanying notes to the basic financial statements.

Exhibit V

Alexandria City Public Schools, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2020

	Health Benefits Fund
Assets	
Equity in pooled cash and investments	\$ 10,948,374
Other receivables	84,467
<i>Total assets, current</i>	<u>11,032,841</u>
Liabilities	
Accounts payable	534,926
Unearned revenue	2,475,501
Incurred but not reported claims	1,021,330
<i>Total liabilities, current</i>	<u>4,031,757</u>
Net Position	
Restricted, health benefits programs	<u>7,001,084</u>
<i>Total net position</i>	<u>\$ 7,001,084</u>

See accompanying notes to the basic financial statements.

Alexandria City Public Schools, Virginia
Financial Section-Basic Financial Statements

Exhibit VI

Alexandria City Public Schools, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Health Benefits Fund
Operating Revenues	
Charges for services	\$ 32,612,374
<i>Total operating revenues</i>	<u>32,612,374</u>
Operating Expenses	
Claims and benefits paid	19,865,862
Premiums	9,026,938
Administrative costs	1,081,648
<i>Total operating expenses</i>	<u>29,974,448</u>
<i>Change in net position</i>	2,637,926
Net Position- July 1, 2019	<u>4,363,158</u>
Net Position- June 30, 2020	<u>\$ 7,001,084</u>

See accompanying notes to the basic financial statements.

Exhibit VI-1

Alexandria City Public Schools, Virginia*Statement of Cash Flows**Proprietary Funds**For the Year Ended June 30, 2020*

	Health Benefits Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 32,615,835
Payments to providers for services	<u>30,559,398</u>
Net cash provided from operating activities	<u><u>\$ 2,056,437</u></u>
Net change in equity in pooled cash and investments	\$ 2,056,437
Equity in pooled cash and investments, beginning of year	<u>8,891,937</u>
Equity in pooled cash and investments, end of year	<u><u>\$ 10,948,374</u></u>
Reconciliation of Operating Loss to Net Cash Provided from Operating Activities	
Operating Income	<u>\$ 2,637,927</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities:	
Decrease in other receivables	3,996
Decrease in accounts payable	(319,791)
Decrease in unearned revenue	(265,159)
Decrease in incurred but not reported claims	<u>(536)</u>
Total adjustments	<u>(581,490)</u>
Net cash provided from operating activities	<u><u>\$ 2,056,437</u></u>

See accompanying notes to the basic financial statements.

Exhibit VII

Alexandria City Public Schools, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Pension and Other Employee Benefit Trust Funds	Agency Fund- Student Activity
Assets		
Cash held on behalf of student activity fund	\$ -	\$ 742,214
Investments, at fair value:		
Cash Equivalents	961,242	-
Bonds	79,255,209	-
Mutual funds	38,525,105	-
Real estate	14,478,549	-
Global asset allocation	15,791,636	-
<i>Total investments</i>	<u>149,011,741</u>	<u>-</u>
Contributions Receivable	<u>223,149</u>	<u>-</u>
Total assets	<u>149,234,890</u>	<u>\$ 742,214</u>
Liabilities		
Due to student groups	<u>-</u>	<u>742,214</u>
Total liabilities	<u>-</u>	<u>\$ 742,214</u>
Net Position		
Restricted for pension	127,536,425	
Restricted for other postemployment benefits	<u>21,698,465</u>	
Total net position held in trust	<u>\$ 149,234,890</u>	

See accompanying notes to the basic financial statements.

Alexandria City Public Schools, Virginia
Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2020

	Pension and Other Employee Benefit Trust Funds
Additions	
Contributions:	
Employer contributions	\$ 1,685,214
Employee contributions	2,673,062
Total Contributions	4,358,276
Investment Income:	
Investment earnings	3,165,053
Net appreciation in fair value of investments	636,285
Investment expense	(41,148)
Net investment income	3,760,190
Total additions	8,118,466
Deductions	
Benefit payments	7,962,864
Administrative expenses	304,027
Total deductions	8,266,891
Change in net position	(148,425)
Restated Net position - July 1, 2019	149,383,315
Net position - June 30, 2020	\$ 149,234,890

See accompanying notes to the basic financial statements.

NOTE 1. Summary of Significant Accounting Policies**a) Reporting Entity**

The School Board of the City of Alexandria is a separately-elected governing body operating under the Constitution of Virginia and the Code of Virginia. Since FY 1995, the members of the School Board (Board) have been elected by the citizens of the City of Alexandria (City) to serve three-year terms. The Board determines educational policies and appoints a superintendent of schools to implement the Board's policies. The superintendent is also responsible to the Board for administering the operations of the school system, supervising personnel and advising the Board on all educational matters for the welfare of the students. The mission of Alexandria City Public Schools (ACPS) is to deliver high-quality instruction to a highly-diverse student population so that all students achieve at their highest potential.

The City Council (Council) annually approves the Board's total annual General Fund budget appropriation, levies taxes, and issues debt for school projects. The legal liability for the general obligation debt issued for school capital assets remains with the City. Funds also are received from state and federal sources for general school aid and specific grant purposes, respectively. The Council is prohibited from exercising any control over specific appropriations within the operating budget of the Board. ACPS is considered to be a discretely presented component unit of the City because ACPS is fiscally dependent on the City and its operations are funded primarily by payments from the City's general fund. The Board has the discretionary authority to expend the amount appropriated to it by the Council.

Basis of Financial Statement Presentation and Fund Accounting

The financial statements of ACPS have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing local governmental accounting and financial reporting principles. The reporting model was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis (MD&A) The purpose of the MD&A is to provide an analysis of ACPS' overall financial strength and operating results. It also includes a description of currently known facts, decisions, or conditions expected to have a significant effect on the future financial position of the school division.

Government-wide financial statements These include financial statements prepared using full accrual accounting for all of the government's activities. Under the accrual basis, all revenues and costs of providing services are reported, not just those received or paid in the current year or soon thereafter. This approach includes not just current assets and liabilities, but also capital assets, deferred outflows, long-term liabilities, and deferred inflows.

Fund financial statements GASB Statement No. 34 requires governmental entities to present financial statements with information about funds with a focus on ACPS major funds.

Budgetary comparison schedule The budgetary comparison schedule requires the presentation of both the original budget and final budget and comparison to the actual results.

b) Basis of Presentation

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities report information on all the activities of ACPS, except for fiduciary funds. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The fund statements are presented on a current financial resources measurement focus and use the modified accrual basis of accounting, except the proprietary and fiduciary fund statements which use the accrual basis. Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program within ACPS' governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore are clearly identifiable to a particular function. Revenues which are not classified as program revenues are presented as general revenues of ACPS. 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 ACPS.

Program revenues are financed by those who use the services of the program or from grants and contributions from parties outside ACPS which are restricted for use in the specific program. These revenues reduce the cost of the functions to be financed from ACPS' general revenues. Charges for services include general and adult education tuition, cafeteria sales, lease of facilities and summer school tuition. Program-specific operating grants and contribution revenues include the National School Lunch program and other federal grants and reimbursements.

Expenses are grouped in three broad categories: instructional, support services and operation of non-instructional services. Some functions classified under support services include expenses that are, in essence, indirect expenses of instructional functions. However, ACPS does not allocate those indirect expenses to the instructional programs. Depreciation expense is specifically identified by function and is included in the direct expense of each applicable function.

The government-wide financial statements report information on all the activities of ACPS. The effect of interfund activity has been removed from these statements.

Fund Financial Statements Fund financial statements report detailed information about ACPS. Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements, while the internal service fund is presented in separate columns as well. The focus of governmental fund financial statements is on reporting major funds rather than on reporting funds by type. Each major fund is presented in a separate column. All governmental funds have been designated as major funds for 2020. Fiduciary funds include the pension and other employee benefit trust funds and agency funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current resources measurement focus. The financial statements for governmental funds consist of a balance sheet, which generally includes only current assets, current liabilities, and deferred outflows and inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues

and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The proprietary fund, distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. Revenues and expenditures not meeting these criteria are reported as non-operating revenues and expenses.

ACPS uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain ACPS functions and activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental funds Governmental funds are those through which most governmental functions of the Board are financed. The acquisition, use and balances of ACPS' expendable financial resources and the related liabilities are accounted for through governmental funds. ACPS' main operating fund is reported as a major fund. Major funds are determined based on the ratio of each fund compared to the fund category total or by management discussion. The following are ACPS' major governmental funds:

- **General Fund** – the General Fund is the primary operating fund of ACPS. It is used to account for all financial resources, except those required to be accounted for in another fund.
- **Capital Projects Fund** – the Capital Projects Fund is used to account for financial resources used in the acquisition, construction or renovation of ACPS facilities.
- **Grants and Special Projects Fund** – is a special revenue fund used to account for Federal, State, non-profit, and private industry grants that are restricted to expenditures for specific purposes.
- **School Nutrition Fund** is a special revenue fund which accounts for the activities of the cafeterias operating in each school. Revenues include federal and state funds, donated commodities, charges for services, and other sales.

Proprietary funds – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations.

- **Health Benefits Fund** – is an internal service fund. This fund was created to better manage health care expenses within ACPS. The primary source of revenue for this fund are employer contributions paid by other funds and employee contributions deducted from employee pay on a semi-monthly basis.

Fiduciary funds – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Board's programs. The following are ACPS fiduciary funds.

- **Pension and Other Employee Benefit Trust Funds** – Pension and other employee benefit trust funds are fiduciary funds used to account for assets held in a trustee capacity for the members and beneficiaries of the Employees' Supplemental Retirement Plan and for the School Other Post-employment Benefits (OPEB) Trust Fund.
- **Agency Fund** – the Student Activity Fund accounts for student activity monies held by the school principals at each school.

c) Budgetary Comparison Schedule

ACPS is required to present certain required supplementary information (RSI) within its basic financial statements. Demonstrating compliance with the legally-adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the school's annual operating budget and have a keen interest in following the actual financial progress over the course of the year. The budgetary information presents the original budget, the final budget and actual results.

d) Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds are reported using the accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Federal and State reimbursement-type grants revenues are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. ACPS considers all non-reimbursement type revenues available if they are collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and workers' compensation. Liabilities for compensated absences and workers compensation are recognized as fund liabilities and expenditures when amounts are due and payable.

State aid is recorded at the time of receipt or earlier, if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

Under the accrual basis of accounting, revenues are recognized when earned. Deferred inflows of resources arise when assets are recognized before revenue recognition criteria have been satisfied. Grant proceeds received before the eligibility requirements are met are recorded as deferred inflows of resources. Revenue from the United States Department of Agriculture in the form of commodities is considered earned when the commodities are used. The value of unused commodities is reported as unearned revenue.

The pension and OPEB trust funds are accounted for on a flow of economic resources measurement focus. With this focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Member and employer contributions are recognized in the period when due and ACPS has made a formal commitment to fund employees' contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Agency funds are custodial in nature and do not involve measurement of results of operations.

e) Encumbrance Accounting

Encumbrance accounting, which is the recording of purchase orders, contracts and other monetary commitments in order to reserve applicable portions of an appropriation, is used as an extension of formal budgetary control.

Encumbrances outstanding at year-end are classified as assigned in the General Fund or as assigned or restricted fund balance in the non-General Funds. Annual appropriations that are not spent or encumbered, lapse at year-end.

f) Cash and Investments

ACPS cash balances in all governmental and proprietary funds are held by the City and are invested to the extent available by the City Treasurer. These balances are invested in repurchase agreements and obligations of the federal government and are recorded at fair value. The fair value of investments is based on quoted market prices. These balances are reflected as Equity in Pooled Cash and Investments in the financial statements. The portions of ACPS cash balances attributable to the Grants and Special Projects, School Nutrition and Health Benefits funds are reflected in those funds as Due from/to other funds, while the General fund reflects an offsetting amount as Due to/from other funds. See section h) Interfund Transactions for additional information. The pension and OPEB investments reflected in the Fiduciary Funds are discussed in Note 2. The cash in the Agency Fund represents the student activity fund cash balances in the separate bank accounts maintained by the individual schools. Since these funds are accounted for on the cash basis of accounting, accrued interest on certificate of deposits with a term of maturity longer than 1 year is not reflected in the cash balance.

g) Due from Other Governments

The amount due from other governments consists primarily of receivables from state entitlements and federal and state reimbursement of grants expenditures.

h) Interfund Transactions and Other Financing

Cash for governmental and proprietary funds is held, as pooled cash, by the City, and reflected in the General Fund's Due from the City balance. Governmental and proprietary funds reflect their equity interest in the pooled cash held by the City as due to or due from the General Fund. These amounts are eliminated in the government-wide Statement of Net Position. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds.

The composition of interfund receivables and payables balances as of June 30, 2020 were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 4,048,512	\$ 6,548,655
Capital Projects Fund	3,356,404	-
Grants & Special Projects Fund	-	4,048,512
School Nutrition Fund	3,192,251	-
Total	<u>\$ 10,597,167</u>	<u>\$ 10,597,167</u>

Interfund transfers and other financing amounts for the year ended June 30, 2020 were as follows:

Fund	Other Financing Uses	Other Financing Sources
	Transfers To Other Funds	Transfers From Other Funds
General Fund	\$ 1,555,604	\$ -
Grants & Special Projects Fund	-	1,555,604
Total	<u>\$ 1,555,604</u>	<u>\$ 1,555,604</u>

Transfers were made to move resources from the General Fund to Grants and Special Projects Funds for costs incurred in the Virginia Pre-school Initiative program.

i) Inventories and Prepaid Items

Inventories consist of various consumable supplies and commodities maintained by the Food and Nutrition Services office. The School Nutrition Fund values and carries its inventory on a cost basis using the weighted-average method. The purchase method of accounting is used in the governmental funds. Reported inventories in the governmental funds are equally offset by a nonspendable fund balance designation which indicates the inventories do not constitute "available spendable resources". Food commodities received from the United States Department of Agriculture (USDA) are stated at fair market value and the amount consumed is recognized as revenue. The amount of unused food commodities is reported as inventory and unearned revenue.

Prepaid Items reflect certain payments to vendors for costs applicable to future accounting periods. These transactions are recorded as prepaid items in both the government-wide and governmental fund financial statements using the consumption method. Prepaid items in the governmental funds are classified as nonspendable in the fund balance. Refer to Note 3 for additional information on prepaid items.

j) Capital Assets

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the ACPS capitalization threshold is met.

Capital assets are defined by ACPS as assets with an initial, individual cost of more than \$5,000. Major additions, including those that significantly prolong a capital asset's economic life or expand its usefulness, are capitalized. Normal repairs that merely maintain the asset in its present condition are recorded as expenses and are not capitalized. Depreciation expense for capital assets is identified with a specific function and is included as a direct expense on the statement of activities.

All capital assets are capitalized at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition value at the date of donation. ACPS does not own any infrastructure. Upon sale or retirement of equipment, the cost and related accumulated depreciation, if applicable, are eliminated from their respective accounts and any resulting gain or loss is included in the results of operations.

All reported capital assets other than land and construction in progress are depreciated. Building

improvements are depreciated over the shorter of ten years or the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Building improvements	10 years
Furniture and equipment	5-10 years

k) Deferred Outflows

A deferred outflow of resources represents a consumption of net position that applies to a future period, and so, will not be recognized as an outflow of the resources (expenditure) until the future period. At June 30, 2020, ACPS had \$63.1 million of deferred outflows of resources, approximately \$56.1 million pertain to retirement plans and \$7.0 million for OPEB plans. These deferrals were caused by employer retirement contributions made after the plan measurement dates, differences between expected/actual investment earnings, actual employer contributions, changes in assumptions, and proportionate share and expected/actual experience.

l) Deferred Inflows

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For government-mandated and voluntary non-exchange transactions, a deferred inflow is reported when resources are received before time requirements are met. At June 30, 2020, ACPS had \$30.4 million of deferred inflows of resources, approximately \$23.9 million pertain to retirement plans and \$6.4 million for OPEB plan. These deferrals were caused by differences between projected and actual proportionate share of contributions, projected and actual investment earnings, changes in assumptions, and expected versus actual experience.

m) Compensated Absences

ACPS accrues compensated absences when vested. All annual and vested sick leave benefits are accrued as a liability when earned by the employees and are reported in the government-wide financial statements. The only portion of the accrued compensated absences liability that is reported in the governmental funds is that which pertains to those employees who retired or resigned on or before June 30, 2020, and have not received payment for their accrued compensatory leave as of June 30, 2020.

Annual Leave: Eligible ACPS employees are granted annual leave in varying amounts, based on length of service. Upon retirement, resignation, termination, or death, employees may be compensated for accrued leave at their current per diem rate of pay up to a maximum of 45 annual leave days. Annual leave is accrued as it is earned or advanced.

Sick Leave: Sick leave eligibility and accumulation is specified in the employee handbooks. Upon retirement, resignation, or death, employees receive a lump-sum payment based on daily rates approved by the Board. ACPS does not compensate terminated employees for unused sick leave unless they have completed three consecutive years of employment. Sick leave is accrued for the amount earned and vested.

Personal Leave: Full-time employees are granted four personal leave days per year and may accumulate up to eight days per year. Unused personal leave accumulated in excess of the eight days may be carried forward at the end of the year as accumulated sick leave or annual leave, depending upon the employee group. Personal leave is credited to each employee at the beginning of each contract year.

n) Net Position

Net position represent the difference between assets and deferred inflows combined and liabilities and deferred outflows combined on the government-wide statements. In the government-wide fund financial statements, ACPS' net position fall into three categories: net investment in capital assets, restricted and unrestricted. The first category represents the portion of net position related to capital assets, net of accumulated depreciation and any related debt or capital lease obligations. The restricted category represents the position with constraints placed upon their use. The constraints are either: (1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or (2) imposed by law or through constitutional provisions or enabling legislation.

The unrestricted category represents the remaining amount of net position that may be used to meet ACPS' ongoing programs. In the fiduciary fund financial statements, ACPS' net position is categorized as held in trust for pension benefits, which represent the amount of assets accumulated for the payment of benefits to the beneficiaries of the ACPS Supplemental Retirement Plan. When both restricted and unrestricted net position is available for an expense, ACPS applies restricted resources first.

o) Fund Balance

Fund balance is categorized within one of the five classifications listed below based primarily on the extent to which the School Board is bound to observe constraints imposed upon the use of resources in the governmental funds. ACPS classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Criteria include items that are not expected to be converted into cash, for example inventories or prepaid items.

Spendable Fund Balance

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the division through formal action by the School Board, the highest level of decision making authority. Committed balances are classified as such as a result of the School Board taking formal action and adopting a resolution which can only be modified or rescinded by a subsequent formal action.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Chief Financial Officer and Director of

Accounting are authorized by the School Board to assign Fund Balance amounts for specific purposes.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

ACPS uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements. Additionally, ACPS would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Board approved a resolution to delegate the authority to assign fund balance to the Chief Financial Officer and Director of Accounting.

ACPS does not have a formal minimum fund balance policy, since the division is fiscally dependent upon the City and the City maintains an adequate fund balance.

For further details of the various fund balance classifications, refer to Note 12.

p) Use of Estimates

The preparation of the accompanying financial statements required management to make estimates and assumptions about certain amounts included in the financial statements. Actual results will invariably differ from these estimates.

q) Pension and Other Post-Employment Benefits Trust Funds

A trust fund is used to account for assets held in a trustee capacity. The pension trust fund is used to account for the Supplemental Retirement System of Alexandria City Public Schools, a single-employer defined benefit pension plan. The Other Post-employment Benefit Trust Fund accounts for accumulating and investing for post-employment health benefit subsidies.

r) Pensions

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Supplemental Retirement Plan and the additions to/deductions from the Employees' Supplemental Retirement Plan's net fiduciary position have been determined on the same basis. 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.

s) Other Post-Employment Benefits (OPEB)

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

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

t) Accrued Personnel Services

At the discretion of ACPS, teachers' payroll is expended over the 10 or 11 month school year contract. Consequently, accrued personnel services at June 30, 2020 include salaries earned prior to year-end but not distributed until the months of July and August 2020.

u) Income Tax

ACPS, as a component unit of the City of Alexandria, is exempt from all income taxes imposed by any governing body, and, accordingly, no provision for income taxes is recorded.

v) Governmental Accounting Standards Board (GASB) Pronouncements

During the fiscal year ended June 30, 2020, ACPS adopted the following new accounting standard issued by the Governmental Accounting Standards Board (GASB):

Summary of Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

As a result, ACPS will implement GASB Statement No. 84, Fiduciary Activities, in the fiscal year ending June 30, 2021 and GASB Statement No. 87, Leases, in the fiscal year ending June 30, 2022.

NOTE 2. Deposits and Investments

ACPS cash balances from all funds are combined and invested to the extent available by the City Treasurer. ACPS maintains a controlled disbursement account by which funds are automatically transferred from the City's pooled account to pay ACPS checks drawn on the ACPS account. Since ACPS' cash and investments are maintained and controlled by the City, ACPS' equity in pooled cash held in the City treasury is presented in the financial statements as due from the City of Alexandria.

A. Deposits

As of June 30, 2020, the carrying value of ACPS' deposits held by the City was \$1.5 million in overdraft, of which the City will guarantee payment. ACPS's balances for student activity agency funds was \$0.74 million and the carrying amount of deposits held by area financial institutions was \$0.74 million. The entire bank balance for each of these accounts was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. Funds deposited in accordance with the requirements of the Act are considered fully secured. The City maintains all ACPS funds except for those of the agency fund, which are maintained by school principals, and the pension trust fund, which is maintained by the pension administrator.

B. Investments

The City Treasurer's investment policies apply to the ACPS investments controlled by the City. The Treasurer's investment policy addresses custodial risk, interest rate risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. There is no foreign currency risk since the City's investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, banker's acceptances and repurchase agreements fully collateralized in obligations of the United States and agencies thereof and the State Treasurer's Local Government Investment Pool (LGIP), CDARS (the Certificate of Deposit Account Registry Service), ICS (Insured Cash Sweeps) and NOW accounts (Negotiable Order of Withdrawal).

During fiscal year 2020, most of the City investments were placed in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is under the supervision of the Virginia Treasury Board and audited by the Auditor of Public Accounts. However, some investments were made in CDARS, ICS and NOW accounts where deposits are eligible for FDIC insurance. The LGIP is rated 'AAAm' by Standard & Poor's Rating Services. This rating is the highest principal stability fund rating assigned by Standard & Poor.

The City and its discretely presented components units' investments are subject to interest rate, credit and custodial risk as described below.

- **Interest Rate Risk-** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than one year.
- **Credit Risk** – State Statutes authorize the City to invest in obligations of the US or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and Virginia Local Government Investment Pool. The City's current investment policy limits investments to obligations of the US and agencies thereof,

commercial paper and repurchase agreements fully collateralized in the Obligations of the United States and agencies thereof and the State Treasurer's Local Government Investment Pool (LGIP), CDARS (the Certificate of Deposit Account Registry Service, a service that allows FDIC insured institutions to provide their customers with access to full FDIC insurance on CD investments up to \$50 million), Insured Cash Sweeps (ICS) and NOW accounts (Negotiable Order of Withdrawal, an interest bearing bank account with which the customer is permitted to write drafts against money held on deposit). During the fiscal year, the City held its investments in LGIP, CDARS, ICS and NOW accounts, commercial paper, and investments of US agencies and VA municipalities.

- **Custodial Risk** – For an investment, custodial risk is the risk that in the event of the failure of the counter party the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Currently all City investments are held in LGIP, CDARS, ICS and NOW accounts. In the event the City has to invest in a local bank, the City requires a designated portfolio manager and, at the time funds are invested, collateral for repurchase agreements be held in the City's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account.

ACPS participates in three pension plans, see Note 7. Two of these plans are part of the Virginia Retirement System (VRS) and are managed by the Commonwealth of Virginia. The Board has directed the Principal Financial Group, a company with an A+ (Superior) rating, the second highest, by A.M. Best rating agency, to invest funds for the School Supplemental Retirement defined benefit pension plan. Assets of the pension plans are invested by the pension carriers in accordance with the provisions of the Code of the Commonwealth of Virginia. The Board requires the pension carrier to invest the funds in a manner that fully guarantees the principal amount of the plan's assets.

At June 30, 2020, the trust and pension plan investment balances for ACPS were as follows:

	INVESTMENT MATURITIES (in months)			
	Fair Value	Less than 1 year	13-24 months	Longer than 60 months
OPEB Trust Investments	\$ 21,698,465	\$ -	\$ -	\$ 21,698,465
Pension Plan Investments	127,313,276	-	-	127,313,276
Total Trust and Pension Plan Investments	149,011,741	-	-	149,011,741
Total Investments	<u>\$ 149,011,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,011,741</u>

The pension plan investments consist of unallocated insurance contracts which are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less refunds used to purchase annuities or pay administrative expenses. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets.

The following is a reconciliation of total deposits and investments to the government-wide financial statements and statement of fiduciary net position at June 30, 2020.

Financial Section-Notes to the Basic Financial Statements

Investments (controlled by the City)	\$ 64,048,589
Excess of outstanding checks over bank balance	<u>(1,529,942)</u>
Net Investment balances for governmental activities	62,518,647
Investments held in trust for retirement benefits	<u>149,011,741</u>
Net governmental and fiduciary investments	211,530,388
Cash held on behalf of student activity funds	<u>742,214</u>
Total	<u><u>\$ 212,272,602</u></u>

C. ACPS OPEB Trust Fund*Deposit and Investment Policies*

The authority to establish the trust fund is set forth in Section 15.2-1244 of the Code, which provides for the purchase of investments that meet the standard of judgment and care set forth in Section 51.1-803 of the Code. ACPS, in accordance with this election, has joined the Virginia Pooled OPEB Trust Fund. Deposits to this trust are irrevocable and are held solely for the payment of OPEB benefits for ACPS.

ACPS invests the OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACo). The Pooled Trust is a pooled investment vehicle for participating local governments, school districts, and authorities in the State to accumulate and invest assets to fund other post-employment benefits. Investment decisions are made by the Board of Trustees (Trustees) of the Pooled Trust.

The ACPS OPEB Trust Fund's investment as of June 30, 2020, is summarized below:

Investment Type	Fair Value
Cash & Equivalents	\$ 961,242
Bonds	5,355,181
Mutual Funds	10,139,693
Real Estate	1,367,003
Global Asset Funds	<u>3,875,346</u>
Total Investments	<u><u>\$ 21,698,465</u></u>

D. ACPS Investments Measured at Fair Value

ACPS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are valued using prices quoted in active markets for identical assets. Level 2 inputs are observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or other inputs that are observable or can be corroborate by observable market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of ACPS as of June 30, 2020.

Investments by Fair Value Level	6/30/2020	Fair Value Measurement Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Employees' Supplemental Retirement Plan			
<i>Equity Asset Class</i>			
Principal Global Investors	\$ 35,512,951	\$ -	\$ 35,512,951
Causeway/Barrow Hanley	4,788,751	-	4,788,751
<i>Fixed Income Asset Class</i>			
Mellon Capital Mgmt	4,104,539	-	4,104,539
Principal Global Investors	69,795,489	-	69,795,489
<i>Real Estate</i>			
Principal Real Estate Investments	13,111,546	-	13,111,546
Total Supplemental Retirement Investments	127,313,276	-	127,313,276
Total investments by fair value level	127,313,276	-	127,313,276
Investments measured at the net asset value (NAV)			
Investment in Internal Investment Pool Controlled by the City	62,518,647		
VACO/VML Pooled OPEB Trust Fund (Portfolio I)	21,698,465		
Total investments measured at net asset value (NAV)	84,217,112		
Total investments measured at fair value	\$ 211,530,388		

At the end of FY 2020, for investments controlled by the City Treasurer, \$366.5 million were measured at net asset value (NAV).

NOTE 3. Prepaid Items

As of June 30, 2020, prepaid items totaled \$1.6 million and represent payments to vendors applicable to future accounting periods.

NOTE 4. Due from Other Governments

Amounts due from other governments at June 30, 2020 were:

A. Federal Government	
National School Meal Program	\$ 491,276
JROTC	11,259
Adult Literacy Services	46,930
Career and Technical Education -- Basic Grants to States	262,024
Title I Grants to Local Educational Agencies	3,232,919
Improving Teacher Quality State Grants	144,757
English Language Acquisition State Grants	94,163
Special Education-Preschool Grants	46,364
Special Education-Grants to States	986,347
Education for Homeless Children and Youth	4,390
21st Century Community Centers	185,537
Child Care Development Fund	33,580
Safe Routes to School	46,137
Student Support and Academic Enrichment Grants	49,956
Total due from the Federal Government	<u>5,635,639</u>
B. Commonwealth of Virginia	
Technology VPSA	492,000
Juvenile Detention	458,918
VA Medicaid Assistance	25,513
State Sales Tax accrual	767,810
Total due from the Commonwealth of Virginia	<u>1,744,241</u>
C. City of Alexandria	
Capital Projects	3,922,637
Adult Detention	60,302
Total due from the City of Alexandria	<u>3,982,939</u>
Total due from other governments	<u><u>\$ 11,362,819</u></u>

Financial Section-Notes to the Basic Financial Statements

NOTE 5. Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2020.

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not depreciated				
Land	\$ 999,381	\$ -	\$ -	\$ 999,381
Construction-in-progress	700,655	757,599	700,655	757,599
Total capital assets not depreciated	1,700,036	757,599	700,655	1,756,980
Other capital assets:				
Buildings and building improvements	43,138,877	1,169,480	-	44,308,357
Furniture and equipment	24,164,547	2,585,650	704,679	26,045,518
Total other capital assets	67,303,424	3,755,130	704,679	70,353,875
Less accumulated depreciation for:				
Buildings and building improvements	38,032,812	495,817	-	38,528,629
Furniture and other equipment	15,370,650	2,162,251	704,679	16,828,222
Total accumulated depreciation	53,403,462	2,658,068	704,679	55,356,851
Total other capital assets, net	13,899,962	1,097,062	-	14,997,024
Total Capital Assets, net	\$ 15,599,998	\$ 1,854,661	\$ 700,655	\$ 16,754,004

* Depreciation expense was charged to governmental functions as follows:

General instruction	\$ 124,896
Pupil transportation	1,033,420
Administration	885,577
Plant operations and maintenance	422,824
Food services	191,351
Total governmental activities depreciation expense	<u>\$ 2,658,068</u>

In response to GASB Statement No. 34, the Virginia General Assembly passed a law that establishes local option of creating, for financial reporting purposes, a tenancy in common between the city and the local school board when a city issues bonds for financing school construction. The sole purpose of the law is to allow cities and counties the ability to match the recording of school assets and related liabilities. As a result, certain school assets financed with the City's general obligation bonds are recorded as part of the primary government rather than as part of ACPS. According to the law, the tenancy in common ends when the associated general obligation bonds are repaid; at which time, the assets will revert to the ACPS. Capital debt financing activities are only reported in the City's financial statements. As of June 30, 2020, the City holds approximately \$399.1 million in gross assets used by ACPS. No capital assets reverted to ACPS in 2020.

Capital outlays are reported as expenditures in the governmental funds; however, in the statement of activities, the cost of capitalized assets is allocated over their useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Financial Section-Notes to the Basic Financial Statements

Capital outlay	\$ 12,383,016
Other assets	985,137
Total capital outlay	13,368,153
Capital outlay not capitalizable	(9,556,079)
Total capitalized assets, net	3,812,074
Depreciation expense	(2,658,068)
Total adjustments	\$ 1,154,006

NOTE 6. Lease Obligations*Operating Leases*

ACPS leases office equipment and office space under various long-term leases expiring at various dates. Certain leases contain provisions for possible future increased rentals based on changes in the Consumer Price Index. Total costs for such leases were \$3.1 million for the year ended June 30, 2020.

During September 2013, ACPS signed a 15 year lease agreement to relocate the central office and various other ACPS departments. The original lease began June 1, 2014 and was amended to begin April 21, 2014. This lease includes a 16.8 month rent abatement period. The period of rent abatement is from April 21, 2014 to September 15, 2015 and the value of the abatement was approximately \$2.91 million. The rent abatement will be amortized over the life of the lease. Total future minimum payments for this lease are included in the schedule of minimum lease payments below.

Scheduled minimum lease payments for succeeding fiscal years ending June 30 are as follows:

	Real Estate	Equipment
Fiscal Year		
2021	\$ 3,077,740	\$ 15,822
2022	3,056,481	15,822
2023	3,140,535	15,822
2024	3,066,882	-
2025	3,013,114	-
Thereafter	12,617,906	-
Total	\$ 27,972,658	\$ 47,466

Capital Leases

In May 2016, ACPS entered into a capital lease agreement for district-wide copier printers and scanners with a lease commencement date of July 01, 2016. The lease term is for 5 years and provides for lease payments totalling \$3.2 million over the life of the lease. The annual lease payments are reflected in the below table.

Fiscal Year	Payments
FY 2021	\$ 646,074
Total Payments	646,074
Portion representing interest	(6,600)
Total Principal Amount	\$ 639,474

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 3,084,226
Less accumulated depreciation	(2,467,381)
	<u>\$ 616,845</u>

Current year depreciation expense for the assets acquired through capital lease is included in the depreciation expense disclosed in Note 5.

NOTE 7. Retirement Plans

ACPS participates in three public employee retirement systems (PERS). Two of these systems, a cost-sharing multiple-employer plan (professional) and an agent multiple-employer plan (non-professional), are administered by the Virginia Retirement System (VRS) and are, therefore, not reflected as ACPS pension trust funds. The third plan, Employees' Supplemental Retirement Plan (Supplemental Plan), is a single-employer defined benefit plan, where a stated methodology for determining pension benefits is provided. This plan is part of ACPS' reporting entity and, as such, is reflected as a Pension Trust Fund.

The actuarial valuation for the Supplemental Plan is performed annually. The actuarial valuation for VRS is performed biennially; however, an actuarial update is performed in the interim year.

In the Supplemental Plan, no changes occurred in the actuarial valuation assumptions, plan benefits, actuarial cost method or procedures affecting the comparability of costs.

A. Virginia Retirement System

Plan Description

All full-time salaried permanent (professional) employees of Alexandria City Public Schools (ACPS) are automatically covered by the VRS Teacher Retirement Plan upon employment. All full-time salaried permanent employees (non-professional) of ACPS are automatically covered by the VRS Political Subdivision Retirement Plan. These plans are administered by the Virginia Retirement System (The System or VRS) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

Financial Section-Notes to the Basic Financial Statements

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The Retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at Retirement using a formula.</p>	<p>About the Hybrid Retirement Plan</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 on member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members</p> <p>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>Hybrid Opt-In Election</p> <p>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>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p><i>Political Subdivision Plan Only:</i></p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: School division employees and Political subdivision employees*</p> <p>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> <p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <p>Political Subdivision employees who are covered by enhanced benefits for hazardous duty employees.</p> <p>Those employees eligible for an optional retirement plan (ORP) must elect the Hybrid retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a</p>	<p>Retirement Contributions</p> <p>Same as Plan 1.</p>	<p>Retirement Contributions</p> <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and</p>

Financial Section-Notes to the Basic Financial Statements

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
pre-tax salary reduction. Member contributions are tax –deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.		the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Service Credit Same as Plan 1.	Service Credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting 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 year (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make	Vesting Same as Plan 1.	Vesting <u>Defined Benefit Component</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Financial Section-Notes to the Basic Financial Statements

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
		<p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years a member is 50% vested and may withdraw 50% of employer contributions • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>
<p>Calculating the Benefit</p> <p>The Basic Benefit is determined using the average final compensation, service credit and plan multiplier.</p> <p>An early retirement reduction is applied to this amount, if the member is retiring with a reduced benefit.</p> <p>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>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><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>Average Final Compensation</p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier</p> <p>VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The Retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier</p> <p>VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier</p> <p><u>Defined Benefit Component:</u> VRS: the retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age</p> <p>VRS: Age 65.</p>	<p>Normal Retirement Age</p> <p>VRS: Normal Social Security retirement age.</p>	<p>Normal Retirement Age</p> <p>VRS: <u>Defined Benefit Component:</u> Same as Plan 2.</p>

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	Earliest Unreduced Retirement Eligibility VRS: Defined Benefit Component: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) if creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Defined Benefit Component: Age 60 with at least five years (60 months) of creditable service.. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following unreduced retirement eligibility date. Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December	Cost-of Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%. Eligibility: Same as Plan 1. Exceptions to COLA Effective Dates: Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution component: Not applicable. Eligibility: Same as Plan 1 and Plan 2. Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.

Financial Section-Notes to the Basic Financial Statements

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
<p>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 of 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>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of school divisions and political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit component:</u> Same as 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>

VRS Political Subdivision Retirement Plan

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Active Members	252
Inactive members:	
Vested inactive members	33
Non-vested Inactive Members	79
LTD	-
Inactive members active elsewhere in VRS	48
Total Inactive Members	160
Inactive members or their beneficiaries currently receiving benefits	202
Total Covered Employees	614

Contributions

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

ACPS' contractually required contribution rate for the year ended June 30, 2020 was 1.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from ACPS were \$0.4 million and \$0.5 million for each of the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For ACPS, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial

valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions- General Employees

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

Actuarial Assumptions	
Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 Percent, net of pension plan investment expense, including inflation*
Mortality rates:	
Largest 10- Non-LEOS:	20% of deaths are assumed to be service related
- Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement	RP-2014 Disability Mortality Table Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
All Others (non 10 Largest) Non-LEOS:	15% of deaths are assumed to be service related
- Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement	RP-2014 Disability Mortality Table Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.	

Financial Section-Notes to the Basic Financial Statements

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

Largest 10-Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement at older ages
- Decrease in rates of disability retirement
- Adjusted withdrawal rates to better fit experience

All Others (Non 10 Largest)-Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement at older ages
- Decrease in rates of disability retirement
- Adjusted withdrawal rates to better fit experience

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return⁽¹⁾
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		⁽¹⁾ Expected arithmetic nominal return	7.63%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate.

For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	<i>Increase(Decrease)</i>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2018	\$ 43,106,057	\$ 48,156,122	\$ (5,050,065)
Changes for the year:			
Service Cost	718,880		718,880
Interest	2,927,788		2,927,788
Differences between expected and actual experience	(1,046,591)		(1,046,591)
Changes in assumptions	1,119,429		1,119,429
Contributions - employer	-	71,642	(71,642)
Contributions - employee	-	368,198	(368,198)
Net investment income	-	3,127,139	(3,127,139)
Benefit payments, including refunds of employee contributions	(2,561,036)	(2,561,036)	-
Administrative expenses	-	(32,402)	32,402
Other changes	-	(1,961)	1,961
Net changes	1,158,470	971,580	186,890
Balances at June 30, 2019	\$ 44,264,527	\$ 49,127,702	\$ (4,863,175)

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

The following presents the net pension liability of ACPS using the discount rate of 6.75%, as well as, what ACPS 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%) Decrease 5.75%	Current Discount Rate 6.75%	(+1%) Increase 7.75%
Net Pension Liability (Asset)	\$ 71,484	\$ (4,863,175)	\$ (8,841,562)

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

For the year ended June 30, 2020, ACPS recognized pension expense of \$50,864. As of June 30, 2020, ACPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 416,213
Employer contributions subsequent to the measurement date	84,564	
Change in assumptions	722,468	2,271
Differences between expected and actual experience	-	725,330
Total	<u>\$ 807,032</u>	<u>\$ 1,143,814</u>

The \$0.1 million reported as deferred outflows of resources related to pensions resulting from ACPS's contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ (17,638)
2022	(429,618)
2023	(7,759)
2024	33,669
2025	-
Thereafter	-
	<u>\$ (421,346)</u>

Payables to the Pension Plan

At June 30, 2020, ACPS reported payables to the VRS Political Subdivision Retirement Plan of \$50,000. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the fiscal year.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/Publications/2019-annual-report.pdf>, or by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS Teachers Retirement Plan

The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Retirement Plan and the additions to/deductions from the VRS Teacher Employee Retirement Plan's net fiduciary position have

been determined on the same basis as they were reported by the VRS. In addition, 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.

Contributions

The contribution requirement for active employees is governed by Title 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school division by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from ACPS were \$32.1 million for each of the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, ACPS reported a liability of \$243.8 million for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. ACPS' proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 1.85247% as compared to 1.83585% at June 30, 2018.

For the year ended June 30, 2020, ACPS recognized pension expense of \$27.2 million. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 5,353,172
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,925,807	1,327,742
Changes in assumptions	24,141,478	-
Differences between expected and actual experience	-	15,611,261
Employer contributions subsequent to the measurement date	24,274,217	-
Total	<u>\$ 52,341,502</u>	<u>\$ 22,292,175</u>

Financial Section-Notes to the Basic Financial Statements

The deferred outflows of resources of \$24.3 million related to pensions, resulting from the school division's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 1,577,792
2022	(4,281,096)
2023	2,094,451
2024	4,266,326
2025	2,117,637
Thereafter	-
	<u><u>\$ 5,775,110</u></u>

Actuarial Assumptions

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

Actuarial Assumptions	
Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95 percent
Investment rate of return	6.75 Percent, net of pension plan investment expense, including inflation*
Mortality rates:	
- Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.
* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.	

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

Changes to the actuarial assumptions as a result of the experience study are as follows:

- Updated mortality table
- Lowered rates of retirement at older ages
- Adjusted rates of withdrawals for 0 through 9 years of service
- Adjusted rates of disability to better match experience

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	<u>36,522,769</u>
Employers' Net Position Liability	<u>\$ 13,160,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>73.51%</u>

with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long – Term Expected Rate of Return

The long-term expected rate of return on pension System investments were 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:

Financial Section-Notes to the Basic Financial Statements

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return ⁽¹⁾
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		⁽¹⁾ Expected arithmetic nominal return	7.63%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by ACPS 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, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	(-1%) Decrease 5.75%	Current Discount Rate 6.75%	(+1%) Increase 7.75%
ACPS' proportionate share of VRS			
Teacher Plan Net Pension Liability	\$ 367,018,259	\$ 243,795,579	\$ 141,913,245

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019annualreport.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2020, ACPS reported payables to the VRS Teacher Retirement Plan of \$3.4 million. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the fiscal year.

B. Employees' Supplemental Retirement Plan*Plan Description*

The Employees' Supplemental Retirement Plan (the Plan) is a single-employer defined benefit plan sponsored by ACPS. The Plan is governed by the Alexandria School Board (Board) which has the authority to make all investment and policy decisions impacting the Plan's existence, investments, benefits, and administration. The Board has established an Investment Advisory Board (Advisory Board) to monitor and manage the Plan. The Advisory Board consist of five members: 1) the Plan Administrator/ ACPS Chief Human Resource Officer; 2) the Plan Investment Officer/ ACPS Chief Financial Officer; 3) one teacher member selected from among active employee participants; 4) one retired member actively earning benefits from the plan; and 5) one certified investment management professional. The Board has contracted with the Principal Financial Group to manage certain plan assets and administer the retirement benefits to the plan participants.

The purpose of the Plan is to provide supplemental retirement benefits to employees of Alexandria City Public Schools. Statutory authority for the establishment of this Plan is provided by the *Code of Virginia* §51.1-800 through §51.1-803.

All full-time employees are eligible to participate in the Plan as of July 1, 1961, if classified as a twelve month employee. Ten-month employees were eligible to participate in the Plan as of July 1, 1971. The Plan's fiscal year end is August 31. The net pension liability reported for period ending August 31, 2019 was measured as of August 31, 2019, using the total pension liability that was determined by an actuarial valuation as August 31, 2019.

The Plan's policy is to prepare its financial statements on the accrual basis of accounting. The Plan does not issue a separate, publicly-available financial report.

Measurement Date

A measurement date of August 31, 2019 has been used for GASB 68 reporting.

Benefits provided

The Plan provides disability and death benefits. Benefits at retirement are based upon years of service and the average earnable compensation of an eligible employee during any three years that provide the highest average earnable compensation and are adjusted for inflation after retirement. Benefits at early retirement are reduced by an early retirement factor. Employees are considered vested on or after completing five years of service, or on or after attaining age 60. Employees who retire at or after age 65 or after age 50 with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.40 percent of effective compensation multiplied by credited future service on and after September 1, 1984, and 1.625 percent of effective compensation not to exceed \$100 plus 0.25 percent of the amount by which effective compensation exceeds \$100 multiplied by credited past service before September 1, 1984, and 1.625 percent of past service compensation in excess of \$100 plus 0.25 percent of past service compensation in excess of \$100 times credited past service. There have been no changes in plan provisions during the measurement period.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The funding policy of the Plan provides for monthly contributions at actuarially-determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the Plan's actuarial valuation report. Starting January 2013, contributions were made at the rate of 1.50% of covered payroll. During FY 2020, only ACPS employees contributed to the Plan. These contributions totaled \$2.7 million for the fiscal year ended June 30, 2020. Administrative costs of the Plan are paid from the Plan's assets.

Investment policy

The objective of the Plan is to maintain actuarial soundness so that funds will be available to meet contractual benefit obligations. The investment policy may be amended by the Board at any time. Principal Financial Advisors, Inc., a registered investment advisor and wholly-owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation strategy for the Plan. The following was the Plan's adopted asset allocation policy as of August 31, 2019.

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Expected Geometric Return
U.S Equity - Large Cap	26.02%	7.70%	6.35%
U.S Equity - Mid Cap	2.84%	7.95%	6.35%
U.S Equity - Small Cap	2.76%	8.50%	6.35%
Non-US Equity	11.67%	7.95%	6.35%
REITs	1.00%	7.60%	5.95%
Real Estate (direct property)	10.13%	5.55%	5.25%
TIPS	1.50%	3.50%	3.35%
Core Bond	41.08%	4.00%	3.90%
High Yield	3.00%	6.45%	6.00%
Total	100.00%		
Exp LTROA (arithmetic mean)	5.92%		
Portfolio Standard Deviation	8.24%		
40th percentile	5.03%		
45th percentile	5.31%		
Expected Compound Return	5.60%		
55th percentile	5.89%		
60th percentile	6.18%		
Portfolio Investment Mix:	Equity 43% / Fixed Income 46% / Other 11%		

Concentrations

As of the measurement date, the plan had investments (other than US Government and US Government guaranteed obligations) in only Principal Financial Group, totaling \$127.8 million, that represented 5 percent or more of the Plan's fiduciary net position.

Annual Money-Weighted Rate of Return

For the Plan year ended August 31, 2019, the annual money-weighted rate of return on plan investments for the measurement period is 3.57%. The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses.

Long-Term Expected Rate of Return

For the plan year ended August 31, 2019, the expected long-term rate of return assumption as of the end of period is 6.00%. The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2018. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2018 is 20-30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

Actuarial Assumptions

The actuarial assumptions used in the August 31, 2019 valuation were based upon the results of an actuarial assumption review for the five-year period of September 1, 2007 to August 31, 2012.

During the plan year ended August 31, 2019, there were no changes in assumptions having a material effect on the Supplemental plan.

MEMBERSHIP AND PLAN PROVISIONS (Employees' Supplemental)

Active plan members	2,517
Retirees and beneficiaries currently receiving benefits	1,270
Inactive or disabled plan members entitled to but not receiving benefits	1,616
Total	<u>5,403</u>
Normal retirement age	65 years
Benefits age	50 yrs (+30 yrs of service)
Benefits vesting years	5 years
Disability and death benefits	Yes

SIGNIFICANT ACTUARIAL ASSUMPTIONS

Long-term rate of return	6.00%
Discount rate	6.00%
Projected salary increase attributed to:	
Inflation	2.25%
Seniority /merit	4.88 - 7.18%
Retirement increases	-
Actuarial cost method	Entry Age Normal actuarial cost method
Open/closed	Open
Remaining amortization period	18 years
Asset valuation method	Contract Basis
Mortality - Pre-retirement	Pri-2012 Total base table with a 10 year Mortality Improvement Scale
Mortality - Post-reretirement	Pri-2012 Total base table with a 10 year Mortality Improvement Scale

PERCENTAGE OF COVERED PAYROLL CONTRIBUTION

Employee contribution percentage	1.50%
Employer contribution percentage	0.00%
Employee contribution, during the measurement period	\$ 2,594,245
Employer contribution	-
Total amount contributed	<u>\$ 2,594,245</u>
Covered payroll (Annual member compensation)	\$ 157,938,950
Legally-required reserves	None
Long-term contribution contracts	None

Projected Cash Flows

Projected cash flows are based upon the underlying assumptions used in the development of the accounting liabilities.

Discount Rate

The discount rate used to determine the end of period Total Pension Liability is 6.0%. The discount rate is a single rate that incorporates the long-term rate of return assumption. The long-term rate of return assumption was applied to the projected benefit payments from 2019 to 2114. Benefit payments after 2114 are projected to be \$0.00.

Net Pension Liability

The net pension liability reported for ACPS fiscal year end of June 30, 2020 was measured as of August 31, 2019, using the total pension liability that was determined by an actuarial valuation as of August 31, 2019.

Financial Section-Notes to the Basic Financial Statements

Changes in Net Pension Liability

	<i>Increase(Decrease)</i>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at August 31, 2018	\$ 130,350,127	\$ 127,205,640	\$ 3,144,487
Changes for the year			
Service Cost	3,759,230	-	3,759,230
Interest	7,846,392	-	7,846,392
Differences between expected and actual experience	106,300	-	106,300
Change in assumptions	(524,581)		
Contributions - employer	-	-	-
Contributions - employee	-	2,583,399	(2,583,399)
Net investment income	-	4,462,234	(4,462,234)
Benefit payments, including refunds of employee contributions	(6,191,280)	(6,191,280)	-
Administrative expenses	-	(235,835)	235,835
Net changes	4,996,061	618,518	4,377,543
Balances at August 31, 2019	\$ 135,346,188	\$ 127,824,158	\$ 7,522,030

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

The following presents the net pension liability of the Employees' Supplemental Retirement Plan using the discount rate of 6.0%, as well as what the pension net pension liability would be if it was calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current rate.

	(-1%) Decrease	Current Discount Rate	(+1%) Increase
	5.00%	6.00%	7.00%
Net Pension Liability (Asset)	\$ 26,386,807	\$ 7,522,030	\$ (7,944,519)

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

The Employees' Supplemental Retirement Plan pension expense for the fiscal year ended June 30, 2020 is \$7.3 million. For the year ended June 30, 2020, ACPS reported deferred inflows of resources related to pensions for this Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 868,032	\$ -
Changes in assumptions	1,969,852	477,256
Differences between expected and actual experience	145,315	-
Total	\$ 2,983,199	\$ 477,256

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

Year Ending June 30,	Amount
2021	\$ 1,877,362
2022	(290,457)
2023	311,245
2024	607,793
2025	-
Thereafter	-
Total	\$ 2,505,943

Payables to the Pension Plan

At June 30, 2020, ACPs reported payables to the Employees' Supplemental Retirement Plan of \$0.2 million.

The following is a summary of fiduciary net position of the Plan as of June 30, 2020.

Summary of Fiduciary Net Position Employees' Supplementary Retirement Plan As of June 30, 2020	
ASSETS	
Bonds	\$ 73,900,028
Mutual Funds	28,385,412
Other Investments	25,027,836
Contribution Receivable	223,149
Total assets	<u>127,536,425</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 127,536,425</u>

The following is a summary of changes in fiduciary net position of the Plan for the year ended June 30, 2020.

Summary of Changes in Fiduciary Net Position Employees' Supplementary Retirement Plan For the Year Ended June 30, 2020	
ADDITIONS	
Contributions	\$ 2,679,937
Investment Income, net	3,115,839
Total Additions	<u>5,795,776</u>
DEDUCTIONS	
Benefit payments	6,277,650
Administrative expenses	280,103
Total Deductions	<u>6,557,753</u>
Change in net position	(761,977)
NET POSITION, beginning of year	<u>128,298,402</u>
NET POSITION, end of year	<u>\$ 127,536,425</u>

Financial Section-Notes to the Basic Financial Statements

Summary of Net Pension Liabilities/Asset and Deferred Inflows and Outflows of Resources
As of June 30, 2020

	VRS - Teachers Plan				VRS - Political Subdivision Plan				Employees Supplemental Plan				Total Pension Plans			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Liability	Pension Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Asset	Pension Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Liability	Pension Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Asset	Pension Expense
Net Pension Liability	\$ -	\$ -	\$ 243,795,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,522,030	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Asset	-	-	-	-	-	-	4,863,175	-	-	-	-	-	-	-	4,863,175	-
Net difference between projected and actual earnings on pension plan investments	-	5,353,172	-	-	-	416,213	-	-	868,033	-	-	-	868,033	5,769,385	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,925,807	1,327,742	-	-	-	-	-	-	-	-	-	-	3,925,807	1,327,742	-	-
Differences between expected and actual experience	-	15,611,261	-	-	-	725,330	-	-	145,315	-	-	-	145,315	16,336,591	-	-
Changes in assumptions	24,141,478	-	-	-	722,468	2,271	-	-	1,969,851	477,256	-	-	26,833,797	479,527	-	-
Employer contributions subsequent to the measurement date	24,274,217	-	-	-	84,564	-	-	-	-	-	-	-	24,358,781	-	-	-
Pension Expense	-	-	-	27,213,613	-	-	-	50,864	-	-	-	7,260,347	-	-	-	34,524,824
Totals	\$ 52,341,502	\$ 22,292,175	\$ 243,795,579	\$ 27,213,613	\$ 807,032	\$ 1,143,814	\$ 4,863,175	\$ 50,864	\$ 2,983,199	\$ 477,256	\$ 7,522,030	\$ 7,260,347	\$ 56,131,733	\$ 23,913,245	\$ 4,863,175	\$ 34,524,824

NOTE 8. Other Post Employment Benefits (OPEB)**A. ACPS OPEB Trust Fund***Plan Description and Plan Administration*

The School Board administers a single-employer defined benefits healthcare plan. It provides medical insurance benefits to eligible retired school employees and beneficiaries. In May 2009, the School Board authorized the establishment of a trust for the purpose of accumulating and investing assets to fund Other Post Employment Benefits.

ACPS invests the OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Association of Counties and the Virginia Municipal League (VACo/VML). The Pooled Trust is an investment pooling vehicle created to allow participating local governments, school divisions, and authorities in the State to accumulate and invest assets to fund other post-employment benefits. Funds of participating jurisdictions are pooled and invested in the name of the Pooled Trust. ACPS' respective shares in the Pooled Trust are reported in the OPEB Trust Fund's financial statements. The Pooled Trust is governed by a Board of Trustees (Trustees), composed of nine (9) elected members. Trustees are elected by participants in the Pooled Trust, whose votes are weighted according to each Participating Employer's share of total Trust Fund assets. Investment decisions are made by the Trustees of the Pooled Trust. The Trustees are responsible for managing Pooled Trust assets through the appointment and oversight of investment managers and with the guidance of an investment advisor.

Eligibility

Participants in the ACPS Plan must meet the eligibility requirements based on service earned with ACPS and prior service earned from other Virginia agencies to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefits. In addition, participants must meet one of the following criteria:

VRS Tier 1:

- Attained the age of 50 with at least 30 years of service for unreduced pension retirement benefits.
- Attained the age of 50 with at least 10 years of service for reduced pension retirement benefits.
- Attained the age of 65 with at least 5 years of service.

VRS Tier 2:

- Age plus service equals 90 for unreduced pension retirement benefits.
- Age 60 with at least 5 years of service for reduced pension retirement benefits.
- Social Security Normal Retirement Age with at least five years of service.

Benefits

Program participants may continue medical coverage by paying the appropriate subsidized premium which range from \$0.00 to \$1,786.44 monthly, based on the medical plan under which the retiree is covered. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the program on average than those of active employees. The subsidies in this program are accounted for in the ACPS OPEB Trust Fund. In FY 2020, ACPS contributed up to \$265.00 for each participant.

For employees hired July 1, 2008 or earlier: ACPS contributes \$265 per month for retiree medical coverage. This Board contribution will not exceed the premium for the coverage tier elected. The retiree and dependents pay the remainder of the premium, if any.

For employees hired after July 1, 2008: The retiree must complete five years of vesting service with ACPS to receive a Board contribution. ACPS contributes a pro-rated amount of \$265 per month equal to 5% per year of service with ACPS (including the five vesting years) and other VRS employers for retiree medical coverage. A maximum of 20 years of service will be credited toward the contribution made by ACPS. This Board contribution will not exceed the premium for the coverage tier elected. The retiree and dependents pay the remainder of the premium, if any.

Actuarial Assumptions

The key actuarial assumptions used in the January 1, 2020 valuation are reflected in the chart below.

Membership and Key Actuarial Assumptions	
Active plan members	2,459
Inactive/Deferred Vested	0
Retirees and spouses	<u>620</u>
Total	3,079
Covered Payroll	\$169,644,131
Long-term Expected Rate of Return	7.0 percent
Salary increases, including Inflation	3.0 percent
Ultimate Rate of Medical Inflation	4.55 percent
Discount Rate	7.0 percent
Healthcare Cost Trend Rates	UHC POS: 9% in 2020 then grading to 4.55% in 2040; UHC MA-PD: (5%) in 2020. 9% in 2021 then grading to 4.55% in 2040; Kaiser: 0% in 2020, 6% in 2021 then grading to 4.55% in 2040
Mortality rates:	
- Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at 81 and older with Scale BB to 2020.
- Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 74 and 2% increase compounded from ages 75 to 90.
- Post-Disablement	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

Investment Policy

The Pooled Trust Board of Trustees has the responsibility for managing the investment process. In fulfilling this responsibility, the Trustees will establish and maintain investment policies and objectives. Within this framework, the Trustees will monitor and evaluate the investment managers, bank custodian, and other parties, to monitor whether operations conform to the guidelines and actual results meet objectives. If necessary, the Trustees are responsible for making changes to achieve this. The investment objective of the Pooled Trust is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The Portfolio will be structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. There were no significant changes in investment policy during fiscal year

2020.

The Trustees are responsible for setting each Portfolio's long-term asset allocation, after taking into consideration expectations for asset class returns and volatility, risk tolerance and liquidity needs.

The Pooled Trust's assets will be separately managed by professional investment managers or invested in professionally managed investment vehicles. Each Portfolio will be invested in a broadly diversified manner by asset class, style and capitalization, which will control volatility levels. The target allocation for each class of investment is shown below.

Target Allocation for OPEB Pooled Investments

As of June 30, 2020

Investment Type	Allocation	Expected Long-Term Rates of Return (real)
Large Cap Equity (Domestic)	26.00%	7.12%
Small Cap Equity (Domestic)	10.00%	8.43%
International Equity (Developed)	13.00%	8.15%
Emerging Markets Equity	5.00%	9.49%
Private Equity	5.00%	10.44%
Long/Short Equity	6.00%	5.46%
Core Bonds Fixed Income	7.00%	2.61%
Core Plus Fixed Income	14.00%	2.87%
Liquid Absolute Return Fixed Income	4.00%	3.25%
Real Estate Real Assets	10.00%	6.72%
Total	100.00%	7.76%

The expected long-term real rates of return in the above table are arithmetic; they are used as inputs for the financial model to arrive at the median returns for the portfolio which are geometric. When calculating the median rates, which are used to set the target rates, the intermediate term rates are used for the first 10 years and the long-term rates for all years thereafter.

Discount Rate

The discount rate as of June 30, 2020 is 7.00%, which is the estimated long-term rate of return on Pooled Trust investments. Projections of the Plan's fiduciary net position have indicated that it is expected to be sufficient to make projected benefit payments for current Plan members.

Measurement Date

The measurement date used for the OPEB Trust GASB 74 reporting is June 30, 2020.

Concentrations

There are no investments in any one organization that represent 5 percent or more of the OPEB Trust Fund's fiduciary net position.

Money-weighted Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.01 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Financial Section-Notes to the Basic Financial Statements

Schedule of Investment Returns

Last 10 Fiscal Years⁽¹⁾

	2020	2019	2018	2017
Annual Money-Weighted Rate of Return				
Net of Investment Expense	3.01%	4.67%	9.52%	13.04%

⁽¹⁾This chart is intended to show information for 10 fiscal years. More data will be added as it become available.

Net OPEB Liability

The net OPEB liability at the beginning of the current measurement year is measured as of a valuation date of January 1, 2020 and rolled forward to June 30, 2020. The net OPEB liability at the end of the measurement year, June 30, 2020, is measured as of a valuation date of January 1, 2020 and projected to June 30, 2020. In future years, valuations will be completed every other year, assuming there are no significant events between the years. Each valuation will be rolled forward to provide two years of OPEB liability.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of June 30, 2019	\$ 32,728,358	\$ 21,078,039	\$ 11,650,319
Changes for the year:			
Service cost	1,208,445	-	1,208,445
Interest	2,243,462	-	2,243,462
Changes of benefits	(1,188,091)	-	(1,188,091)
Differences between expected and actual experience	(3,063,897)	-	(3,063,897)
Changes of assumptions	(884,552)	-	(884,552)
Contributions - employer	-	938,930	(938,930)
Contributions - member	-	-	-
Net investment income	-	644,350	(644,350)
Benefit payments	(938,930)	(938,930)	-
Administrative expense	-	(23,924)	23,924
Net changes	(2,623,563)	620,426	(3,243,989)
Balances as of June 30, 2020	\$ 30,104,795	\$ 21,698,465	\$ 8,406,330

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability

72.1%

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

The following presents the net OPEB liability of the Other Post-Retirement Employee Benefits Trust Fund using the discount rate of 7.0%, as well as what the net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	(-1%) Decrease 6.0%	Discount Rate 7.0%	(+1%) Increase 8.0%
Total OPEB Liability	\$ 33,814,919	\$ 30,104,795	\$ 27,060,964
Plan Fiduciary Net Position	21,698,465	21,698,465	21,698,465
Net OPEB Liability	\$ 12,116,454	\$ 8,406,330	\$ 5,362,499

Plan Fiduciary Net Position as a
Percentage of the Total OPEB Liability

64.2%

72.1%

80.2%

Sensitivity of the Net OPEB Liability to Changes in the Trend Rate

The following presents the net OPEB liability of the Other Post-Retirement Employee Benefits Trust Fund using the current base healthcare trend rate, as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is one percentage point lower (-1%) or one percentage point higher (+1%) than the base rate.

	Trend Minus (-) 1%	Trend Baseline	Trend Plus (+) 1%
Total OPEB Liability	\$ 28,791,859	\$ 30,104,795	\$ 31,688,548
Plan Fiduciary Net Position	21,698,465	21,698,465	21,698,465
Net OPEB Liability	<u>\$ 7,093,394</u>	<u>\$ 8,406,330</u>	<u>\$ 9,990,083</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	75.4%	72.1%	68.5%

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2020 the OPEB expense is \$369,226. At June 30, 2020, the deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,104,776
Change in assumptions	288,285	786,268
Net difference between projected and actual earnings on OPEB plan investments	777,460	-
Total	<u>\$ 1,065,745</u>	<u>\$ 4,891,044</u>

Financial Section-Notes to the Basic Financial Statements

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

Year Ending June 30,	Amount
2021	\$ (443,874)
2022	(443,876)
2023	(363,512)
2024	(454,830)
2025	(620,888)
Thereafter	(1,498,319)
Total	\$ (3,825,299)

Contributions

Contribution requirements of ACPS are established and may be amended by the School Board. The required contributions were actuarially-determined and are based upon projected pay-as-you go financing requirements with additional amount to prefund benefits. The costs of administering the plan are paid for by the OPEB Trust Fund through the use of investment income and employer contributions. For the period ending June 30, 2020, ACPS contributed \$1.7 million for current costs.

The funding policy of ACPS is to contribute the difference between the actuarially determined contribution and the expected explicit subsidy payment to the Trust Fund. Benefit payments, including the implicit subsidy, are paid outside the Trust over the next 8 years. It is anticipated that once the Plan becomes 100% funded, ACPS will switch to paying benefit payments from the Trust. The assets were then projected forward reflecting known contributions through June 30, 2020, and then assuming the funding policy is followed going forward. Using the long-term expected rate of return of 7.0%, the assets are projected to always be greater than the expected benefit payments in any given year.

The following is a summary of fiduciary net position of the Trust as of June 30, 2020:

Summary of Fiduciary Net Position	
ACPS OPEB Trust Fund	
As of June 30, 2020	
ASSETS	
Cash Equivalents	\$ 961,242
Bonds	5,355,181
Mutual Funds	10,139,693
Other Investments	5,242,349
Total assets	<u>21,698,465</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 21,698,465</u>

The following is a summary of changes in fiduciary net position of the Trust for the year ended June 30, 2020:

Summary of Changes in Fiduciary Net Position	
ACPS OPEB Trust Fund	
For the Year Ended June 30, 2020	
ADDITIONS	
Contributions	\$ 1,685,214
Investment Income, net	644,351
Total Additions	<u>2,329,565</u>
DEDUCTIONS	
Benefit payments	1,685,214
Administrative expenses	23,924
Total Deductions	<u>1,709,138</u>
Change in net position	620,427
NET POSITION, beginning of year	<u>21,078,038</u>
NET POSITION, end of year	<u><u>\$ 21,698,465</u></u>

The ACPS OPEB Trust does not issue a stand-alone financial report and is not included in the report of another entity.

Additional disclosures on changes in schools OPEB liability, related ratios, and employer contributions can be found in the RSI following the notes to the Financial Statements.

B. VRS Employee Health Insurance Credit Program OPEB - Teachers

Summary of Significant Accounting Policies

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program is a multiple-employer, cost-sharing plan. The Teacher Employee HIC Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher 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.

*General Information about the Teacher Employee Health Insurance Credit Program
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 specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS	
Eligible Employees	<p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
Benefit Amounts	<p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • At Retirement – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • Disability Retirement – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: <ul style="list-style-type: none"> – \$4.00 per month, multiplied by twice the amount of service credit, or – \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
Health Insurance Credit Program Notes:	<ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$2.0 million and \$1.9 million for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$24.6 million for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Program was 1.87679% as compared to 1.85325% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$ 2.1 million. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 139,160
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	1,551	-
Changes in assumptions	571,834	170,721
Changes in proportionate share	357,356	108,488
Employer contributions subsequent to the measurement date	1,965,998	-
Total	<u>\$ 2,896,739</u>	<u>\$ 418,369</u>

An amount of \$2.0 million reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

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

Year Ending June 30,	Amount
2021	\$ 64,132
2022	64,107
2023	74,873
2024	71,270
2025	74,466
Thereafter	163,524
Total	\$ 512,372

Actuarial Assumptions

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

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

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

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

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi -Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		⁽¹⁾ Expected arithmetic nominal return	<u>7.63%</u>

⁽¹⁾ The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns that ultimately provide a medium 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 40 percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 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:

	<u>(-1%) Decrease</u> <u>5.75%</u>	<u>Discount Rate</u> <u>6.75%</u>	<u>(+1%) Increase</u> <u>7.75%</u>
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	<u>\$ 23,530,000</u>	<u>\$ 24,569,006</u>	<u>\$ 27,496,895</u>

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Teacher Employee Health Insurance Credit Program OPEB Plan

At June 30, 2020, ACPs reported payables to the Teacher Employee Health Insurance Credit Program OPEB Plan of \$0.2 million. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the year.

C. VRS Group Life Insurance Program

Summary of Significant Accounting Policies

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

General Information about the Group Life Insurance Program 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 Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with

pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia. Within the Group Life insurance Program, ACPs employees are divided into two groups; Teachers (includes administrators and teachers) and Locality Employees (includes non-exempt support staff).

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS	
Eligible Employees	<p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
Benefit Amounts	<p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in benefit Amounts	<p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)	<p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Total contributions to the Group Life Insurance Program from the entity for the Teachers group were \$2.2 million for the year ended June 30, 2020 and \$2.1 million for year June 30, 2019. Total contributions for the Locality group were \$0.1 million for both years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, ACPS reported liabilities of \$ 13.3 million and \$0.7 million for its proportionate share of the Net GLI OPEB Liability, for the Teachers and Locality groups, respectively. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, for the Teachers group, the ACPS employer's proportion was 0.80828% as compared 0.79308% at June 30, 2018, and for the Locality group, the employer's proportion was 0.04033% at June 30, 2019 as compared 0.04283% at June 30, 2018.

For the year ended June 30, 2020, ACPS recognized GLI OPEB expense of \$0.3 million for the Teachers group and \$6,149 for the Locality group. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, ACPS reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Financial Section-Notes to the Basic Financial Statements

	Teachers Group		Locality Group		Total GLI OPEB Program	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 874,744	\$ 170,604	\$ 43,646	\$ 8,511	\$ 918,390	\$ 179,115
Net difference between projected and actual earnings on GLI OPEB program investments	-	270,170	-	13,480	-	283,650
Changes in assumptions	830,395	396,617	41,433	19,790	871,828	416,407
Changes in proportion	345,436	205,160	-	45,564	345,436	250,724
Employer contributions subsequent to the measurement date	857,633	-	40,025	-	897,658	-
Total	\$ 2,908,208	\$ 1,042,551	\$ 125,104	\$ 87,345	\$ 3,033,312	\$ 1,129,896

An amount of \$0.9 million reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	GLI - Teachers Amount	GLI - Locality Employees Amount	GLI - Total Amount
2021	\$ 79,674	\$ (6,695)	\$ 72,979
2022	79,684	(6,694)	72,990
2023	194,111	(985)	193,126
2024	275,803	4,226	280,029
2025	290,878	6,185	297,063
Thereafter	87,874	1,697	89,571
Total	\$ 1,008,024	\$ (2,266)	\$ 1,005,758

Actuarial Assumptions

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

Inflation	2.50%
Salary increases, including inflation – Teacher Employees	3.5% - 5.95%
General state/locality employees	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 GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except 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:

Mortality Rates (Pre-retirement, postretirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in 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:

Financial Section-Notes to the Basic Financial Statements

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	VRS Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
Employers' Net GLI OPEB Liability (Asset)	<u>\$1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	<u>52.00%</u>

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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:

Financial Section-Notes to the Basic Financial Statements

	(-1%) Decrease 5.75%	Discount Rate 6.75%	(+1%) Increase 7.75%
School division's proportionate share of the VRS Group Life Net OPEB Liability - Teachers Group	<u>\$ 17,279,226</u>	<u>\$ 13,152,867</u>	<u>\$ 9,806,504</u>
School division's proportionate share of the VRS Group Life Net OPEB Liability - Locality Employee Group	<u>\$ 862,165</u>	<u>\$ 656,276</u>	<u>\$ 489,306</u>
Total VRS Group Life Net OPEB Liability	<u>\$ 18,141,391</u>	<u>\$ 13,809,143</u>	<u>\$ 10,295,810</u>

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the VRS Group Life Insurance OPEB Plan

At June 30, 2020, ACPS reported payables to the VRS Group Life Insurance OPEB Plan of \$0.2 million for the Teachers group and \$9,000 for the Locality group. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the year.

On the following page is a summary of deferred outflows and inflows of resources and net OPEB liabilities for the various OPEB programs as June 30, 2020.

Summary of OPEB Related Net OPEB Liabilities and Deferred Outflows and Inflows of Resources

As of June 30, 2020

	ACRS OPEB Trust				VRS HIC OPEB Program				GLI OPEB Program				Total OPEB Programs			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net OPEB Liability	OPEB Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Net OPEB Liability	OPEB Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Net OPEB Liability	OPEB Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Net OPEB Liability	OPEB Expense
Net OPEB Liability	\$ -	\$ -	\$ 8,406,330	\$ -	\$ -	\$ -	\$ 24,569,006	\$ -	\$ -	\$ -	\$ 13,809,143	\$ -	\$ -	\$ -	\$ 46,784,479	-
Net difference between projected and actual earnings on OPEB plan investments	777,460	-	-	-	1,551	-	-	-	283,650	283,650	-	-	775,011	283,650	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	357,356	108,488	-	-	250,724	345,436	-	-	702,792	359,212	-	-
Differences between expected and actual experience	-	4,104,776	-	-	-	139,160	-	-	179,115	918,390	-	-	918,390	4,423,051	-	-
Changes in assumptions	288,285	786,288	-	-	571,834	170,721	-	-	416,407	871,828	-	-	1,731,947	1,373,386	-	-
Employer contributions subsequent to the measurement date	-	-	-	-	1,965,998	-	-	-	-	887,858	-	-	2,863,656	-	-	-
OPEB Expense	\$ 1,065,745	\$ 4,891,044	\$ 8,406,330	\$ 369,226	\$ 2,896,739	\$ 418,369	\$ 24,569,006	\$ 2,062,911	\$ 3,033,312	\$ 1,129,896	\$ 13,809,143	\$ 343,236	\$ 6,995,796	\$ 6,439,309	\$ 46,784,479	\$ 2,775,373
Total																

Financial Section-Notes to the Basic Financial Statements

NOTE 9. Long-term Liabilities

The change in long-term liabilities within the government-wide financial statements during the year consists of the following:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amount Due Within One Year		Long-term Payable
					Total	Portion in Governmental Funds	
Compensated absences	\$ 8,038,272	\$ 15,671,260	\$ (13,664,345)	\$ 10,045,187	\$ 1,037,847	\$ 572,964	\$ 9,007,340
Workers' Compensation Claims	1,027,503	1,414,015	(942,498)	1,499,020	1,049,314	1,049,314	449,706
Capital Leases	1,266,922	-	(627,448)	639,474	639,474	-	-
Rent Abatement Accrual	2,110,667	-	(218,228)	1,892,439	212,244	-	1,680,195
Net Pension Liability	219,040,487	92,683,655	(60,406,533)	251,317,609	-	-	251,317,609
Net OPEB Liability	47,876,319	10,209,023	(11,300,863)	46,784,479	-	-	46,784,479
Total	<u>\$ 279,360,170</u>	<u>\$ 119,977,953</u>	<u>\$ (87,159,915)</u>	<u>\$ 312,178,208</u>	<u>\$ 2,938,879</u>	<u>\$ 1,622,278</u>	<u>\$ 309,239,329</u>

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. For compensated absences, the General Fund reflects a liability of \$0.57 million for amounts due to terminated or retired employees as of June 30, 2020. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. See Note 6 for an explanation of the Rent Abatement Accrual. The adjustment from modified accrual to full accrual is composed of the items in the table below.

Compensated Absences, long-term increase	\$ 1,903,313
Compensated Absences, current increase *	62,934
Workers' Compensation	141,456
Capital Leases	(627,448)
Total	<u>\$ 1,480,255</u>

The General Fund is used to liquidate the long-term liabilities for compensated absences, capital leases, and workers compensation. The General Fund and Health Benefits Fund were used to liquidate the long-term liability for the net of OPEB obligation.

NOTE 10. Risk Management

ACPS is exposed to various losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of ACPS to retain risks of losses in those areas where it believes it is more economical to manage risks internally and account for any claims settlement in the General Fund.

ACPS carries commercial insurance on all other risks of loss, including property, theft, auto liability, physical damage and general liability insurance through the Virginia Municipal League. Settled claims resulting from these risks have not exceeded commercial reinsurance coverage for the past three years. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years. ACPS also carries catastrophic medical insurance for Virginia High School League Student participants.

Self-Insurance

ACPS is self-insured for workers' compensation. Claims are processed by a third-party administrator under contract with ACPS per statutory requirements of the Virginia Workers' Compensation Act. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. There were no material reductions in insurance coverage from the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

In July 2013, ACPS established a Health Benefits Fund to better manage health care expenses within ACPS. ACPS offers several health insurance programs to employees and retirees. Medical insurance is offered through Kaiser Permanente and an ACPS self-insured plan, administered by United Healthcare. Dental and vision care are also offered to employees and retirees.

This fund was established by transferring all healthcare insurance account balances from the General Fund into the Health Benefits Fund, including the liability for estimated healthcare claims that have been incurred but not reported (IBNR). The amount of expenditures did not exceed funds that are available to pay the claims.

Liabilities for workers compensation and self-insured health programs are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual historical claims experience and actuarially determined amounts and include incremental claim adjustment expenses and estimated recoveries. ACPS uses independent contractors to process workers compensation and health claims and records a provision and liability in the government-wide statements and General Fund (current portion only) which includes an estimate of incurred but not reported claims.

Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective.

Changes in the estimated claims payable for worker's compensation and self-insured health programs during the fiscal years ended June 30, 2020 and 2019 were as follows:

	IBNR Accrual (Health Benefits Fund)	Workers Compensation (General Fund)
Liability Balances, July 1, 2018	\$ 1,196,548	\$ 1,094,786
Claims and changes in estimates	22,690,072	703,493
Claims payments	<u>(22,600,131)</u>	<u>(770,776)</u>
Liability Balances, June 30, 2019	1,286,489	1,027,503
Claims and changes in estimates	19,600,703	1,414,015
Claims payments	<u>(19,865,862)</u>	<u>(942,498)</u>
Liability Balances, June 30, 2020	<u>\$ 1,021,330</u>	<u>\$ 1,499,020</u>
Due Within One Year	<u>\$ 1,021,330</u>	<u>\$ 1,049,314</u>

NOTE 11. Commitments and Contingencies

ACPS receives financial assistance from numerous federal, state and local government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements. Certain expenditures of these funds are subject to audit by the grantors. ACPS is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of management, no material refunds (if any) will be required as a result of expenditures disallowed by the grantor agencies.

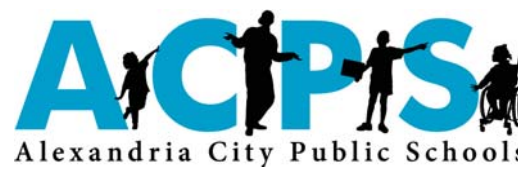
The World Health Organization declared the spread of the Coronavirus (COVID-19) a worldwide pandemic. The COVID-19 pandemic significantly affected global markets, supply chains, businesses, and communities. Specific to ACPS, COVID-19 may impact various future operations and financial results. Management believes the Schools has taken appropriate actions to mitigate any negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events may occur subsequent to year end.

NOTE 12. Fund Balance Disclosure

The constraints placed upon fund balance for the governmental funds are presented below: ACPS' governmental fund balances, as of June 30, 2020, were classified as follows:

Governmental Fund Balances

	General	Capital Projects	Grants and Special Projects	School Nutrition
FUND BALANCES:				
Nonspendable:				
Prepaid Items	\$ 1,538,385	\$ -	\$ -	\$ 1,870
Inventories	-	-	-	242,129
Total Nonspendable	1,538,385	-	-	243,999
Spendable				
Restricted for:				
Capital Projects	-	518,208	-	-
Grant Funded Programs	-	-	181,950	-
School Nutrition Program	-	-	-	2,666,104
Total Restricted	-	518,208	181,950	2,666,104
Committed for:				
Subsequent Year Fund Balance	5,098,743	-	-	-
Total Committed	5,098,743	-	-	-
Assigned for:				
School/Department Programs	1,499,682	-	-	-
Total Assigned	1,499,682	-	-	-
Unassigned:				
Unassigned	7,098,095	-	-	-
Total Unassigned	7,098,095	-	-	-
Total Spendable	13,696,520	518,208	181,950	2,666,104
TOTAL FUND BALANCES	\$ 15,234,905	\$ 518,208	\$ 181,950	\$ 2,910,103



REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

The Required Supplementary Information subsection includes:

- Budgetary comparison schedule for the General Fund
- Budgetary comparison schedule for the Grants and Special Projects Fund
- Budgetary comparison schedule for the School Nutrition Fund
- Schedule of employer contributions for the pension and other employee benefit trust funds
- Schedule of changes in net pension and OPEB liabilities for the Pension and OPEB trust funds



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #4

Facilities and the Learning Environment: ACPS will provide optimal and equitable learning environments.

Alexandria City Public Schools, Virginia
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budget		Actual	Variance from Final Budget Positive/(Negative)
	Original	Final		
Revenues				
Intergovernmental:				
City of Alexandria	231,669,496	231,669,496	231,669,496	\$ -
State aid	47,676,132	47,676,132	47,555,042	(121,090)
Federal aid	288,424	288,424	133,283	(155,141)
Tuition and fees	410,937	410,937	316,660	(94,277)
Other local funds	645,802	645,802	602,457	(43,345)
Total Revenues	<u>280,690,791</u>	<u>280,690,791</u>	<u>280,276,938</u>	<u>(413,853)</u>
Expenditures				
General instruction	217,656,763	217,181,741	211,534,016	5,647,725
Adult education	655,305	655,305	569,735	85,570
Summer school and kindergarten prep	1,117,854	1,600,343	1,147,293	453,050
Administration	21,743,577	22,106,515	20,327,573	1,778,942
Attendance and health services	7,166,444	7,099,132	6,890,082	209,050
Pupil transportation	11,198,906	11,282,318	9,994,851	1,287,467
Plants operations and maintenance	23,599,838	23,953,625	22,542,769	1,410,856
Food services	1,016,642	979,834	657,095	322,739
Debt Service:				
Principal	627,448	627,448	627,448	-
Interest	18,626	18,626	18,626	-
Total Expenditures	<u>284,801,403</u>	<u>285,504,887</u>	<u>274,309,488</u>	<u>11,195,399</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(4,110,612)</u>	<u>(4,814,096)</u>	<u>5,967,450</u>	<u>10,781,546</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(1,613,613)	(1,613,613)	(1,555,604)	58,009
Total Other Financing Sources and (Uses), net	<u>(1,613,613)</u>	<u>(1,613,613)</u>	<u>(1,555,604)</u>	<u>58,009</u>
Excess (deficiency) of revenue over (under) expenditures and other financing sources (uses)	<u>\$ (5,724,225)</u>	<u>\$ (6,427,709)</u>	<u>4,411,846</u>	<u>\$ 10,839,555</u>
Fund Balance-July 1, 2019			<u>10,823,059</u>	
Fund Balances-June 30, 2020			<u>\$ 15,234,905</u>	

See accompanying note to the budgetary comparison schedule.

Alexandria City Public Schools, Virginia

Financial-Required Supplementary Information

Exhibit X

Alexandria City Public Schools, Virginia
Budgetary Comparison Schedule
Grants and Special Projects Fund
For the Year Ended June 30, 2020

	Budget		Actual	Variance from final budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
City of Alexandria	\$ -	\$ -	\$ -	\$ -
State aid	3,448,535	3,479,705	3,622,853	143,148
Federal aid	9,676,891	13,012,369	10,496,673	(2,515,696)
Fees	-	32,604	58,335	25,731
Other local revenue	227,440	497,370	344,916	(152,454)
Total Revenues	13,352,866	17,022,048	14,522,777	(2,499,271)
Expenditures				
Current:				
General instruction	14,025,093	17,507,815	14,992,613	2,515,202
Adult education	419,352	426,003	404,289	21,714
Summer school and Kindergarten prep	10,500	79,450	73,033	6,417
Administration	483,608	484,996	544,930	(59,934)
Plants operations and maintenance	-	43,088	17,534	25,554
Attendance and health services	3,466	40,141	26,693	13,448
Pupil transportation	9,460	3,090	-	3,090
Food services	15,000	146,643	44,395	102,248
Total Expenditures	14,966,479	18,731,226	16,103,487	2,627,739
Excess (deficiency) of revenue over (under) expenditures	(1,613,613)	(1,709,178)	(1,580,710)	128,468
Other Financing Sources (Uses)				
Transfers In	1,613,613	1,613,613	1,555,604	(58,009)
Transfers Out	-	-	-	-
Total Other Financing Sources and Uses, net	1,613,613	1,613,613	1,555,604	(58,009)
Excess (deficiency) of revenue over (under) expenditures and other financing sources (uses)	\$ -	\$ (95,565)	(25,106)	\$ 70,459
Fund Balance-July 1, 2019			207,056	
Fund Balances-June 30, 2020			<u>\$ 181,950</u>	

See accompanying note to the budgetary comparison schedule.

Exhibit XI

Alexandria City Public Schools, Virginia
Budgetary Comparison Schedule
School Nutrition Fund
For the Year Ended June 30, 2020

	Budget			Variance from
	Original	Final	Actual	Final Budget
				Positive/(Negative)
Revenues				
Intergovernmental:				
City of Alexandria	\$ -	\$ -	\$ -	\$ -
State aid	196,531	196,531	211,478	14,947
Federal aid	8,102,105	8,102,105	7,005,967	(1,096,138)
Food Sales	2,041,496	2,041,496	1,488,863	(552,633)
Other local revenue	165,000	165,000	146,711	(18,289)
Total Revenues	<u>10,505,132</u>	<u>10,505,132</u>	<u>8,853,019</u>	<u>(1,652,113)</u>
Expenditures				
Summer school and kindergarten prep	-	-	88,089	(88,089)
Food services	<u>10,831,477</u>	<u>11,245,270</u>	<u>9,309,243</u>	<u>1,936,027</u>
Total Expenditures	<u>10,831,477</u>	<u>11,245,270</u>	<u>9,397,332</u>	<u>1,847,938</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (326,345)</u>	<u>\$ (740,138)</u>	<u>(544,313)</u>	<u>\$ 195,825</u>
Fund Balance-July 1, 2019			<u>3,454,416</u>	
Fund Balances-June 30, 2020			<u>\$ 2,910,103</u>	

See accompanying note to the budgetary comparison schedule.

Alexandria City Public Schools, Virginia

Financial-Required Supplementary Information

Exhibit XII-1

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2020

Schedule of Employer Contributions - Pension Plans

Last 10 Fiscal Years ⁽¹⁾

Fiscal Year	Actuarially/ Contractually Required Contribution	Contributions in Relation to Actuarially/ Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll ⁽²⁾	Contributions as a % of Covered Employee Payroll	% of Actual Contributions Contributed
Employees' Supplemental Retirement Plan ⁽³⁾						
2019	4,619,357	-	4,619,357	157,938,950	0.00%	0.00%
2018	4,025,818	-	4,025,818	149,826,081	0.00%	0.00%
2017	4,224,325	-	4,224,325	145,803,885	0.00%	0.00%
2016	3,056,634	-	3,056,634	140,366,382	0.00%	0.00%
2015	1,388,123	-	1,388,123	130,993,574	0.00%	0.00%
2014	350,409	-	350,409	123,779,616	0.00%	0.00%
VRS Political Subdivision Retirement Plan						
2020	92,876	84,563	8,313	7,675,691	1.10%	91.05%
2019	178,708	187,489	(8,781)	7,942,569	2.36%	104.91%
2018	183,117	194,187	(11,070)	8,138,526	2.39%	106.05%
2017	180,262	186,598	(6,336)	8,011,663	2.33%	103.51%
2016	440,195	479,241	(39,046)	7,804,877	6.14%	108.87%
2015	425,527	428,373	(2,846)	7,544,808	5.68%	100.67%
2014	408,745	416,920	(8,175)	7,527,538	5.54%	102.00%
VRS Teacher Retirement Plan						
2020	25,738,806	24,274,219	1,464,588	164,150,550	14.79%	94.31%
2019	24,667,057	24,534,748	132,309	157,315,417	15.60%	99.46%
2018	24,476,058	24,230,449	245,610	149,975,848	16.16%	99.00%
2017	21,522,886	22,156,329	(633,443)	146,813,686	15.09%	102.94%
2016	19,874,324	21,900,603	(2,026,280)	141,353,655	15.49%	110.20%
2015	18,771,021	18,953,112	(182,091)	133,506,551	14.20%	100.97%
2014	15,038,409	14,820,359	218,050	128,974,348	11.49%	98.55%

⁽¹⁾ Information is only available for the fiscal years shown. Future years will be added to the schedule.

⁽²⁾ Covered payroll amount for 2015 was restated from prior year and calculated as defined by Governmental Accounting Standards Board Statement No. 82 - Pension Issues

⁽³⁾ The required contribution shown for the Employees' Supplemental Plan was actuarially determined.

Alexandria City Public Schools, Virginia
Financial-Required Supplementary Information

Exhibit XII-2

Alexandria City Public Schools, Virginia
Required Supplementary Information
Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2020

Schedule of Employer Contributions - OPEB							
Last 10 Fiscal Years ⁽¹⁾							
Fiscal Year	Actuarially/ Contractually Required Contribution	Contributions in Relation to Actuarially/ Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll ⁽²⁾	Contributions as a % of Covered Payroll	% of Actual Employee Contributions Contributed	
ACPS Other Employee Benefit Trust Fund							
2020	\$ 1,581,975	\$ 938,930	\$ 643,045	\$ 169,644,131	0.55%	59.35%	
2019	2,241,662	2,482,483	(240,821)	164,994,126	1.50%	110.74%	
2018	2,117,943	1,792,946	324,997	160,188,472	1.12%	84.66%	
2017	2,248,971	2,269,646	(20,675)	150,313,298	1.51%	100.92%	
2016	2,212,844	2,212,844	-	150,313,298	1.47%	100.00%	
VRS Healthcare Credit Insurance OPEB Program							
2020	1,966,591	1,965,998	594	163,882,612	1.20%	99.97%	
2019	1,889,030	1,889,030	-	157,419,158	1.20%	100.00%	
2018	1,843,517	1,843,517	-	149,879,392	1.23%	100.00%	
2017	1,810,172	1,633,570	176,602	147,168,488	1.11%	90.24%	
2016	1,666,819	1,497,312	169,507	141,255,832	1.06%	89.83%	
2015	1,580,459	1,419,733	160,726	133,937,166	1.06%	89.83%	
2014	1,515,072	1,437,376	77,696	129,493,343	1.11%	94.87%	
2013	1,512,072	1,434,529	77,543	129,236,890	1.11%	94.87%	
2012	1,325,881	736,600	589,281	122,766,718	0.60%	55.56%	
2011	1,240,166	688,981	551,185	114,830,193	0.60%	55.56%	
VRS Group Life Insurance OPEB Program - Teachers							
2020	851,332	857,633	(6,302)	163,717,636	0.52%	100.74%	
2019	823,937	823,937	-	158,449,359	0.52%	100.00%	
2018	784,180	784,180	-	150,802,833	0.52%	100.00%	
2017	777,826	777,826	-	149,581,852	0.52%	100.00%	
2016	757,857	686,361	71,496	142,991,816	0.48%	90.57%	
2015	720,567	652,589	67,978	135,956,087	0.48%	90.57%	
2014	701,748	635,545	66,203	132,405,189	0.48%	90.57%	
2013	697,375	631,585	65,790	131,580,201	0.48%	90.57%	
2012	549,079	349,414	199,665	124,790,679	0.28%	63.64%	
2011	502,765	319,941	182,824	114,264,769	0.28%	63.64%	
VRS Group Life Insurance OPEB Program - State/Locality Employees							
2020	39,515	40,025	(510)	7,598,955	0.53%	101.29%	
2019	41,112	41,112	-	7,906,098	0.52%	100.00%	
2018	42,347	42,347	-	8,143,594	0.52%	100.00%	
2017	42,125	42,125	-	8,100,977	0.52%	100.00%	
2016	41,683	37,750	3,933	7,864,669	0.48%	90.57%	
2015	40,075	36,294	3,781	7,561,345	0.48%	90.57%	
2014	40,915	37,055	3,860	7,719,774	0.48%	90.57%	
2013	40,892	38,756	2,136	8,074,245	0.48%	94.78%	
2012	34,065	21,678	12,387	7,742,036	0.28%	63.64%	
2011	33,399	21,254	12,145	7,590,695	0.28%	63.64%	

Information is only available for the fiscal years shown. Future years will be added to the schedule.

Financial-Required Supplementary Information

Exhibit XIII-1

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2020

Schedule of Changes in Net Pension Liability
Last 10 Fiscal Years ⁽¹⁾

Employees' Supplementary Retirement Plan

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service costs	\$ 3,759,230	\$ 3,675,300	\$ 3,102,017	\$ 2,603,388	\$ 2,573,225	\$ 2,462,314
Interest	7,846,392	7,547,568	7,394,011	6,578,948	6,378,985	6,243,019
Differences between expected and actual experience	106,300	26,190	85,946	998,161	140,424	(475,091)
Benefit payments	(6,191,280)	(6,056,406)	(6,210,504)	(6,157,529)	(5,918,926)	(5,712,337)
Change in assumptions	(524,581)	(193,103)	7,007,931	8,012,677	-	-
Net Changes in Total Pension Liability	4,996,061	4,999,549	11,379,401	12,035,645	3,173,708	2,517,905
Total Pension Liability, beginning	130,350,127	125,350,578	113,971,177	101,935,532	98,761,824	96,243,919
Total Pension Liability, ending	\$ 135,346,188	\$ 130,350,127	\$ 125,350,578	\$ 113,971,177	\$ 101,935,532	\$ 98,761,824
Fiduciary Net Position						
Contributions- Employee	\$ 2,583,399	\$ 2,465,342	\$ 2,429,572	\$ 2,508,919	\$ 2,032,505	\$ 2,171,044
Contributions- Employer	-	-	-	-	-	-
Net investment income	4,462,234	8,273,362	10,194,794	6,481,332	(840,277)	13,644,193
Benefit payments	(6,191,280)	(6,056,406)	(6,210,504)	(6,157,529)	(5,918,926)	(5,712,337)
Administrative expenses	(235,835)	(335,316)	(40,660)	(85,748)	(124,855)	(111,595)
Net Changes in Fiduciary Net Position	618,518	4,346,982	6,373,202	2,746,974	(4,851,553)	9,991,305
Fiduciary Net Position, beginning	127,205,640	122,858,658	116,485,456	113,738,482	118,590,035	108,598,730
Fiduciary Net Position, ending	\$ 127,824,158	\$ 127,205,640	\$ 122,858,658	\$ 116,485,456	\$ 113,738,482	\$ 118,590,035
Net Pension Liability (Asset), as of August 31,	\$ 7,522,030	\$ 3,144,487	\$ 2,491,920	\$ (2,514,279)	\$ (11,802,950)	\$ (19,828,211)
Fiduciary Net Position as a percentage of Total Pension Liability	94.44%	97.59%	98.01%	102.21%	111.58%	120.08%
Covered Payroll	\$ 157,938,950	\$ 149,826,081	\$ 145,803,885	\$ 140,366,382	\$ 130,993,574	\$ 123,779,616
Net Pension Liability as a percentage of Covered Payroll	4.76%	2.10%	1.71%	-1.79%	-9.01%	-16.02%

Money-Weighted Rate of Return
Last 10 Fiscal Years ⁽¹⁾

	2019	2018	2017	2016	2015	2014 ⁽²⁾
Employees' Supplementary Retirement Plan	3.57%	6.85%	8.91%	5.80%	-0.72%	12.79%

⁽¹⁾ Information is only available for the fiscal years shown. Future years will be added to the schedule.

⁽²⁾ Covered payroll amount for 2014 was restated and calculated as defined by Governmental Accounting Standards Board Statement No. 82 - Pension Issues

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2020

Schedule of Changes in Net Pension Liability (Asset)

Last 10 Fiscal Years ⁽¹⁾

VRS - Political Subdivision Retirement Plan (Non-Professional)

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service costs	\$ 718,880	\$ 747,214	\$ 761,926	\$ 754,823	\$ 758,027	\$ 796,338
Interest	2,927,788	2,862,468	2,818,335	2,716,423	2,731,791	2,642,578
Differences between expected and actual experience	(1,046,591)	(139,735)	(332,554)	260,117	(1,408,359)	-
Changes in assumptions	1,119,429	-	(229,485)	-	-	-
Benefit payments	(2,413,284)	(2,512,594)	(2,262,896)	(2,244,877)	(2,271,322)	(1,965,795)
Refund of Contributions	(147,752)	-	-	(43,180)	(42,623)	(49,162)
Net Changes in Total Pension Liability	1,158,470	957,353	755,326	1,443,306	(232,486)	1,423,959
Total Pension Liability, beginning	43,106,057	42,148,704	41,393,378	39,950,072	40,182,558	38,758,599
Total Pension Liability, ending	\$ 44,264,527	\$ 43,106,057	\$ 42,148,704	\$ 41,393,378	\$ 39,950,072	\$ 40,182,558
Fiduciary Net Position						
Contributions- Employer	\$ 71,642	\$ 158,036	\$ 161,966	\$ 436,893	\$ 428,560	\$ 410,609
Contributions- Employee	368,198	384,967	390,792	388,435	393,832	379,449
Net investment income	3,127,139	3,409,511	5,185,761	735,046	1,959,825	6,037,662
Benefit payments	(2,413,284)	(2,512,594)	(2,262,896)	(2,244,877)	(2,271,322)	(1,965,795)
Refunds of Contributions	(147,752)	-	-	(43,180)	(42,623)	(49,162)
Administrative expenses	(32,402)	(30,490)	(31,000)	(27,814)	(27,928)	(33,280)
Other	(1,961)	(2,989)	(4,572)	(318)	(411)	319
Net Changes in Fiduciary Net Position	971,580	1,406,441	3,440,051	(755,815)	439,933	4,779,802
Fiduciary Net Position, beginning	48,156,122	46,749,681	43,309,630	44,065,445	43,625,512	38,845,710
Fiduciary Net Position, ending	\$ 49,127,702	\$ 48,156,122	\$ 46,749,681	\$ 43,309,630	\$ 44,065,445	\$ 43,625,512
Net Pension Liability (Asset), as of June 30,	\$ (4,863,175)	\$ (5,050,065)	\$ (4,600,977)	\$ (1,916,252)	\$ (4,115,373)	\$ (3,442,954)
Fiduciary Net Position as a percentage of Total Pension Liability	110.99%	111.72%	110.92%	104.63%	110.30%	108.57%
Covered Payroll	\$ 7,942,569	\$ 8,138,526	\$ 8,011,663	\$ 7,804,877	\$ 7,544,808	\$ 7,527,538
Net Pension Liability (Asset) as a percentage of Covered Payroll	-61.23%	-62.05%	-57.43%	-24.55%	-54.55%	-45.74%

⁽¹⁾ Information is only available for the fiscal years shown. Future years will be added to the schedule.

⁽²⁾ Covered payroll amount for 2014 was restated from prior year and calculated as defined by Governmental Accounting Standards Board Statement No. 82 - Pension Issues

Financial-Required Supplementary Information

Exhibit XIII-3

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2020

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years ⁽¹⁾

VRS Teacher Retirement Plan

	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	1.852%	1.836%	1.848%	1.853%	1.802%	1.771%
Employer's Proportionate Share of the Net Pension Liability	\$ 243,795,579	\$ 215,896,000	\$ 227,215,000	\$ 259,630,000	\$ 226,749,000	\$ 213,986,000
Employer's Covered Payroll ⁽²⁾	\$ 157,315,417	\$ 149,975,848	\$ 146,813,686	\$ 141,353,655	\$ 133,506,551	\$ 128,974,348
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	154.97%	143.95%	154.76%	183.67%	169.84%	165.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	74.81%	72.92%	68.28%	70.68%	70.88%

⁽¹⁾ Information is only available for the fiscal years shown. Future years will be added to the schedule.

⁽²⁾ Covered payroll amount for 2015 was restated from prior year and calculated as defined by Governmental Accounting Standards Board Statement No. 82 - Pension Issues

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2020

Schedule of Changes in Net OPEB Liability
Last 10 Fiscal Years ⁽¹⁾

Other Employee Benefits Trust Fund

	2020	2019	2018	2017
Total OPEB Liability				
Service costs	\$ 1,208,445	\$ 1,177,364	\$ 1,119,634	\$ 1,065,890
Interest	2,243,462	2,197,977	2,159,080	2,022,196
Change of benefit terms	(1,188,091)	-	-	-
Differences between expected and actual experience	(3,063,897)	-	(2,071,966)	-
Changes in assumptions	(884,552)	-	432,426	-
Benefit payments	(938,930)	(1,551,418)	(902,946)	(1,492,636)
Net Changes in Total OPEB Liability	(2,623,563)	1,823,923	736,228	1,595,450
Total OPEB Liability, beginning	32,728,358	30,904,435	30,168,207	28,572,757
Total OPEB Liability, ending	\$ 30,104,795	\$ 32,728,358	\$ 30,904,435	\$ 30,168,207
Fiduciary Net Position				
Contributions- Employer	\$ 938,930	\$ 2,482,483	\$ 1,792,946	\$ 2,269,646
Contributions- Employee	-	-	-	-
Net investment income	644,350	921,954	1,605,675	1,831,086
Benefit payments	(938,930)	(1,551,418)	(902,946)	(1,492,636)
Administrative expenses	(23,924)	(21,365)	(19,245)	(17,371)
Net Changes in Total OPEB Liability	620,426	1,831,654	2,476,430	2,590,725
Fiduciary Net Position, beginning	21,078,039	19,246,385	16,769,955	14,179,230
Fiduciary Net Position, ending	\$ 21,698,465	\$ 21,078,039	\$ 19,246,385	\$ 16,769,955
Net OPEB Liability as of June 30,	\$ 8,406,330	\$ 11,650,319	\$ 11,658,050	\$ 13,398,252
Fiduciary Net Position as a percentage of Total OPEB Liability	72.08%	64.40%	62.28%	55.59%
Covered Payroll	\$ 169,644,131	\$ 164,994,126	\$ 160,188,472	\$ 150,313,298
Net OPEB Liability as a percentage of Covered Payroll	4.96%	7.06%	7.28%	8.91%

Money-Weighted Rate of Return
Last 10 Fiscal Years ⁽¹⁾

	2020	2019	2018	2017
Other Employee Benefit Trust Fund	3.01%	4.67%	9.52%	13.04%

⁽¹⁾ Information is only available for the fiscal years shown. Future years will be added to the schedule.

Financial-Required Supplementary Information

Exhibit XIII-5

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2020

Schedule of Employer's Share of Net OPEB Liabilities for Healthcare Credit Insurance and Group Life Insurance

Last 10 Fiscal Years ⁽¹⁾

	2019	2018	2017
VRS Healthcare Credit Insurance Program			
Employer's Proportion of the Net HCI OPEB Liability	1.87679%	1.85325%	1.86478%
Employer's Proportionate Share of the Net HCI OPEB Liability	\$ 24,569,006	\$ 23,530,000	\$ 23,657,000
Employer's Covered Payroll	\$ 157,419,158	\$ 149,879,391	\$ 147,168,488
Employer's Proportionate Share of the Net HCI OPEB Liability as a Percentage of its Covered Payroll	15.61%	15.70%	16.07%
Plan Fiduciary Net Position as a Percentage of the Total HCI OPEB Liability	8.97%	8.08%	7.04%
VRS Group Life Insurance Program - Teachers			
Employer's Proportion of the Net GLI OPEB Liability	0.80828%	0.79308%	0.81094%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 13,152,867	\$ 12,045,000	\$ 12,203,000
Employer's Covered Payroll	\$ 158,449,359	\$ 150,802,833	\$ 149,975,848
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.30%	7.99%	8.14%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%
VRS Group Life Insurance Program - State/Locality Employees			
Employer's Proportion of the Net GLI OPEB Liability	0.04033%	0.04283%	0.04392%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 656,276	\$ 651,000	\$ 661,000
Employer's Covered Payroll	\$ 7,906,098	\$ 8,143,594	\$ 8,138,526
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.30%	7.99%	8.12%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

⁽¹⁾ This schedule is intended to show information for 10 years. Since 2018 is the second year for this presentation, only two years of data available. Additional years will be displayed as they become available.

A. Budgetary information

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

The Superintendent is required by Section 22.1-92 of the Code of Virginia to prepare, with the approval of the Board, and submit to the City Council a General Fund budget request of the amount needed during the next fiscal year. The Board holds at least two public hearings before it gives final approval for the requested budget. The City Council is also required by City Charter to hold a public hearing on the General Fund budget at which time all interested persons are given an opportunity to comment. The legal level of budgetary control for the General Fund and Special Revenue Funds is at the departmental level.

Formal budgetary integration, including encumbrance accounting, is employed as a management control device during the year for governmental funds. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule presents GAAP expenditures. Management is authorized to transfer funds within major categories of expenditure (i.e., administration, instruction, salaries, benefits, etc.) up to \$25,000. Transfers in excess of \$25,000 require the approval of the superintendent; however, revisions that alter the total expenditures of the General Fund must be approved by the School Board. The legally-adopted budget cannot be exceeded.

B. Pension and Other Employee Benefits

Multiple year trend information for the Employees' Supplemental Retirement Plan, the VRS Teacher Retirement Plan, the VRS Political Subdivision Retirement Plan, as well as Other Post-Employment Benefit (OPEB) Trust Fund is presented as required supplementary information. This information is intended to help users assess the funding status on a going concern basis, and the progress made in accumulating assets to pay benefits when due.

For the Employees' Supplemental Retirement Plan, the VRS Teacher Retirement Plan and the VRS Political Subdivision Retirement Plan and the OPEB Trust Fund, the schedule of employer contributions provides a comparison of the actuarially/contractually required contributions with actual contributions. Actuarially/contractually required contributions are also shown as a percentage of covered payroll, as well as a percentage of actual contributions made. Covered payroll, as defined in GASB 82, is the total pensionable payroll of employees that are provided with pensions through the pension plan.

Information pertaining to the Employees' Supplemental Retirement Plan, VRS Teacher and Political Subdivision Plans and the OPEB Trust Fund can be found in notes 7 and 8, respectively, in the notes to the basic financial statements.

C. Retirement Plan Changes

For the VRS Political Subdivision Retirement Plan and VRS Teachers Retirement Plan,

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

Financial-Required Supplementary Information

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

For the Employees' Supplemental Retirement Plan,

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

Changes of assumptions: The following actuarial assumptions were changed,

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality Base Table	The mortality base table has changed from RP2006 to Pri-2012
Mortality Improvement Scale	Updated to reflect historical U.S. mortality data to 2016
Inflation	Increased from 2.00% to 2.25%
Wage Base Increase	Increased from 3.00% to 3.25%
Compensation Limit	Increased from 2.00% to 2.25%

D. ACPS OPEB Trust Fund

For the ACPS OPEB Trust Fund,

Changes of Claim and Expense Assumptions- The claim costs were modified to reflect current experience. The trends were adjusted to reflect current marketplace conditions underlying inflation rate.

Changes of benefit terms- There were substantial changes made effective July 1, 2019. The United Healthcare Point-of-Service plan increased the annual deductible to \$300 per individual and \$600 per family, the coinsurance increased from 0% to 10%, and the out-of-pocket maximum increased to \$3,000 per individual and \$6,000 per family. Several copays increased including the specialist office visit (\$20 to \$35), emergency room (\$125 to \$200), and urgent care (\$20 to \$30).

The Kaiser plan also had modest increases to member paid amounts. There were increases to copay levels at the PCP level (\$15 to \$20), specialist (\$15 to \$30), emergency room (\$100 to \$200), outpatient surgery (\$15 to \$75), and hospital inpatient admissions (\$200 to \$300).

E. VRS Healthcare Credit Insurance and Group Life Insurance OPEB Programs

For the VRS Health Credit Insurance and Group Life Insurance-Teacher OPEB Programs the following changes were made:

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

For the VRS Group Life Insurance-Locality Program the following changes were made:

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

Financial-Required Supplementary Information

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

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



OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

The Other Supplementary Information subsections include the following:

- Combining statements for the pension and other employee benefit trust funds
- Statement of changes in assets and liabilities for the student activity fund



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #5

Health and Wellness: ACPS will promote efforts to enable students to be healthy and ready to learn.

FIDUCIARY FUNDS

Pension and Other Employee Benefits Trust Funds are used to account for assets held by Alexandria City Public Schools (ACPS) in a trustee capacity under terms of a formal trust agreement.

- Employees' Supplemental Retirement Plan is a single-employer defined benefit plan for eligible full-time employees. It accounts for assets held in trust by Principal Financial Group for ACPS.
- ACPS Other Post-Employment Benefits Trust (OPEB) accounts for accumulating and investing assets for ACPS' post-employment health benefit subsidies for eligible retirees and their surviving spouses.

The Student Activity Fund is used to account for funds held by a school in a trustee capacity or as an agent for students, club organizations, teachers and the general administration of the school.

Exhibit XIV

Alexandria City Public Schools, Virginia
Combining Statement of Fiduciary Net Position
Pension and Other Post-Employment Benefit Trust Funds
June 30, 2020

	Employees' Supplementary Retirement Plan	ACPS Other Post- Employment Benefit Trust	Total Pension and Other Employee Benefit Trust Funds
Assets			
Investments, at fair value			
Cash Equivalents	\$ -	\$ 961,242	\$ 961,242
Bonds	73,900,028	5,355,181	79,255,209
Mutual funds	28,385,412	10,139,693	38,525,105
Real estate	13,111,546	1,367,003	14,478,549
Global asset allocation	11,916,290	3,875,346	15,791,636
Total investments	<u>127,313,276</u>	<u>21,698,465</u>	<u>149,011,741</u>
Contributions Receivable	<u>223,149</u>	<u>-</u>	<u>223,149</u>
<i>Total assets</i>	<u>127,536,425</u>	<u>21,698,465</u>	<u>149,234,890</u>
Liabilities			
Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Restricted for pension and other employee benefits	<u>127,536,425</u>	<u>21,698,465</u>	<u>149,234,890</u>
<i>Total net position held in trust</i>	<u>\$ 127,536,425</u>	<u>\$ 21,698,465</u>	<u>\$ 149,234,890</u>

Exhibit XV

Alexandria City Public Schools, Virginia
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2020

	Employees' Supplementary Retirement Plan	ACPS Other Post Employment Benefits Trust	Total Pension and Other Employee Benefit Trust Funds
Additions			
Contributions			
Employer contributions	\$ -	\$ 1,685,214	\$ 1,685,214
Employee contributions	2,679,937	-	2,679,937
Total Contributions	<u>2,679,937</u>	<u>1,685,214</u>	<u>\$ 4,365,151</u>
Investment Income			
Investment Earnings	3,156,987	8,066	3,165,053
Net appreciation in fair value of investments	-	636,285	636,285
Investment Expense	(41,148)	-	(41,148)
Net Investment Income	<u>3,115,839</u>	<u>644,351</u>	<u>3,760,190</u>
Total additions	<u>5,795,776</u>	<u>2,329,565</u>	<u>8,125,341</u>
Deductions			
Benefit payments	6,277,650	1,685,214	7,962,864
Administrative expenses	280,103	23,924	304,027
Total deductions	<u>6,557,753</u>	<u>1,709,138</u>	<u>8,266,891</u>
Change in net position	(761,977)	620,427	(141,550)
Restated Net position - July 1, 2019	<u>128,298,402</u>	<u>21,078,038</u>	<u>149,376,440</u>
Net position - June 30, 2020	<u>\$ 127,536,425</u>	<u>\$ 21,698,465</u>	<u>\$ 149,234,890</u>

Exhibit XVI

Alexandria City Public Schools, Virginia
Statement of Changes in Assets and Liabilities
Student Activity Fund
For the Year Ended June 30, 2020

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
Assets				
Cash held on behalf of student activity fund	\$ 542,254	886,682	686,722	\$ 742,214
Total assets	<u>\$ 542,254</u>	<u>886,682</u>	<u>686,722</u>	<u>\$ 742,214</u>
Liabilities				
Due to student groups	\$ 542,254	886,682	686,722	\$ 742,214
Total liabilities	<u>\$ 542,254</u>	<u>886,682</u>	<u>686,722</u>	<u>\$ 742,214</u>



STATISTICAL SECTION

This part of the Alexandria City Public Schools Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and require supplementary information says about the School System's overall financial health.

Financial Trends

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

Revenue Capacity

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

Debt Capacity

This schedule presents information to help the reader assess the affordability of the School System's current level of outstanding capital lease debt.

Demographic and Economic Information

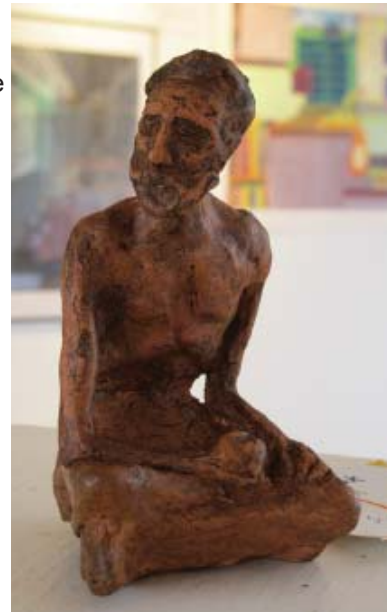
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School System's financial activities take place.

Operating Information

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

Source:

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



Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #6

Effective and Efficient Operations: ACPS will be efficient, effective, and transparent in its business operations.



Table 1

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Net Position
Last ten fiscal years

Governmental Activities:

	Net investment in capital assets ⁽¹⁾	Unrestricted	Restricted	Total net position
2020	\$ 16,114,529	\$ (260,014,136)	\$ 15,474,520	\$ (228,425,087)
2019	14,333,077	(252,438,346)	16,447,104	(221,658,165) ⁽³⁾
2018	10,910,323	(256,823,782)	23,223,210	(222,690,249)
2017	9,511,917	(208,829,186)	35,744,269	(163,573,000)
2016	8,814,080	(212,170,622)	35,679,389	(167,677,153) ⁽²⁾
2015	9,862,313	(233,320,103)	44,980,477	(178,477,313)
2014	9,666,296	(215,168,814)	17,449,685	(188,052,833)
2013	10,101,429	17,173,118	3,091,635	30,366,182
2012	9,848,454	17,140,693	2,562,085	29,551,232
2011	8,184,654	15,391,860	3,763,533	27,340,047

¹⁾ Amounts shown are net of any related debt.

²⁾ ACPS implemented Governmental Accounting Standards Board Statement No.68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions made subsequent to the Measurement Date in fiscal year 2015 and as result, unrestricted and total net position for fiscal year 2014 was restated.

³⁾ ACPS implemented Governmental Accounting Standards Board Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension in fiscal year 2018 and as result, unrestricted and total net position for fiscal year 2017 was restated.

Source: Alexandria City Public Schools Comprehensive Annual Financial Report

Table 2

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Changes in Net Position
Last ten fiscal years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
General instruction	\$ 162,112,276	\$ 172,528,593	\$ 180,228,637	\$ 173,706,777	\$ 178,975,925	\$ 185,579,090	\$ 210,178,242	\$ 209,136,380	\$ 217,023,617	\$ 234,272,086
Adult education	1,406,505	1,263,518	889,144	900,966	957,153	1,021,582	932,395	947,842	1,017,138	974,024
Summer school	1,488,236	1,086,494	594,626	668,925	792,906	1,121,039	902,146	1,225,044	1,276,386	1,308,415
Administration	12,715,266	17,331,705	16,617,218	16,686,774	16,485,282	17,873,172	20,253,269	20,212,751	20,544,620	23,327,072
Attendance and health services	4,683,823	4,587,196	4,928,558	5,733,737	5,704,138	5,560,676	6,934,086	5,981,139	6,472,139	7,169,663
Pupil transportation	8,201,645	8,225,165	9,144,732	8,101,913	9,344,396	10,646,893	10,697,335	11,009,516	10,001,757	8,730,888
Plant operations and maintenance	16,076,092	16,667,322	16,936,841	16,194,488	18,475,458	19,391,281	25,659,872	24,752,866	30,141,853	34,285,464
Food services	6,156,504	6,407,033	6,919,510	6,507,249	7,619,108	8,309,824	9,469,364	9,515,648	9,738,817	9,880,857
Capital Improvement Services	2,712,093	3,219,204	3,205,123	3,098,165	4,166,558	2,194,108	-	-	-	-
Total governmental expenses	215,552,440	231,316,230	239,464,389	231,598,994	242,520,924	251,697,665	285,026,709	282,781,186	296,216,327	319,948,469
Program revenues										
Charges for services										
Instruction	367,919	305,139	335,299	292,105	217,277	237,841	247,941	256,208	338,040	192,421
Plant operations and maintenance	299,672	329,484	328,755	135,101	119,190	187,600	198,047	166,017	245,561	182,575
Food services	1,901,699	1,893,970	1,766,299	1,706,521	1,617,692	1,768,238	1,850,100	1,931,883	2,037,775	1,635,574
Operating grants and contributions	21,376,623	22,343,336	19,240,425	16,199,266	17,152,274	18,398,056	20,667,915	21,129,803	21,284,473	21,815,170
Total program revenues	23,945,913	24,871,929	21,670,778	18,332,993	19,106,433	20,591,735	22,964,003	23,483,911	23,905,849	23,825,740
Net (expenses)	(191,606,527)	(206,444,301)	(217,793,611)	(213,266,001)	(223,414,491)	(231,105,930)	(262,062,706)	(259,297,275)	(272,310,478)	(296,122,729)
General revenues										
Intergovernmental:										
City of Alexandria	166,506,350	170,134,763	178,449,148	185,841,404	185,939,138	196,303,878	202,798,138	225,318,806	206,863,933	241,198,310
State aid	26,511,976	25,786,037	27,984,171	31,627,807	34,039,898	35,999,443	38,776,618	40,375,579	43,719,948	47,555,041
Grants not restricted to specific programs	8,323	1,043,535	-	-	-	-	-	-	-	-
Other local funds	1,798,288	1,751,150	2,222,167	1,139,350	1,651,826	686,690	331,334	472,474	513,406	602,456
Total general revenues	194,824,937	198,715,485	208,655,486	218,608,561	221,630,862	232,990,011	241,906,090	266,166,859	251,097,287	289,355,807
Change in net position	\$ 3,218,410	\$ (7,728,816)	\$ (9,138,125)	\$ 5,342,560	\$ (1,783,629)	\$ 1,884,081	\$ (20,156,616)	\$ 6,869,584	\$ (21,213,191)	\$ (6,766,922)

Source: Alexandria City Public Schools Comprehensive Annual Financial Report
Amounts prior to FY2012 have been changed to provide a consistent comparison to FY2012 and fiscal years afterward.

Table 3

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Fund Balances-Governmental Funds
Last ten fiscal years
(In thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Non Spendable:	\$ 866	\$ 959	\$ 910	\$ 882	\$ 879	\$ 1,150	\$ 1,232	\$ 1,246	\$ 1,357	\$ 1,538
Spendable:										
Restricted:										
Committed	3,900	-	6,670	4,566	3,260	6,997	5,033	5,206	5,724	5,099
Assigned	8,333	8,545	952	1,928	1,309	2,586	1,231	1,758	965	1,500
Unassigned	2,879	6,669	4,566	3,651	6,997	4,192	4,672	4,181	2,777	7,098
Total Spendable	15,112	15,214	12,188	10,145	11,566	13,775	10,936	11,145	9,466	13,697
Total general fund	\$ 15,978	\$ 16,173	\$ 13,098	\$ 11,027	\$ 12,445	\$ 14,925	\$ 12,168	\$ 12,391	\$ 10,823	\$ 15,235
All Other Governmental Funds										
Non Spendable:	\$ 144	\$ 133	\$ 199	\$ 177	\$ 203	\$ 335	\$ 518	\$ 281	\$ 187	\$ 244
Spendable:										
Restricted:										
Capital Projects	39	312	3,337	567	892	2,685	20,450	8,166	3,372	518
Special Revenue Fund	4,656	4,999	5,796	6,504	5,805	5,072	4,948	5,294	3,475	2,848
Total Spendable	4,695	5,311	9,133	7,071	6,697	7,757	25,398	13,460	6,847	3,366
Total all other governmental funds	\$ 4,840	\$ 5,444	\$ 9,332	\$ 7,248	\$ 6,900	\$ 8,092	\$ 25,916	\$ 13,741	\$ 7,034	\$ 3,610

Source: Alexandria City Public Schools Comprehensive Annual Financial Report

Table 4

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Changes in Fund Balances-Governmental Funds
Last ten fiscal years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Intergovernmental:										
City of Alexandria	\$ 170,134,763	\$ 178,449,148	\$ 185,841,404	\$ 185,939,138	\$ 196,303,878	\$ 202,798,138	\$ 225,318,806	\$ 206,863,933	\$ 227,228,450	\$ 241,198,310
State aid	28,473,281	31,497,154	35,765,060	37,164,240	39,386,758	42,559,291	44,328,919	47,790,226	49,703,929	51,389,373
Federal aid	19,732,840	18,830,353	15,103,172	13,074,924	13,002,053	13,317,447	15,879,993	16,292,323	16,782,666	17,635,923
Tuition and fees	667,591	634,623	684,054	578,266	431,166	425,442	445,988	422,225	613,506	374,995
Food sales	1,693,935	1,701,929	1,756,982	1,652,483	1,572,262	1,691,104	1,740,488	1,806,790	1,905,369	1,488,863
Gift and donations	-	-	-	-	-	-	-	-	-	-
Other local funds	1,958,989	2,414,208	1,148,667	1,554,803	1,400,329	1,706,405	1,416,668	1,405,702	1,014,492	1,094,084
Total Revenues	222,661,399	233,527,415	240,279,339	239,963,854	252,096,444	262,497,827	289,130,862	274,581,199	297,248,412	313,181,548
Expenditures										
General instruction	163,499,284	173,129,524	179,159,223	182,232,872	186,340,827	193,859,108	203,302,790	211,217,735	221,468,602	226,526,629
Adult education	1,406,505	1,263,517	889,144	900,966	957,153	1,021,582	932,395	947,842	1,017,138	974,024
Summer school	1,488,236	1,086,494	594,626	668,925	792,006	1,121,039	902,146	1,225,044	1,276,386	1,308,415
Administration	15,625,053	16,560,782	16,601,020	18,093,707	18,499,001	18,438,727	18,833,011	19,839,164	21,107,803	20,872,503
Attendance and health services	4,883,823	4,587,196	4,928,558	6,002,891	5,939,303	5,822,721	5,920,638	6,041,799	6,614,465	6,916,775
Pupil transportation	8,251,496	9,062,813	9,441,875	9,549,575	10,051,282	9,960,908	9,921,128	10,192,358	10,595,716	9,994,851
Operation of plants and maintenance	15,823,826	16,337,333	16,593,733	16,669,275	18,811,209	19,350,957	23,520,713	21,535,502	22,487,204	22,560,303
Food services	6,081,273	6,421,638	7,008,020	6,902,514	7,792,603	8,339,044	9,097,687	9,800,831	12,117,679	10,010,733
Capital improvement services	2,712,092	3,219,204	3,205,123	3,098,165	4,166,558	2,194,108	6,617,611	5,086,475	8,192,682	12,383,016
Debt Service:										
Principal	1,132,990	1,045,511	1,013,289	-	-	-	597,586	604,070	615,648	627,448
Interest	15,638	13,426	32,221	-	-	-	48,488	42,004	30,426	18,626
Total Expenditures	220,720,216	232,727,438	239,466,832	244,118,890	253,350,842	260,108,194	279,694,193	286,532,824	305,523,749	312,193,323
Excess (deficiency) of revenues over expenditures	1,941,183	799,977	812,507	(4,155,036)	(1,254,398)	2,389,633	9,436,669	(11,951,625)	(8,275,337)	988,225
Other financing sources (uses)										
Transfers in	-	-	-	-	1,195,221	1,079,387	4,874,636	7,422,877	1,431,902	1,555,604
Transfers out	-	-	-	-	(1,195,221)	(1,079,387)	(2,550,004)	(1,792,484)	(1,431,902)	(1,555,604)
Total Other Financing Sources (uses)	-	-	-	-	-	-	2,324,632	5,630,393	-	-
Total Net Change in Fund Balances	\$ 1,941,183	\$ 799,977	\$ 812,507	\$ (4,155,036)	\$ (1,254,398)	\$ 2,389,633	\$ 11,761,301	\$ (6,321,232)	\$ (8,275,337)	\$ 988,225

Ratio of debt service expenditures to noncapitalized expenditures

0.53%	0.46%	0.44%	0.00%	0.00%	0.00%	0.24%	0.23%	0.22%	0.21%
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Source: Alexandria City Public Schools Comprehensive Annual Financial Report
Amounts prior to FY2012 have been changed to provide a consistent comparison to FY2012 and fiscal years afterward.

Table 5

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
General Fund Expenditures By Detail Object
Last ten fiscal years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PERSONNEL SERVICES										
Personnel services	\$ 124,375,779	\$ 132,703,484	\$ 138,857,082	\$ 142,806,798	\$ 145,193,704	\$ 153,495,475	\$ 159,825,215	\$ 162,575,674	\$ 169,588,683	\$ 173,523,381
Benefits	41,338,213	43,841,559	47,639,880	49,626,807	53,900,044	52,480,610	56,312,031	62,906,749	66,049,201	67,480,510
Total Personnel Services	165,713,992	176,545,023	186,496,962	192,433,605	199,093,748	205,976,085	216,137,246	225,482,423	235,637,884	241,003,891
NON-PERSONNEL SERVICES										
Professional services	4,273,545	3,544,539	2,981,527	3,207,115	2,596,283	2,569,775	3,169,621	3,097,016	2,657,104	2,552,699
Temporary help service fees	1,623,562	1,635,059	1,744,523	1,507,817	1,556,284	1,721,543	1,625,152	1,257,808	1,809,012	1,734,105
Maintenance services and contracts	3,800,347	4,300,112	4,255,492	4,081,610	4,781,510	5,542,122	6,089,271	5,983,454	7,161,193	7,598,114
Transportation	1,179,986	1,349,859	1,411,008	1,451,944	1,587,439	1,452,706	1,456,626	1,419,843	1,819,079	1,555,850
Printing and binding	197,130	199,400	146,569	194,802	187,794	206,436	192,158	205,159	172,159	201,125
Purchase of services from other govt. entities	509,934	399,802	376,375	308,360	306,315	198,449	124,437	144,034	294,201	153,309
Other purchased services	53,357	50,006	32,559	32,167	52,622	34,684	32,898	-	40,290,000	65,615
Internal services	89,599	12,373	(777)	6,443	3,499	1,008	14,045	(2,531)	16,546	(3,616)
Utilities	2,293,175	2,814,813	2,753,748	2,637,463	2,857,652	2,835,800	3,130,632	3,392,399	3,592,287	3,284,241
Communications	820,685	804,807	834,353	807,257	920,515	800,220	784,027	868,402	941,975	994,718
Insurance	339,081	300,733	292,202	312,349	279,658	269,764	279,641	284,513	302,993	333,598
Leases and rentals	3,956,231	2,381,312	3,269,711	2,501,502	4,379,671	3,617,247	5,849,176	3,939,458	4,026,778	4,833,136
Travel	561,331	477,103	479,205	530,679	531,201	611,580	596,875	661,994	843,376	488,525
Awards and grants	1,180,000	54,200,000	415,473	537,833	627,760	484,473	98,315	102,802	88,696	21,826
Miscellaneous	232,722	210,466	206,269	244,376	242,609	290,835	256,288	302,211	323,440	297,053
Educational and recreational supplies	1,899,576	1,940,712	2,239,990	1,892,870	1,929,657	2,163,693	1,981,943	2,375,946	2,381,581	1,908,146
Textbooks	1,114,354	1,342,578	647,396	2,694,179	1,219,696	641,291	818,646	1,004,831	1,785,815	469,577
Food supplies and food service supplies	61,244	353,446	440,840	411,875	421,654	442,635	471,180	339,932	348,807	261,000
Technology	999,503	1,693,719	2,126,434	1,599,853	1,700,148	1,848,303	2,021,405	2,172,604	2,086,766	2,338,549
Medical and laboratory supplies	78,528	19,756	21,623	21,161	25,118	23,756	26,389	27,274	27,055	30,684
Repair and maintenance supplies	-	296,935,000	212,785	260,433	382,833	298,222	300,182	331,301	297,736	450,781
Laundry, housekeeping and janitorial supplies	410,780	429,144	452,425	427,118	425,525	437,919	486,466	441,183	365,298	335,518
Vehicle and power equipment fuel	378,342	744,831	543,069	580,756	473,636	320,157	327,167	414,348	428,768	269,786
Vehicle and power equipment supplies	478,374	199,905	258,569	242,774	319,096	289,289	313,733	330,320	327,478	301,887
Other operating supplies	504,846	631,732	364,630	291,445	337,441	355,572	323,750	73,697	161,487	140,164
Capital outlay	1,017,562	1,139,234	1,282,458	2,758,917	2,659,793	3,273,788	5,338,941	1,831,994	2,021,554	2,043,133
Debt Service:										
Principal	1,132,990	1,045,511	1,013,289	-	-	-	597,586,000	604,070	616,648	627,448
Interest	15,638	13,426	32,221	-	-	-	48,488,000	42,004	30,426	18,626
Total Non-personnel Services	28,023,603	28,385,513	28,833,966	29,543,098	30,805,409	30,731,267	36,735,038	31,646,086	34,988,548	33,305,597
GRAND TOTAL	\$ 193,737,595	\$ 204,930,536	\$ 215,330,928	\$ 221,976,703	\$ 229,899,157	\$ 236,707,352	\$ 252,872,284	\$ 257,128,489	\$ 270,606,432	\$ 274,309,488

Source: Alexandria City Public Schools Financial Services Department

Table 6

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA

Capital Projects Fund Expenditures

Last ten fiscal years

(in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
John Adams Elementary School	\$ -	\$ 6	\$ 59	\$ 63	\$ 43	\$ 115	\$ 106	\$ -	\$ 100	\$ 99	\$ 591
Charles Barrett Elementary School	84	-	-	-	38	289	51	319	219	13	1,013
Patrick Henry Elementary School	-	348	194	5	-	-	-	7	824	368	1,746
Jefferson-Houston School	-	14	-	-	771	-	16	1	122	209	1,133
Cora Kelly School for Math, Science and Technology	-	-	296	6	-	-	2	-	13	720	1,037
Lyles-Crouch Traditional Academy	-	49	3	-	-	46	6	8	39	-	151
Douglas MacArthur Elementary School	64	-	-	-	-	-	-	-	19	-	83
George Mason Elementary School	365	-	-	-	-	228	92	35	20	122	862
Matthew Maury Elementary School	-	33	-	-	-	-	11	-	267	53	364
Mount Vernon Community School	-	-	-	3	17	160	92	59	122	360	813
James K. Polk Elementary School	13	-	-	-	-	-	38	605	345	56	1,057
William Ramsay Elementary School	-	211	-	-	-	-	-	-	67	95	373
Francis C. Hammond Middle School	241	205	161	103	-	179	31	200	52	40	1,212
George Washington Middle School	183	-	-	-	290	-	50	306	480	643	1,952
T.C. Williams High School	3	37	-	-	21	148	80	974	443	1,290	2,996
T.C. Williams High School (Minnie Howard Campus)	28	-	-	-	-	-	-	-	-	-	28
Rowing Facility	-	-	43	97	20	105	-	121	592	28	1,006
Samuel W. Tucker Elementary School	-	-	-	-	-	-	14	-	50	-	64
Ferdinand T Day	-	-	-	-	-	-	-	-	46	105	151
System Wide	1,731	2,316	2,449	2,821	2,966	924	2,944	2,452	4,373	8,182	31,158
GRAND TOTAL	\$ 2,712	\$ 3,219	\$ 3,205	\$ 3,098	\$ 4,166	\$ 2,194	\$ 3,533	\$ 5,087	\$ 8,193	\$ 12,383	\$ 47,790

Source: Alexandria City Public Schools Financial Services Department

Table 7

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Ratios of Capital Lease Payments to Total General Expenditures ⁽¹⁾
Last ten fiscal years

Fiscal Year	Principal	Interest	Total Capital Lease Payments	General Fund Expenditures ⁽²⁾	Ratio
2020	\$ 639,414	\$ 6,660	\$ 646,074	274,309,488	0.24%
2019	615,648	30,426	646,074	270,606,432	0.24%
2018	604,070	42,004	646,074	257,128,489	0.25%
2017 ⁽³⁾	597,586	48,488	646,074	249,731,742	0.26%
2016	-	-	-	236,707,352	0.00%
2015	-	-	-	229,899,158	0.00%
2014	-	-	-	221,976,703	0.00%
2013	1,013,289	32,221	1,045,510	215,330,928	0.49%
2012	1,045,511	13,426	1,058,937	204,930,536	0.52%
2011	1,132,990	15,638	1,148,628	193,737,595	0.59%

(1) See Note 6- Lease Obligations in the notes to the financial statements for additional information on ACPS capital lease obligations

(2) See Table 5 for General Fund expenditure details and totals for years indicated.

(3) ACPS entered into capital lease agreement in FY2017.

Source: Alexandria City Public Schools Comprehensive Annual Financial Reports

Table 8

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Cost Per Pupil
Last ten fiscal years

<u>Fiscal Year</u>	<u>Governmental Funds Expenditures ⁽¹⁾</u>	<u>Actual Enrollment ⁽²⁾</u>	<u>Cost Per Pupil ⁽⁴⁾</u>	<u>Average Daily Attendance [ADA] ⁽³⁾</u>	<u>Average Daily Membership [ADM] ⁽³⁾</u>
2020	\$ 299,810,307	16,117	18,190	15,147	15,623
2019	297,331,067	15,795	17,740	14,788	15,303
2017	276,160,808	15,105	17,216	14,056	14,816
2016	257,914,086	14,729	16,896	13,853	14,610
2000	121,064,605	11,017	10,989	10,414	10,926
2015	249,184,284	14,224	16,731	13,280	13,963
2014	241,020,725	13,623	16,977	12,679	13,279
2013	236,261,709	13,114	17,211	12,271	12,913
2012	229,508,234	12,395	17,626	11,496	12,062
2011	218,008,124	11,999	17,343	11,090	11,677

Note: The formula for calculating the cost per pupil considers general operating funds and federal entitlement grants that support students in grades kindergarten (KG)-12 divided by KG-12 enrollment. Exclusions include preschool costs, adult education, and the school nutrition program which is a self-sufficient, special revenue fund.

Source: ⁽¹⁾ Alexandria City Public Schools Comprehensive Annual Financial Report, not including expenditures for Capital Projects Fund.

⁽²⁾ Alexandria City Public Schools Budget Office

⁽³⁾ Alexandria City Public Schools Technology Services Office

⁽⁴⁾ Alexandria City Public Schools Budget Office, Average All Students

Table 9

**ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
DEMOGRAPHIC STATISTICS
Last ten fiscal years**

Fiscal Year	Personal Income (\$000) ⁽⁶⁾	Per Capita Personal Income ⁽⁶⁾	Number Receiving Free or Reduced Price Meals ⁽¹⁾	Unemployment Rate ⁽²⁾	Number Receiving Special Education ⁽³⁾	Population ⁽²⁾	Number in English as a Second Language ⁽⁴⁾	Number in Gifted and Talented ⁽⁵⁾
2020	\$ 14,127,927	\$ 88,743	9,094	7.8%	1,697	159,200	5,117	2,045
2019	13,455,505	85,813	9,282	2.2%	1,762	156,800	5,045	2,325
2018	12,958,210	88,008	9,106	2.4%	1,731	154,500	4,791	2,185
2017	12,692,748	84,079	8,965	2.6%	1,803	152,200	4,789	1,929
2016	11,789,823	83,167	8,664	2.9%	1,672	153,511	4,381	1,744
2015	12,071,851	82,683	8,582	3.5%	1,634	150,575	4,202	1,605
2014	12,115,212	77,142	8,100	4.6%	1,621	148,892	3,642	1,488
2013	11,760,450	81,078	7,370	4.7%	1,641	146,294	3,406	1,671
2012	10,758,922	80,952	6,916	4.6%	1,686	144,301	3,005	1,269
2011	10,627,334	78,383	6,665	4.8%	1,701	141,287	2,698	1,383

Note: Population count is an estimate for calendar year 2010.

Source:

- ⁽¹⁾ School Nutrition Services
- ⁽²⁾ The City of Alexandria
- ⁽³⁾ Office of Student Services
- ⁽⁴⁾ Office of English Language Learners
- ⁽⁵⁾ Office of Curriculum and Instruction
- ⁽⁶⁾ Bureau of Economic Analysis (BEA), as revised, data is only shown for the fiscal years available.

Table 10

**ALEXANDRIA CITY PUBLIC SCHOOLS
TOTAL STUDENT MEMBERSHIP BY GRADE
Last ten fiscal years**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elementary										
Pre-K & Kindergarten	1,484	1,643	1,792	1,703	1,735	1,795	1,777	1,805	1,845	1,759
Grades 1 - 3	3,342	3,454	3,666	3,898	4,013	4,144	4,109	4,134	4,151	4,191
Grades 4 - 6	2,606	2,782	2,915	3,022	3,134	3,259	3,540	3,687	3,710	3,701
Total Elementary	7,432	7,879	8,373	8,623	8,882	9,198	9,426	9,626	9,706	9,651
Secondary										
Grades 7 - 8	1,484	1,492	1,540	1,656	1,811	1,878	1,876	1,918	2,072	2,293
9th Grade	758	784	813	892	1,028	975	1,077	1,217	1,156	1,269
10th Grade	769	803	847	846	917	1,069	1,022	991	1,029	973
11th Grade	776	713	789	832	795	814	883	886	883	919
12th Grade	715	655	673	714	734	736	772	855	891	957
Total Secondary	4,502	4,447	4,662	4,940	5,285	5,472	5,630	5,867	6,031	6,411
Special Placements										
District-wide	126	65	69	79	57	59	49	47	58	55
Grand Total	12,060	12,391	13,104	13,642	14,224	14,729	15,105	15,540	15,795	16,117

Note: This table is based on the September 30 student membership.

Source: Alexandria City Public Schools Budget Office

Table 11

**ALEXANDRIA CITY PUBLIC SCHOOLS
SCHOOL NUTRITION SERVICES MEALS SERVED**
Last ten fiscal years

	2011	2012	2013	2014 ⁽¹⁾	2015	2016	2017	2018	2019	2020 ⁽²⁾	10-year Average
DAYS MEALS SERVED											
No. of days, Traditional calendar schools	183	182	182	175	180	177	181	181	181	120	174
Additional days, Modified calendar schools	22	22	22	21	21	19	19	20	21	21	21
Total school days	205	204	204	196	201	196	200	201	202	141	195
NUMBER OF PUPIL LUNCHES SERVED:											
Paid lunches	379,712	360,061	316,368	277,992	271,798	287,176	287,051	292,726	313,755	239,425	302,606
Reduced price lunches	199,665	222,870	201,473	202,174	215,702	207,005	193,515	198,011	200,190	130,141	197,075
Free lunches	830,026	876,088	932,328	956,096	1,051,000	1,082,959	1,124,532	1,099,122	1,121,217	988,143	1,006,151
Total Pupil Lunches	1,409,403	1,459,019	1,450,169	1,436,262	1,538,500	1,577,140	1,605,098	1,589,859	1,635,162	1,357,709	1,505,831
NUMBER OF PUPIL BREAKFASTS SERVED:											
Paid breakfasts	51,448	46,660	61,791	76,700	87,558	73,799	125,705	108,747	132,652	108,870	87,393
Reduced price breakfasts	89,922	75,621	85,305	95,741	94,799	89,078	114,929	104,337	111,966	74,887	93,659
Free breakfasts	329,858	321,589	397,465	428,969	452,947	458,130	657,637	627,109	618,461	674,523	496,669
Total Pupil Breakfasts	471,228	443,870	544,561	601,410	635,304	621,007	898,271	840,193	863,079	858,280	677,721

⁽¹⁾ Due to snowstorms in January and February 2014, ACPS was closed for 10 days. To compensate for the lost instruction days, the school day was lengthened for the remainder of the school year.

⁽²⁾ Schools closed for the year on March 13th due to Covid 19. ACPS provided free meals at five locations for the remainder of the school year.

Source: Alexandria City Public Schools School Nutrition Services

Table 12

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
SCHOOL NUTRITION SERVICES REVENUES AND EXPENDITURES
Last ten fiscal years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	10-year Total	10-year Average
Revenues												
Federal aid	\$ 4,211,055	\$ 4,512,869	\$ 4,995,585	\$ 5,196,567	\$ 5,863,269	\$ 6,251,009	\$ 6,858,274	\$ 7,076,588	\$ 7,245,213	\$ 7,005,967	\$ 59,216,396	\$ 5,921,640
State aid	62,817	107,671	119,895	126,034	121,568	131,371	169,466	180,394	208,050	211,478	1,438,744	143,874
Local	1,901,624	1,893,969	1,766,299	1,706,521	1,617,693	1,768,239	1,850,100	1,931,883	2,037,775	1,635,574	18,109,677	1,810,968
Total Revenue	6,175,496	6,514,509	6,881,779	7,029,122	7,602,530	8,150,619	8,877,840	9,188,865	9,491,038	8,853,019	78,764,816	7,876,482
Expenditures												
Salaries	1,946,823	2,049,420	2,152,742	2,195,771	2,261,433	2,582,048	2,758,435	2,804,003	3,057,166	3,144,920	24,952,762	2,495,276
Benefits	732,585	808,633	892,643	896,539	1,004,572	1,001,727	1,040,367	1,279,584	1,406,650	1,432,823	10,496,123	1,049,612
Purchased services	364,693	58,396	39,071	61,592	41,016	57,408	61,973	86,941	74,817	82,731	928,638	92,864
Internal services	5,192	8,451	4,590	4,489	2,304	1,747	2,901	3,341	4,910	6,659	44,585	4,458
Other charges	17,305	18,348	16,521	9,482	11,461	12,469	24,783	18,648	29,424	24,712	183,153	18,315
Food supplies	2,566,743	2,911,883	3,244,483	3,214,658	3,497,335	3,854,325	4,031,456	4,020,137	4,008,063	3,819,850	35,168,933	3,516,893
Capital outlay	156,031	137,282	197,917	10,147	281,269	133,892	343,541	787,369	2,808,818	885,636	5,741,902	574,190
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	5,789,373	5,992,413	6,547,967	6,392,678	7,099,390	7,643,615	8,263,456	9,000,023	11,389,848	9,397,333	77,516,096	7,751,610
Revenues over (under) Expenditures	\$ 386,122	\$ 522,096	\$ 333,812	\$ 636,444	\$ 503,140	\$ 507,004	\$ 614,384	\$ 188,842	\$ (1,898,810)	\$ (544,314)	\$ 1,248,720	\$ 124,872

Source: Alexandria City Public Schools, Financial Services Department Accounting Office

Table 13

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
School Nutrition Services Sales Price
Last ten fiscal years

Fiscal Year	Student Breakfast	Student Lunch			Adult	
		Elementary	Middle	High	Breakfast	Lunch
2020	1.75	2.85	3.05	3.05	N/A ⁽¹⁾	3.80
2019	1.75	2.85	3.05	3.05	N/A ⁽¹⁾	3.80
2018	1.75	2.85	3.05	3.05	N/A ⁽¹⁾	3.80
2017	1.75	2.65	2.85	2.85	N/A ⁽¹⁾	3.60
2016	1.75	2.65	2.85	2.85	N/A ⁽¹⁾	3.60
2015	1.75	2.45	2.65	2.65	N/A ⁽¹⁾	3.40
2014	1.75	2.45	2.65	2.65	N/A ⁽¹⁾	3.30
2013	1.50	2.35	2.60	2.60	N/A ⁽¹⁾	3.25
2012	1.25	2.25	2.50	2.50	1.55	3.25
2011	1.25	2.25	2.50	2.50	1.55	3.10

⁽¹⁾ Starting with FY 2013, Alexandria School Board approved a la carte menu items for adult breakfast.

Source: Alexandria City Public Schools School Nutrition Services

Table 14

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
School Nutrition Services Principal Clients
Current year and nine years ago

Client	Current Year			Nine years Ago		
	Sales	Rank	Percentage of Sales	Sales	Rank	Percentage of Sales
Students	\$ 678,106	1	45.5%	\$ 878,154	1	46.3%
A La Carte	375,378	2	25.2%	637,007	2	33.6%
Catering/Other	311,216	3	20.9%	201,433	3	10.6%
Summer School Feeding Program	99,186	4	6.7%	98,146	4	5.2%
Adult	24,977	5	1.7%	78,514	5	4.1%
Vending	-	6	0.0%	5,113	6	0.3%
Total	<u>\$ 1,488,863</u>		<u>100.0%</u>	<u>\$ 1,898,367</u>		<u>100.0%</u>

Source: Alexandria City Public Schools School Nutrition Services

Table 15

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Full-time Equivalent By Function-All Funds
Last ten fiscal years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Instruction	1,761.4	1,770.6	1,768.0	1,746.4	1,775.0	1,882.3	1,936.0	1,959.6	2,017.2	2,033.5
Adult Education	10.0	9.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Administration	65.6	69.6	69.0	75.0	84.5	95.6	96.0	95.0	97.5	101.5
Attendance and Health	34.4	34.4	34.3	54.9	60.0	58.3	68.9	68.9	69.9	70.1
Transportation	134.0	134.0	137.0	141.5	148.5	152.0	154.0	154.0	157.0	162.0
Plant Operations & Maintenance	95.8	90.2	90.5	108.5	102.5	107.5	109.5	109.5	110.5	106.6
School Food Services	79.6	87.0	92.0	103.1	93.6	126.0	127.0	127.0	129.0	129.4
Total FTEs	2,180.9	2,194.9	2,194.8	2,233.5	2,268.0	2,425.6	2,495.4	2,517.9	2,585.2	2,607.2

Source: Alexandria School Board's Final Budget and Human Resources Data

Table 16

ALEXANDRIA CITY PUBLIC SCHOOLS
Capital Assets Information by Function
Last ten fiscal years

	<u>2011</u>	<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>Instructional Facilities</u>										
Pre-Kindergarden	-	-	-	-	-	-	-	-	1 ⁽¹⁾	1
Elementary Schools	13	12	12	12	12	12	12	12	12	12
Pre-Kindergarden to Eighth Grade Schools (K-8)	-	1	1	1	1	1	1	1	2	2
Middle Schools	5 ⁽²⁾	5 ⁽²⁾	5 ⁽²⁾	5 ⁽²⁾	2 ⁽²⁾	2	2	2	2	2
High Schools	1	1	1	1	1	1	1	1	1	1
Alternative Education	1	1	2	2	2	2	2	2	2	2
<u>Plant Operations and Maintenance</u>										
Vehicles	45	45	52	53	59	57	56	58	63	81
<u>Pupil Transportation</u>										
Buses	100	101	101	107	107	99	113	118	119	122

⁽¹⁾ Starting in fiscal year 2019, ACPS started a new district wide pre-kindergarden program that is organized and managed as a separate school at an existing elementary school location led by a principal and supported by an assistant/associate principal.

⁽²⁾ From fiscal years 2011 to 2014, the student population at the two middle school locations were divided into five groups. Each group was organized and managed as a separate middle school, led by a principal. In 2015, the student groups were reduced to two, based upon the school location. Each separate middle school location is led by a principal and supported by two or more assistant/associate principals.

Source: Alexandria City Public Schools Accounting and Finance Office

Table 17

**ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
TEACHERS' EDUCATION AND EXPERIENCE
June 30, 2020**

<u>Degree</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
Bachelor's Degree	289	18.0%
Master's Degree	1,004	62.8%
Master's + 30	<u>307</u>	<u>19.2%</u>
Total	<u><u>1,600</u></u>	<u><u>100.0%</u></u>

<u>Years of Experience</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
0 - 5	440	27.5%
6 - 10	353	22.1%
11 and over	<u>807</u>	<u>50.4%</u>
Total	<u><u>1,600</u></u>	<u><u>100.0%</u></u>

Source: The Alexandria City Public Schools Human Resources Office

Table 18

**ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
TEACHERS' BASE SALARIES**
(Annual School Year Salary)
Last ten fiscal years

Fiscal Year	Minimum Salary ⁽¹⁾	Mean Salary	Maximum Salary ⁽²⁾	Percentage Change ⁽³⁾
2020	\$ 48,894	\$ 78,461	\$ 109,403	0.0%
2019	48,894	78,461	109,403	2.0%
2018	47,242	77,005	107,259	0.0%
2017	47,242	76,096	107,259	0.0%
2016	47,242	74,431	107,259	0.0%
2015	47,242	73,612	107,259	0.0%
2014	47,242	73,705	107,259	1.0%
2013	46,773	72,704	106,197	7.2%
2012	43,633	71,239	99,064	6.5% (4)
2011	42,671	69,845	93,007	0.0%

NOTES:

- 1) The minimum salary represents the minimum amount an ACPS teacher with a Bachelor's degree may earn for regular classroom instruction during the school year, according to the professional salary schedule for teachers and paraprofessionals.
- 2) The maximum salary represents the maximum amount an ACPS teacher with a Masters degree and 30 years of service may earn for regular classroom instruction during the school year, according to the professional salary schedule for teachers and paraprofessionals, dependent on educational attainment and years of service.
- 3) The percentage change is the official increase, in maximum salary, as approved by the School Board.
- 4) One-time bonus payments were given in lieu of salary increases.

Source: The Alexandria City Public Schools Human Resources Office and Budget Office

Table 19

Principal Employers
Current Year (as of July 1, 2020 and Nine Years Ago)

Current Year	Employees	Percentage of Total City Employment	Nine Years Ago	Employees	Percentage of Total City Employment
LARGEST PUBLIC EMPLOYERS					
U.S. Patent and Trademark Office	12,579	14.21%	U.S. Department of Commerce	1,000 & over	3.20%
U.S. Department of Defense	11,050	12.48%	U.S. Department of Defense	1,000 & over	3.20%
Alexandria City Public Schools	2,551	2.88%	City of Alexandria	2,341	2.50%
City of Alexandria	2,300	2.60%	Alexandria Public Schools	2,115	2.26%
The National Science Foundation	2,100	2.37%	WMATA	1,000 & over	3.20%
WMATA	1,500	1.69%	Northern Virginia Community College	500-999	0.80%
USDA Food and Nutrition Service	800	0.90%	U.S. Army	500-999	0.80%
		37.13%			15.96%
LARGEST PRIVATE EMPLOYERS					
Inova Health System	1,700	1.9%	INOVA Alexandria Hospital	1,000 & over	3.29%
Institute for Defense Analysis	650	0.6%	American Building Maintenance Co	500-999	0.82%
Woodbine Health Center	425	0.5%	Institute of Defense Analysis	500-999	0.82%
Society-Human Resource Management	400	0.5%	Gail Services Corporation	500-999	0.82%
Oblon, Maier & Neustadt, P.C.	385	0.4%	CNA Corporation	500-999	0.82%
Kearney & Company, P.C.	380	0.4%	Grant Thornton LLP	500-999	0.82%
Systems Planning & Analysis	375	0.4%	Oblon Spivak McClelland	250-499	0.41%
		4.74%			7.80%

SOURCE: Alexandria Economic Development Partnership

Table 20

CITY OF ALEXANDRIA, VIRGINIA
Ratio of Net General Debt ⁽¹⁾ to Assessed Value
and Net Debt Per Capita
Last Ten Fiscal Years

Year	Population ⁽³⁾	Taxable Assessed Value (\$000) ⁽²⁾			Outstanding Debt As Percentage of Assessed			Personal Income (\$100)	Debt Per Capita	Debt Per Capita As A Percentage of Per Capita Income ⁽⁴⁾
		Real Property	Personal Property	Total	Real Property	Total Property	Total Property			
2020	159,200	\$ 42,679,237	\$ 1,596,166	\$ 44,275,403	1.75	1.69		\$ 14,127,927	4,698	5.34
2019	156,800	40,977,242	1,565,335	42,542,577	1.44	1.39		13,455,505	3,762	4.47
2018	154,500	39,897,987	1,520,865	41,418,852	1.49	1.44		12,958,210	3,851	4.58
2017	152,200	38,987,294	1,503,339	40,490,633	1.43	1.38		12,692,748	3,661	4.35
2016	149,900	38,195,319	1,437,203	39,632,522	1.37	1.32		11,789,823	3,487	4.19
2015	147,650	37,146,860	1,397,502	38,544,362	1.46	1.40		12,071,851	3,661	4.45
2014	144,000	35,895,603	1,417,679	37,313,282	1.50	1.45		12,115,212	3,748	4.66
2013	142,000	34,725,071	1,343,202	36,068,273	1.46	1.41		11,760,450	3,582	4.63
2012	140,800	33,782,698	1,309,164	35,091,862	1.36	1.31		10,758,922	3,260	3.98
2011	140,100	32,631,952	1,226,896	33,858,848	1.27	1.23		10,627,334	2,967	3.79

(1) Net General Debt includes general obligation bonds, premium and term notes.

(2) Includes real and personal property as adjusted for changes to levy.

(3) SOURCE: Alexandria Department of Planning and Zoning and the United States Bureau of Economic Analysis

(4) Personal Income and per capita income represents data from the United States Bureau of Economic Analysis, as revised, that generally has a two-year lag.

CITY OF ALEXANDRIA, VIRGINIA
Real and Personal Property Tax Assessments and Rates
Last Ten Calendar Years

Note: Property is assessed each year as of January 1. Property is assessed at actual value; therefore assessed values are equal to actual values. Tax rates are assessed per \$100 of assessed value.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Members of the Alexandria City School Board
Alexandria, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexandria City Public Schools (ACPS), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Alexandria Public Schools' basic financial statements, and have issued our report thereon dated December 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Alexandria Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACPS' internal control. Accordingly, we do not express an opinion on the effectiveness of ACPS' 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.

The Members of the Alexandria City School Board
City of Alexandria Public Schools
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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of ACPS' internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ACPS' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Arlington, Virginia
December 2, 2020





Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

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