

RADFORD CITY SCHOOL BOARD
(A COMPONENT UNIT OF THE CITY OF RADFORD, VIRGINIA)

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

Prepared By:
Department of Financial Services

**RADFORD CITY SCHOOL BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

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INTRODUCTORY SECTION

RADFORD CITY SCHOOL BOARD

SCHOOL BOARD MEMBERS

Liz Altieri, Vice Chair
Adam DeVries

Lee Slusher, Chair

Lynn Burris
Joe Hester

SCHOOL OFFICIALS

Robert Graham
Kerri Long

Superintendent of Schools
Clerk of the School Board

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Presentation

As described in Note 17 to the financial statements, in 2020, the Radford City School Board changed the presentation of basic aid and sales tax revenue from program revenues to general revenues.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 59-62 and 63-74 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Radford City School Board's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, on our consideration of the Radford City School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Radford City School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Radford City School Board's internal control over financial reporting and compliance.



Blacksburg, Virginia
December 8, 2020

Basic Financial Statements

Radford City School Board
Statement of Net Position
June 30, 2020

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 649,437
Accounts receivable	4,180
Due from other governmental units	325,308
Due from primary government	123,721
Inventories	21,690
Net pension asset	93,790
Capital assets (net of accumulated depreciation):	
Land	211,699
Buildings and improvements	6,523,744
Machinery and equipment	895,587
Construction in progress	493,085
Total assets	<u>\$ 9,342,241</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 3,051,346
OPEB related items	368,534
Total deferred outflows of resources	<u>\$ 3,419,880</u>
LIABILITIES	
Accounts payable	\$ 193,835
Wages payable	54,018
Accrued health claims	104,275
Unearned revenue	196,663
Long-term liabilities:	
Due within one year	606,738
Due in more than one year	17,178,450
Total liabilities	<u>\$ 18,333,979</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 1,606,941
OPEB related items	131,966
Total deferred inflows of resources	<u>\$ 1,738,907</u>
NET POSITION	
Investment in capital assets	\$ 8,124,115
Restricted	
Cafeteria operations	311,949
Unrestricted	(15,746,829)
Total net position	<u>\$ (7,310,765)</u>

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

Radford City School Board
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	
PRIMARY GOVERNMENT:						
Governmental activities:						
Instruction	\$ 13,385,919	\$ 65,883	\$ 4,855,621	\$ -	\$	(8,464,415)
Administration, Attendance and Health	1,186,237	-	-	-		(1,186,237)
Pupil Transportation Services	459,275	-	-	-		(459,275)
Operation and Maintenance Services	1,806,274	-	-	-		(1,806,274)
School Food Services and Other	840,216	143,420	688,768	-		(8,028)
Technology	894,793	-	312,454	-		(582,339)
Facilities	704,285	-	-	-		(704,285)
Interest on long-term debt	5,861	-	-	-		(5,861)
Total governmental activities	\$ 19,282,860	\$ 209,303	\$ 5,856,843	\$ -	\$	(13,216,714)
General revenues:						
Basic aid					\$	5,536,776
State sales tax						1,738,855
Unrestricted revenues from the use of money and property						750
Miscellaneous						149,711
Contributions from the City of Radford, Virginia						5,665,225
Total general revenues					\$	13,091,317
Change in net position					\$	(125,397)
Net position - beginning						(7,185,368)
Net position - ending					\$	(7,310,765)

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

Radford City School Board
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	School Grants Fund	School Cafeteria Fund	School Textbook Fund	School Construction Fund	Total
ASSETS						
Cash and cash equivalents	\$ 963	\$ 176,979	\$ 256,613	\$ 173,427	\$ -	\$ 607,982
Accounts receivable	710	-	3,470	-	-	4,180
Due from other governmental units	134,665	110,851	79,792	-	-	325,308
Due from primary government	-	-	-	-	123,721	123,721
Inventories	-	-	21,690	-	-	21,690
Total assets	\$ 136,338	\$ 287,830	\$ 361,565	\$ 173,427	\$ 123,721	\$ 1,082,881
LIABILITIES						
Accounts payable	\$ 49,959	\$ 8,405	\$ 11,750	\$ -	\$ 123,721	\$ 193,835
Wages payable	35,079	2,763	16,176	-	-	54,018
Unearned revenue	-	196,663	-	-	-	196,663
Total liabilities	\$ 85,038	\$ 207,831	\$ 27,926	\$ -	\$ 123,721	\$ 444,516
FUND BALANCES						
Nonspendable						
Inventories	\$ -	\$ -	\$ 21,690	\$ -	\$ -	\$ 21,690
Restricted	-	-	311,949	-	-	311,949
Committed	-	79,999	-	173,427	-	253,426
Unassigned	51,300	-	-	-	-	51,300
Total fund balances	\$ 51,300	\$ 79,999	\$ 333,639	\$ 173,427	\$ -	\$ 638,365
Total liabilities and fund balances	\$ 136,338	\$ 287,830	\$ 361,565	\$ 173,427	\$ 123,721	\$ 1,082,881

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

Radford City School Board
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	638,365
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	211,699
Buildings and improvements	6,523,744	
Machinery and equipment	895,587	
Construction in progress	<u>493,085</u>	8,124,115
The net pension asset is not an available resource and, therefore, is not reported in the funds.		93,790
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	3,051,346
OPEB related items	<u>368,534</u>	3,419,880
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		(62,820)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(553,297)
Capital Lease	(191,765)	
Net OPEB liabilities	(2,918,836)	
Net pension liability	<u>(14,121,290)</u>	(17,785,188)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(1,606,941)
OPEB related items	<u>(131,966)</u>	(1,738,907)
Net position of governmental activities	<u>\$</u>	<u>(7,310,765)</u>

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

Radford City School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	School Grants Fund	School Cafeteria Fund	School Textbook Fund	School Construction Fund	Total
REVENUES						
Revenue from the use of money and property	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ 750
Charges for services	65,883	-	143,420	-	-	209,303
Miscellaneous	116,301	17,714	15,696	-	-	149,711
Recovered costs	19,571	-	-	-	-	19,571
Intergovernmental	16,369,724	1,113,450	688,768	122,262	1,063,947	19,358,151
Total revenues	\$ 16,572,229	\$ 1,131,164	\$ 847,884	\$ 122,262	\$ 1,063,947	\$ 19,737,486
EXPENDITURES						
Instruction	\$ 12,749,891	\$ 864,813	\$ -	\$ 195,783	\$ -	\$ 13,810,487
Administration, Attendance and Health	1,075,224	72,335	-	-	-	1,147,559
Pupil Transportation Services	409,029	-	-	-	-	409,029
Operation and Maintenance Services	1,462,096	-	-	-	23,309	1,485,405
School Food Services and Other	117,434	-	700,637	-	-	818,071
Technology	693,793	167,996	-	-	-	861,789
Facilities	56,945	-	-	-	-	56,945
Capital Projects	-	-	-	-	1,426,542	1,426,542
Debt service:						
Principal retirement	-	-	-	-	188,611	188,611
Interest and fiscal charges	-	-	-	-	5,861	5,861
Total expenditures	\$ 16,564,412	\$ 1,105,144	\$ 700,637	\$ 195,783	\$ 1,644,323	\$ 20,210,299
Excess (deficiency) of revenues over (under) expenditures	\$ 7,817	\$ 26,020	\$ 147,247	\$ (73,521)	\$ (580,376)	\$ (472,813)
OTHER FINANCING SOURCES (USES)						
Issuance of capital lease	\$ -	\$ -	\$ -	\$ -	\$ 380,376	\$ 380,376
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ 380,376	\$ 380,376
Net change in fund balances	\$ 7,817	\$ 26,020	\$ 147,247	\$ (73,521)	\$ (200,000)	\$ (92,437)
Fund balances - beginning	43,483	53,979	186,392	246,948	200,000	730,802
Fund balances - ending	\$ 51,300	\$ 79,999	\$ 333,639	\$ 173,427	\$ -	\$ 638,365

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

Radford City School Board
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

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

Net change in fund balances - total governmental funds	\$	(92,437)
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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 depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$ 392,726	
Depreciation expense	<u>(473,937)</u>	(81,211)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:

Issuance of capital lease		(380,376)
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Principal repayments:

Capital leases		188,611
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

		295,853
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Changes in compensated absences	\$ (15,589)	
Changes in OPEB related items	4,140	
Changes in pension related items	<u>(44,388)</u>	(55,837)

Change in net position of governmental activities	\$	<u><u>(125,397)</u></u>
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The notes to the financial statements are an integral part of this statement.

Radford City School Board
Statement of Net Position
Proprietary Funds
June 30, 2020

	Internal Service <u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 41,455
Total assets	<u>\$ 41,455</u>
LIABILITIES	
Current liabilities:	
Accrued health claims	\$ 104,275
Total liabilities	<u>\$ 104,275</u>
NET POSITION	
Unrestricted	\$ (62,820)
Total net position	<u><u>\$ (62,820)</u></u>

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

Radford City School Board
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Internal Service <u>Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 2,750,011
Total operating revenues	<u>\$ 2,750,011</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 2,454,158
Total operating expenses	<u>\$ 2,454,158</u>
Operating income (loss)	<u>\$ 295,853</u>
Change in net position	\$ 295,853
Total net position - beginning	(358,673)
Total net position - ending	<u><u>\$ (62,820)</u></u>

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

Radford City School Board
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 2,750,011
Payments for health claims	(2,709,354)
Net cash provided by (used for) operating activities	<u>\$ 40,657</u>
Net increase (decrease) in cash and cash equivalents	\$ 40,657
Cash and cash equivalents - beginning	798
Cash and cash equivalents - ending	<u><u>\$ 41,455</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 295,853</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in health claims payable	\$ (255,196)
Total adjustments	<u>\$ (255,196)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 40,657</u></u>

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

RADFORD CITY SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Radford City School Board (“the School Board”) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity:

The Radford City School Board (government) is a component unit of the City of Radford, Virginia (“the City”), which operates two elementary schools, one middle school, and one high school for students residing in the City. The School Board consists of five elected members. City Council approves the Board’s operational and capital budgets and must approve the issuance of bonded debt. City Council also provides fiscal guidance because it levies taxes for the School Board’s operations and issues debt for its school capital projects. Based on these facts, the City reports the School Board as a discretely presented component unit.

Related Organizations

School Board members are occasionally appointed to various committees as provided under state and local laws and ordinances. However, the committees are advisory in nature and the School Board is not financially accountable for these committees and therefore they are not included in the School Board financial statements.

B. Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. *Governmental activities* are normally supported by intergovernmental revenues. For the most part, the effect of interfund activity has been removed from these statements. The interfund services provided by and used for in the internal services fund are not eliminated in the process of consolidation.

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies: (continued)

B. Government-wide and fund financial statements: (continued)

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation:

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The School Board reports the following major governmental funds:

The General Fund is the School Board's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds.

Special revenue funds account for and report the proceeds of specific revenue sources. Special Revenue Funds consist of the School Grants, School Cafeteria, and School Textbook Funds.

The School Construction Fund accounts for all financial resources received from specific revenue sources to be used to acquire capital assets.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The government reports the following major proprietary funds:

The Internal Service Fund accounts for and reports the self-insured health insurance plan.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance:

1. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Inventories

Inventories are valued at the lower of cost (determined on a first-in, first-out basis) or market except for commodities received from the federal government which are valued at market. Inventories consist of food and supplies.

3. Capital assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

3. Capital assets (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Equipment and furniture	5-15
Vehicles and buses	5-8

4. Fund balance

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

4. Fund balance (continued)

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

5. Compensated Absences

The School Board has policies which allow for the accumulation and vesting of limited amounts of vacation and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if the leave is expected to be paid with currently available financial resources.

6. Deferred Outflows/Inflows of Resources

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

7. Pensions

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

8. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

10. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance: (continued)

10. Net Position (continued)

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Note 2-Stewardship, Compliance, and Accountability:

Budgets and Budgetary Accounting

The following procedures are used by the School Board in establishing the budgetary data reflected in the financial statements:

The funds available to the School Board for the establishment, support and maintenance of schools consist of state funds appropriated for school purposes and apportioned to the School Board, federal funds appropriated for educational purposes and apportioned to the School Board, local funds appropriated to the School Board by the City, and other funds that may be set apart for public school purposes.

The School Board manages and controls the funds made available by the City. The school superintendent prepares, with the approval of the School Board, and submits to the City prior to April 1, the proposed operating budget for the next fiscal year. Before the School Board gives final approval to its budget for submission to the City Council, the School Board holds at least one public hearing to receive the view of the citizens.

City Council has adopted the policy of appropriating the school budget in total rather than by categories. Accordingly, the legal restrictions on expenditures for the School Board are at the fund level. The School Board is authorized to transfer budgeted amounts within each fund at its discretion. The School Board, with the concurrence of City Council, may from time to time amend the budget to provide for additional expenditures and the means of financing them.

The school budget is adopted on a basis consistent with generally accepted accounting principles. All appropriations lapse on June 30. The budgetary data presented in the accompanying financial statements are revised as of June 30 and include all appropriations approved by the City Council.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 3-Deposits and Investments:

Deposits

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

Investments

Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). No investments were held during the year.

Note 4-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	School Board
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 134,985
Categorical aid-Other	2,760
<u>Federal Government:</u>	
School grants	107,771
School food program	79,792
Totals	<u>\$ 325,308</u>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 5-Long-term Obligations:

The following is a summary of changes in long-term obligations:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Due Within One Year
Capital Leases	\$ -	\$ 380,376	\$ (188,611)	\$ 191,765	\$ 191,765
Compensated absences	537,708	418,870	(403,281)	553,297	414,973
Net OPEB liabilities	2,796,028	552,843	(430,035)	2,918,836	-
Net pension liability	12,773,000	4,742,645	(3,394,355)	14,121,290	-
Total	<u>\$ 16,106,736</u>	<u>\$ 6,094,734</u>	<u>\$ (4,416,282)</u>	<u>\$ 17,785,188</u>	<u>\$ 606,738</u>

The School Board General Fund is normally used to liquidate the liabilities above.

Note 6-Pension Plans:

Plan Description

All full-time, salaried permanent employees of the (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

Benefit Structures (continued)

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

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

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:

	Primary Government School Board (Nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	10
Inactive members:	
Vested inactive members	1
Non-vested inactive members	4
Inactive members active elsewhere in VRS	2
Total inactive members	7
Active members	10
Total covered employees	27

Contributions

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

The School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 2.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board's nonprofessional employees were \$5,505 and \$5,570 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The School Board's (nonprofessional) net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 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	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

Actuarial Assumptions - General Employees (continued)

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 the 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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
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>
		Expected arithmetic nominal return*	<u>7.63%</u>

* 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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

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; the Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative 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. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Primary Government-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2018	\$ 1,720,864	\$ 1,916,296	\$ (195,432)
Changes for the year:			
Service cost	\$ 33,211	\$ -	\$ 33,211
Interest	115,605	-	115,605
Assumption changes	36,403	-	36,403
Differences between expected and actual experience	59,581	-	59,581
Contributions - employer	-	5,570	(5,570)
Contributions - employee	-	15,993	(15,993)
Net investment income	-	122,990	(122,990)
Benefit payments, including refunds of employee contributions	(138,740)	(138,740)	-
Administrative expenses	-	(1,318)	1,318
Other changes	-	(77)	77
Net changes	\$ 106,060	\$ 4,418	\$ 101,642
Balances at June 30, 2019	\$ 1,826,924	\$ 1,920,714	\$ (93,790)

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**Note 6-Pension Plans: (continued)*****Sensitivity of the Net Pension Asset to Changes in the Discount Rate***

The following presents the net pension asset of the School Board (nonprofessional) using the discount rate of 6.75%, as well as what the School Board's (nonprofessional) net pension asset 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board (Nonprofessional)			
Net Pension (Asset) Liability	\$ 66,734	\$ (93,790)	\$ (224,698)

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

For the year ended June 30, 2020, the School Board (nonprofessional) recognized pension expense of \$49,862. At June 30, 2020, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,010	\$ 1,186
Changes of assumptions	20,779	163
Net difference between projected and actual earnings on pension plan investments	-	16,608
Employer contributions subsequent to the measurement date	5,505	-
Total	\$ 60,294	\$ 17,957

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

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

\$5,505 reported as deferred outflows of resources related to pensions resulting from the School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government-School Board (Nonprofessional)</u>
2021	\$ 40,449
2022	(4,692)
2023	(326)
2024	1,401
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan 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.

Primary Government-School Board (professional)

Plan Description

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

Primary Government-School Board (professional) (continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,396,569 and \$1,374,810 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$14,121,290 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 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 0.10730% as compared to 0.10861% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$1,397,162. 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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

Primary Government-School Board (professional) (continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 904,246
Net difference between projected and actual earnings on pension plan investments	-	310,070
Changes of assumptions	1,398,339	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	196,144	374,668
Employer contributions subsequent to the measurement date	<u>1,396,569</u>	<u>-</u>
Total	<u>\$ 2,991,052</u>	<u>\$ 1,588,984</u>

\$1,396,569 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2021	\$ (44,049)
2022	(302,386)
2023	79,258
2024	173,684
2025	98,992

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

Primary Government-School Board (professional) (continued)

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.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

Primary Government-School Board (professional) (continued)

Actuarial Assumptions (continued)

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	Decreased rate from 7.00% to 6.75%

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):

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

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 6-Pension Plans: (continued)

Primary Government-School Board (professional) (continued)

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

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 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 point lower (5.75 %) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 21,258,676	\$ 14,121,290	\$ 8,219,994

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.retire.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.

Aggregate Pension Information

The following is a summary of deferred outflows, deferred inflows, net pension liability (asset), and pension expense for the year ended June 30, 2020.

	Primary Government-School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Nonprofessional	\$ 60,294	\$ 17,957	\$ (93,790)	\$ 49,862
School Board Professional	2,991,052	1,588,984	14,121,290	1,397,162
Totals	\$ 3,051,346	\$ 1,606,941	\$ 14,027,500	\$ 1,447,024

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 7-Capital Assets:

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Radford City School Board				
Capital assets, not being depreciated:				
Land	\$ 211,699	\$ -	\$ -	\$ 211,699
Construction in progress	400,027	122,698	(29,640)	493,085
Total capital assets not being depreciated	<u>\$ 611,726</u>	<u>\$ 122,698</u>	<u>\$ (29,640)</u>	<u>\$ 704,784</u>
Capital assets, being depreciated:				
Buildings and Improvements	\$ 13,671,735	\$ 101,452	\$ -	\$ 13,773,187
Machinery and equipment	2,537,143	198,216	-	2,735,359
Total capital assets being depreciated	<u>\$ 16,208,878</u>	<u>\$ 299,668</u>	<u>\$ -</u>	<u>\$ 16,508,546</u>
Accumulated depreciation:				
Buildings and Improvements	\$ (6,911,586)	\$ (337,857)	\$ -	\$ (7,249,443)
Machinery and equipment	(1,703,692)	(136,080)	-	(1,839,772)
Total accumulated depreciation	<u>\$ (8,615,278)</u>	<u>\$ (473,937)</u>	<u>\$ -</u>	<u>\$ (9,089,215)</u>
Total capital assets being depreciated, net	<u>\$ 7,593,600</u>	<u>\$ (174,269)</u>	<u>\$ -</u>	<u>\$ 7,419,331</u>
Governmental activities capital assets, net	<u>\$ 8,205,326</u>	<u>\$ (51,571)</u>	<u>\$ (29,640)</u>	<u>\$ 8,124,115</u>

Depreciation expense was charged to functions/programs of the School Board as follows:

Administration, attendance, and health	\$ 3,361
Instruction	9,505
Pupil transportation	53,433
Food service	588
Technology	32,855
Operation and maintenance	109,521
Facilities	<u>264,674</u>
Total depreciation expense-governmental activities	<u>\$ 473,937</u>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 8-Risk Management:

The School Board participates with other school boards in a public entity risk pool for their coverage of general liability, property, crime, auto insurance and excess liability with the VACorp. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, and depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The School Board continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9-Other Postemployment Benefits - Health Insurance:

Plan Description

In addition to the pension benefits described in Note 6, the School Board administers a single-employer defined benefit healthcare plan ("the Plan"), The Radford City Public Schools OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The Plan provides for participation by eligible retirees and their spouses in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance (PPO option) offered by the School Board until retirees attain 65 years of age at which time they may participate in a Medicare supplement (PPO option) plan.

To be eligible for this benefit, a retiree must meet at least one of the following criteria: attained age 55 and 5 years of service, or attained age 50 and 11 years of service. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

Plan Membership

At January 1, 2018, the following employees were covered by the benefit terms:

Total active employees with coverage	222
Total retirees and spouses with coverage	11
Total	<u>233</u>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9-Other Postemployment Benefits - Health Insurance: (continued)

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2020 was \$60,739.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate - A 2.21% discount rate for measuring the plan's June 30, 2020 Total OPEB Liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2020. A 3.50% discount rate for measuring the plan's June 30, 2019 Total OPEB Liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2019.

Inflation Rate - 2.50% annual rate of inflation.

Coverage Elections - The School Board assumes 30% of future retirees will elect coverage upon retirement. The School Board assumes 30% of future retirees electing coverage will also elect to cover their spouse.

Marital Status - 100% of active members are married at retirement with husbands three years older than their wives.

The retirement, withdrawal, mortality, and disability assumptions used in the valuation are consistent with those used in the June 30, 2017 valuation of the Virginia Retirement System as presented in the pension note disclosures.

Age-Related Claims Cost Assumption - A blended premium rate for active employees and retirees under age 65 is a common practice. Medical costs generally increase with age, so the result is the blended premium rate is higher than the true underlying cost for actives and the blended premium rate is lower than the true underlying cost for retirees. GASB addresses this practice by requiring the plan sponsor to determine the liabilities and costs for retiree benefits after removing the effect of any implicit rate subsidies. The net cost of the plan is equal to the true underlying cost minus the portion of the cost paid by the retiree.

Milliman's *Health Cost Guidelines* (Guidelines) was used to estimate the true underlying cost of each medical option, and used these estimated costs to calculate the GASB liabilities and costs.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9-Other Postemployment Benefits - Health Insurance: (continued)

Actuarial Assumptions (continued)

Healthcare Trend Assumption - The healthcare trend rate assumption started at 5.90% in 2018, 5.40% in 2019, and then gradually grading to 4.10% over 54 years.

The date of the most recent actuarial experience study for which significant assumptions were based on actual VRS experience over the four-year period ending June 30, 2016.

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at June 30, 2019	\$	691,028
Changes for the year:		
Service cost		54,133
Interest		25,027
Effect of assumptions changes or inputs		31,743
Benefit payments		(60,739)
Net changes	\$	50,164
Balances at June 30, 2020	\$	741,192

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	Rate		
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
\$	777,400	\$ 741,192	\$ 703,702

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 9-Other Postemployment Benefits - Health Insurance: (continued)

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.40% decreasing to an ultimate rate of 3.10%) or one percentage point higher (6.40% decreasing to an ultimate rate of 5.10%) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.40% decreasing to 3.10%)	Healthcare Cost Trend (5.40% decreasing to 4.10%)	1% Increase (6.40% decreasing to 5.10%)
\$ 644,435	\$ 741,192	\$ 856,198

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

For the year ended June 30, 2020, the School Board recognized OPEB expense in the amount of \$86,531. At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 33,912	\$ 7,378
Total	\$ 33,912	\$ 7,378

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

Year Ended June 30	
2021	\$ 7,371
2022	7,371
2023	7,371
2024	4,421
2025	-
Thereafter	-

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10-Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

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

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum adjusted for the COLA was \$8,463 as of June 30, 2020.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan 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.

Contributions to the GLI Plan from the School Board (nonprofessional) were \$1,917 and \$1,833 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the GLI Plan from the School Board (professional) were \$47,897 and \$46,747 for the 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 GLI Plan OPEB

At June 30, 2020, the School Board (nonprofessional) reported a liability of \$29,290 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI 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 participating employer's proportion was 0.0018% as compared to 0.0018% at June 30, 2018.

At June 30, 2020, the School Board (professional) reported a liability of \$745,264 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI 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 participating employer's proportion was 0.0459% as compared to 0.0461% at June 30, 2018.

For the year ended June 30, 2020, the participating School Board (nonprofessional) and School Board (professional) recognized GLI OPEB expense of \$578 and \$17,565, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (continued)

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

	<u>School Board (nonprofessional)</u>		<u>School Board (professional)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,948	\$ 379	\$ 49,631	\$ 9,680
Net difference between projected and actual earnings on GLI OPEB plan investments	-	602	-	15,329
Change in assumptions	1,849	883	47,115	22,503
Changes in proportion	-	533	15,506	19,071
Employer contributions subsequent to the measurement date	1,917	-	47,897	-
Total	<u>\$ 5,714</u>	<u>\$ 2,397</u>	<u>\$ 160,149</u>	<u>\$ 66,583</u>

\$1,917 and \$47,897 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:

<u>Year Ended June 30</u>	<u>School Board (nonprofessional)</u>	<u>School Board (professional)</u>
2021	\$ 5	\$ 2,959
2022	5	2,960
2023	260	9,452
2024	492	12,908
2025	503	13,339
Thereafter	135	4,051

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

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. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates - Teachers (continued)

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	Decreased 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 Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (continued)

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 Retirement Rates	Updated to a more current mortality table - RP-2014 projected to 2020
Withdrawal Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Disability Rates	Adjusted termination rates to better fit experience at each age and service year
Salary Scale	Lowered disability rates
Line of Duty Disability	No change
Discount Rate	Increased rate from 14.00% to 15.00%
	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	\$ 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
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>
		Expected arithmetic nominal return*	<u>7.63%</u>

*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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 10-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

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 ended 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 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:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School Board's (nonprofessional)				
proportionate share of				
the GLI Plan Net OPEB				
Liability	\$	38,479	\$ 29,290	\$ 21,838
School Board's (professional)				
proportionate share of				
the GLI Plan Net OPEB				
Liability	\$	980,385	\$ 745,264	\$ 556,399

GLI Plan Fiduciary Net Position

Detailed information about the GLI 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/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. 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 HIC Plan were \$110,530 and \$107,878 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$1,403,090 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC 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 Health Insurance Credit Program was 0.1072% as compared to 0.1085% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$114,519. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB: (continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,947
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	89	-
Change in assumptions	32,656	9,750
Change in proportion	25,484	37,911
Employer contributions subsequent to the measurement date	<u>110,530</u>	<u>-</u>
Total	<u>\$ 168,759</u>	<u>\$ 55,608</u>

\$110,530 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:

Year Ended June 30

2021	\$ 373
2022	371
2023	986
2024	780
2025	(689)
Thereafter	800

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Actuarial Assumptions

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

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Actuarial Assumptions: (continued)

Mortality Rates - Teachers: (continued)

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	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan'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 Plan 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		129,016
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,309,098</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.97%
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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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	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>
		Expected arithmetic nominal return*	<u>7.63%</u>

*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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 11-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Discount Rate

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

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

The following presents the school division's proportionate share of the VRS Teacher 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:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	1,570,296	\$ 1,403,090	\$ 1,261,048

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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 12-Aggregate OPEB Information:

The following is a summary of deferred outflows, deferred inflows, net OPEB liabilities, and OPEB expense for the year ended June 30, 2020.

	Primary Government - School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan:				
School Board Nonprofessional	\$ 5,714	\$ 2,397	\$ 29,290	\$ 578
School Board Professional	160,149	66,583	745,264	17,565
Teacher Health Insurance Credit Plan	168,759	55,608	1,403,090	114,519
School Stand-Alone Plan	33,912	7,378	741,192	86,531
Totals	<u>\$ 368,534</u>	<u>\$ 131,966</u>	<u>\$ 2,918,836</u>	<u>\$ 219,193</u>

Note 13-Capital Leases:

The City has entered into a capital lease for the purchase of office furniture. The lease agreement qualifies as a capital lease for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The furniture did not meet the City's capitalization threshold, and therefore it was not capitalized for financial reporting purposes.

Present Value of future minimum lease payments:

Year Ending June 30,	Capital Leases
2021	\$ 194,067
Total minimum lease payments	\$ 194,067
Less: amount representing interest	(2,302)
Present value of future minimum lease payments	<u>\$ 191,765</u>

Note 14-Contingent Liabilities:

Federal programs in which the School Board participates were audited in accordance with the provisions of the Uniform Guidance. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. Certain compliance findings were noted and disclosed in the schedule of findings and questioned costs. The Federal Government may subject grant programs to additional compliance tests, which may result in additional disallowed expenditures.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 15-COVID-19 Pandemic Subsequent Event Note Disclosure:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the School Board’s financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the School Board is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Note 16—Upcoming Pronouncements:

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. (Note to Auditor: Early application is encouraged so you may consider discussing this with the client for implementation now if there are construction projects underway. If early implemented, modify the opinion and governance letter to reflect early implementation.)

Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61, provides guidance for reporting a government’s majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

Note 16—Upcoming Pronouncements: (continued)

Statement No. 92, Omnibus 2020, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability of Payment Arrangements, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

Note 17-Change in Accounting Presentation:

During fiscal year 2020, the School Board began reporting basic aid and sales tax revenue as general revenues instead of program revenues on Exhibit 2 of the financial statements.

Required Supplementary Information

Radford City School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 3,000	\$ 3,000	\$ 750	\$ (2,250)
Charges for services	80,000	80,000	65,883	(14,117)
Miscellaneous	-	-	116,301	116,301
Recovered costs	1,000	1,000	19,571	18,571
Intergovernmental	16,855,263	16,855,263	16,369,724	(485,539)
Total revenues	<u>\$ 16,939,263</u>	<u>\$ 16,939,263</u>	<u>\$ 16,572,229</u>	<u>\$ (367,034)</u>
EXPENDITURES				
Instruction	\$ 12,960,892	\$ 12,960,892	\$ 12,749,891	\$ 211,001
Administration, Attendance and Health	1,048,844	1,048,844	1,075,224	(26,380)
Pupil Transportation Services	481,092	481,092	409,029	72,063
Operation and Maintenance Services	1,538,074	1,538,074	1,462,096	75,978
School Food Services and Other	108,674	108,674	117,434	(8,760)
Technology	800,687	800,687	693,793	106,894
Facilities	1,000	1,000	56,945	(55,945)
Total expenditures	<u>\$ 16,939,263</u>	<u>\$ 16,939,263</u>	<u>\$ 16,564,412</u>	<u>\$ 374,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,817</u>	<u>\$ 7,817</u>
Net change in fund balances	\$ -	\$ -	\$ 7,817	\$ 7,817
Fund balances - beginning	-	-	43,483	43,483
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,300</u>	<u>\$ 51,300</u>

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund - School Grants Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 60,000	\$ 60,000	\$ 17,714	\$ (42,286)
Intergovernmental	1,559,931	1,559,931	1,113,450	(446,481)
Total revenues	<u>\$ 1,619,931</u>	<u>\$ 1,619,931</u>	<u>\$ 1,131,164</u>	<u>\$ (488,767)</u>
EXPENDITURES				
Instruction	\$ 1,619,931	\$ 1,619,931	\$ 864,813	\$ 755,118
Administration, Attendance and Health	-	-	72,335	(72,335)
Technology	-	-	167,996	(167,996)
Total expenditures	<u>\$ 1,619,931</u>	<u>\$ 1,619,931</u>	<u>\$ 1,105,144</u>	<u>\$ 514,787</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,020</u>	<u>\$ 26,020</u>
Net change in fund balances	\$ -	\$ -	\$ 26,020	\$ 26,020
Fund balances - beginning	-	-	53,979	53,979
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,999</u>	<u>\$ 79,999</u>

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund - School Cafeteria Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 142,341	\$ 142,341	\$ 143,420	\$ 1,079
Miscellaneous	-	-	15,696	15,696
Intergovernmental	532,300	532,300	688,768	156,468
Total revenues	<u>\$ 674,641</u>	<u>\$ 674,641</u>	<u>\$ 847,884</u>	<u>\$ 173,243</u>
EXPENDITURES				
School Food Services and Other	\$ 674,641	\$ 674,641	\$ 700,637	\$ (25,996)
Total expenditures	<u>\$ 674,641</u>	<u>\$ 674,641</u>	<u>\$ 700,637</u>	<u>\$ (25,996)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,247</u>	<u>\$ 147,247</u>
Net change in fund balances	\$ -	\$ -	\$ 147,247	\$ 147,247
Fund balances - beginning	-	-	186,392	186,392
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,639</u>	<u>\$ 333,639</u>

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund - School Textbook Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	118,923	118,923	122,262	3,339
Total revenues	<u>\$ 118,923</u>	<u>\$ 118,923</u>	<u>\$ 122,262</u>	<u>\$ 3,339</u>
EXPENDITURES				
Instruction	\$ 386,392	\$ 386,392	\$ 195,783	\$ 190,609
Total expenditures	<u>\$ 386,392</u>	<u>\$ 386,392</u>	<u>\$ 195,783</u>	<u>\$ 190,609</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (267,469)</u>	<u>\$ (267,469)</u>	<u>\$ (73,521)</u>	<u>\$ 193,948</u>
Net change in fund balances	\$ (267,469)	\$ (267,469)	\$ (73,521)	\$ 193,948
Fund balances - beginning	267,469	267,469	246,948	(20,521)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,427</u>	<u>\$ 173,427</u>

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board
Schedule of Changes in Net Pension Asset and Related Ratios
School Board (nonprofessional) - Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 33,211	\$ 29,480	\$ 31,584	\$ 33,823	\$ 40,207	\$ 50,737
Interest	115,605	115,132	114,521	112,602	112,699	110,042
Changes of assumptions	36,403	-	(2,212)	-	-	-
Differences between expected and actual experience	59,581	(1,373)	(11,799)	(3,516)	(14,706)	-
Benefit payments	(138,740)	(134,247)	(112,485)	(118,499)	(160,660)	(84,990)
Net change in total pension liability	\$ 106,060	\$ 8,992	\$ 19,609	\$ 24,410	\$ (22,460)	\$ 75,789
Total pension liability - beginning	\$ 1,720,864	\$ 1,711,872	\$ 1,692,263	\$ 1,667,853	\$ 1,690,313	\$ 1,614,524
Total pension liability - ending (a)	\$ 1,826,924	\$ 1,720,864	\$ 1,711,872	\$ 1,692,263	\$ 1,667,853	\$ 1,690,313
Plan fiduciary net position						
Contributions - employer	\$ 5,570	\$ 11,028	\$ 11,681	\$ 23,810	\$ 24,654	\$ 27,867
Contributions - employee	15,993	15,854	15,962	15,252	15,997	20,106
Net investment income	122,990	136,991	210,256	29,786	80,576	257,327
Benefit payments	(138,740)	(134,247)	(112,485)	(118,499)	(160,660)	(84,990)
Administrator charges	(1,318)	(1,248)	(1,273)	(1,165)	(1,199)	(1,404)
Other	(77)	(119)	(185)	(13)	(16)	14
Net change in plan fiduciary net position	\$ 4,418	\$ 28,259	\$ 123,956	\$ (50,829)	\$ (40,648)	\$ 218,920
Plan fiduciary net position - beginning	\$ 1,916,296	\$ 1,888,037	\$ 1,764,081	\$ 1,814,910	\$ 1,855,558	\$ 1,636,638
Plan fiduciary net position - ending (b)	\$ 1,920,714	\$ 1,916,296	\$ 1,888,037	\$ 1,764,081	\$ 1,814,910	\$ 1,855,558
School Division's net pension asset - ending (a) - (b)	\$ (93,790)	\$ (195,432)	\$ (176,165)	\$ (71,818)	\$ (147,057)	\$ (165,245)
Plan fiduciary net position as a percentage of the total pension liability	105.13%	111.36%	110.29%	104.24%	108.82%	109.78%
Covered payroll	\$ 352,523	\$ 350,188	\$ 351,501	\$ 320,523	\$ 324,192	\$ 402,124
School Division's net pension asset as a percentage of covered payroll	-26.61%	-55.81%	-50.12%	-22.41%	-45.36%	-41.09%

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

Radford City School Board
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.10730%	0.10861%	0.11079%	0.10775%	0.10917%	0.10883%
Employer's Proportionate Share of the Net Pension Liability	\$ 14,121,290	\$ 12,773,000	\$ 13,625,000	\$ 15,100,000	\$ 13,740,000	\$ 13,152,000
Employer's Covered Payroll	8,989,832	8,771,160	8,755,005	7,575,596	7,961,811	7,957,553
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157.08%	145.62%	155.63%	199.32%	172.57%	165.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

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

Radford City School Board
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board (nonprofessional)					
2020	\$ 5,505	\$ 5,505	\$ -	\$ 387,475	1.42%
2019	5,570	5,570	-	352,523	1.58%
2018	11,028	11,028	-	350,188	3.15%
2017	11,681	11,681	-	351,501	3.32%
2016	23,810	23,810	-	320,523	7.43%
2015	24,654	24,654	-	324,192	7.60%
2014	27,867	27,867	-	402,124	6.93%
2013	27,677	27,677	-	399,375	6.93%
2012	23,813	23,813	-	373,246	6.38%
2011	23,577	23,577	-	369,550	6.38%
School Board (professional)					
2020	\$ 1,396,569	\$ 1,396,569	\$ -	\$ 9,213,319	15.16%
2019	1,374,810	1,374,810	-	8,989,832	15.29%
2018	1,404,384	1,404,384	-	8,771,160	16.01%
2017	1,271,312	1,271,312	-	8,755,005	14.52%
2016	1,148,636	1,148,636	-	7,575,596	15.16%
2015	1,172,886	1,172,886	-	7,961,811	14.73%
2014	927,851	927,851	-	7,957,553	11.66%
2013	933,400	933,400	-	8,005,146	11.66%
2012	487,996	487,996	-	7,709,258	6.33%
2011	304,915	304,915	-	7,758,651	3.93%

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

Radford City School Board
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2020

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees

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

City of Radford, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government
 For the Measurement Dates of June 30, 2018 through June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 54,133	\$ 50,116	\$ 50,902
Interest	25,027	26,627	24,390
Effect of assumptions changes or inputs	31,743	14,110	(13,528)
Benefit payments	(60,739)	(74,819)	(64,898)
Net change in total OPEB liability	\$ 50,164	\$ 16,034	\$ (3,134)
Total OPEB liability - beginning	691,028	674,994	678,128
Total OPEB liability - ending	\$ 741,192	\$ 691,028	\$ 674,994
Covered-employee payroll	\$ 9,795,068	\$ 9,795,068	\$ 9,795,068
School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	7.57%	7.05%	6.89%

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

City of Radford, Virginia
Notes to Required Supplementary Information - School Board OPEB
For the Year Ended June 30, 2020

Valuation Date: 1/1/2018
Measurement Date: 6/30/2020

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.21% as of June 30, 2020
Inflation	2.50% per year as of June 30, 2020; 2.50% per year as of June 30, 2019
Healthcare Trend Rate	The healthcare trend rate assumption started at 5.90% in 2018, 5.40% in 2019, and then gradually grading to 4.10% over 54 years
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The pre-retirement mortality rates are based on RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. The post-retirement mortality rates are based on RP 2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

City of Radford, Virginia
Schedule of School Board's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
School Board (nonprofessional)					
2019	0.0018%	\$ 29,290	\$ 352,523	8.31%	52.00%
2018	0.0018%	28,000	350,188	8.00%	51.22%
2017	0.0019%	29,000	351,501	8.25%	48.86%
School Board (professional)					
2019	0.0459%	\$ 745,264	\$ 8,989,832	8.29%	52.00%
2018	0.0461%	700,000	8,771,160	7.98%	51.22%
2017	0.0475%	715,000	8,755,005	8.17%	48.86%

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

City of Radford, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
School Board (nonprofessional)					
2020	\$ 1,917	\$ 1,917	\$ -	\$ 387,475	0.49%
2019	1,833	1,833	-	352,523	0.52%
2018	1,821	1,821	-	350,188	0.52%
2017	1,828	1,828	-	351,501	0.52%
2016	1,539	1,539	-	320,523	0.48%
2015	1,556	1,556	-	324,192	0.48%
2014	1,930	1,930	-	402,124	0.48%
2013	1,917	1,917	-	399,375	0.48%
2012	1,045	1,045	-	373,246	0.28%
2011	1,035	1,035	-	369,550	0.28%
School Board (professional)					
2020	\$ 47,897	\$ 47,897	\$ -	\$ 9,213,319	0.52%
2019	46,747	46,747	-	8,989,832	0.52%
2018	45,609	45,609	-	8,771,160	0.52%
2017	45,556	45,556	-	8,755,005	0.52%
2016	39,593	39,593	-	7,575,596	0.52%
2015	39,100	39,100	-	7,961,811	0.49%
2014	38,201	38,201	-	7,957,553	0.48%
2013	39,110	39,110	-	8,005,146	0.49%
2012	21,586	21,586	-	7,709,258	0.28%
2011	21,725	21,725	-	7,758,651	0.28%

City of Radford, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

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

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

Teachers

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

City of Radford, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2019	0.1072%	\$ 1,403,090	\$ 8,989,832	15.61%	8.97%
2018	0.1085%	1,377,000	8,771,160	15.70%	8.08%
2017	0.1109%	1,407,000	8,755,005	16.07%	7.04%

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

City of Radford, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2020	\$ 110,530	\$ 110,530	\$ -	\$ 9,213,319	1.20%
2019	107,878	107,878	-	8,989,832	1.20%
2018	107,886	107,886	-	8,771,160	1.23%
2017	97,181	97,181	-	8,755,005	1.11%
2016	87,083	87,083	-	7,575,596	1.15%
2015	86,041	86,041	-	7,961,811	1.08%
2014	88,340	88,340	-	7,957,553	1.11%
2013	89,213	89,213	-	8,005,146	1.11%
2012	46,256	46,256	-	7,709,258	0.60%
2011	46,552	46,552	-	7,758,651	0.60%

City of Radford, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2020

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

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

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	Decreased rate from 7.00% to 6.75%

Other Supplementary Information

Supporting Schedules

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 3,000	\$ 3,000	\$ 750	\$ (2,250)
Total revenue from use of money and property	\$ 3,000	\$ 3,000	\$ 750	\$ (2,250)
Charges for services:				
Tuition	\$ 80,000	\$ 80,000	\$ 65,883	\$ (14,117)
Total charges for services	\$ 80,000	\$ 80,000	\$ 65,883	\$ (14,117)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 116,301	\$ 116,301
Total miscellaneous	\$ -	\$ -	\$ 116,301	\$ 116,301
Recovered costs:				
Rebates and refunds	\$ 1,000	\$ 1,000	\$ 44	\$ (956)
Sale of equipment	-	-	14,450	14,450
Insurance recoveries	-	-	5,077	5,077
Total recovered costs	\$ 1,000	\$ 1,000	\$ 19,571	\$ 18,571
Total revenue from local sources	\$ 84,000	\$ 84,000	\$ 202,505	\$ 118,505
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Radford, Virginia	\$ 5,839,528	\$ 5,839,528	\$ 5,161,730	\$ (677,798)
Total revenues from local governments	\$ 5,839,528	\$ 5,839,528	\$ 5,161,730	\$ (677,798)
Revenue from the Commonwealth:				
Categorical aid:				
Sales tax	\$ 1,723,744	\$ 1,723,744	\$ 1,738,855	\$ 15,111
Basic school aid	5,374,332	5,374,332	5,536,776	162,444
Foster children	7,128	7,128	10,254	3,126
Gifted and talented	59,054	59,054	60,712	1,658
Remedial education	194,878	194,878	200,350	5,472
Special education	911,948	911,948	925,118	13,170
Vocational education	117,750	117,750	119,997	2,247
Social security	353,142	353,142	363,059	9,917
Retirement	779,510	779,510	801,401	21,891
Early reading intervention	17,715	17,715	30,368	12,653
Homebound Instruction	19,799	19,799	12,663	(7,136)
Group Life Payments	23,622	23,622	24,285	663
GED prep programs	8,355	8,355	8,387	32

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Intergovernmental: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid: (continued)				
Vocational education - equipment	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
SOL algebra readiness	25,746	25,746	26,056	310
At risk payments	175,306	175,306	180,343	5,037
Primary class size payments	212,261	212,261	226,072	13,811
Mentor teacher program	1,444	1,444	1,475	31
English as a second language	12,224	12,224	13,752	1,528
Salary supplement	343,121	343,121	351,971	8,850
Virginia preschool initiative payments	119,735	119,735	119,735	-
Lottery funds	445,186	445,186	444,426	(760)
Other state funds	88,735	88,735	11,939	(76,796)
Total categorical aid	<u>\$ 11,015,735</u>	<u>\$ 11,015,735</u>	<u>\$ 11,207,994</u>	<u>\$ 192,259</u>
Total revenue from the Commonwealth	<u>\$ 11,015,735</u>	<u>\$ 11,015,735</u>	<u>\$ 11,207,994</u>	<u>\$ 192,259</u>
Total General Fund	<u><u>\$ 16,939,263</u></u>	<u><u>\$ 16,939,263</u></u>	<u><u>\$ 16,572,229</u></u>	<u><u>\$ (367,034)</u></u>
Special Revenue Funds:				
School Grants Fund:				
Revenue from local sources:				
Miscellaneous:				
Erate revenue	\$ 60,000	\$ 60,000	\$ 17,714	\$ (42,286)
Total miscellaneous revenue	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 17,714</u>	<u>\$ (42,286)</u>
Total revenue from local sources	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 17,714</u>	<u>\$ (42,286)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VPSA grants	\$ 154,000	\$ 154,000	\$ 144,884	\$ (9,116)
High school innovation grant	-	-	10,065	10,065
VFHY grant	26,216	26,216	18,048	(8,168)
Advancing computer science foundation	-	-	11,711	11,711
Other state funds	-	-	5,000	5,000
Total categorical aid	<u>\$ 180,216</u>	<u>\$ 180,216</u>	<u>\$ 189,708</u>	<u>\$ 9,492</u>
Total revenue from the Commonwealth	<u>\$ 180,216</u>	<u>\$ 180,216</u>	<u>\$ 189,708</u>	<u>\$ 9,492</u>

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
School Grants Fund: (continued)				
Intergovernmental: (continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 384,357	\$ 384,357	\$ 358,301	\$ (26,056)
Special education - grants to States	509,041	509,041	290,104	(218,937)
Vocational education	24,000	24,000	32,848	8,848
Special education - preschool grants	24,820	24,820	4,926	(19,894)
Improving teacher quality	62,138	62,138	49,908	(12,230)
Twenty-First Century Community Learning Centers	320,000	320,000	167,570	(152,430)
Student support and academice enrichment program	25,359	25,359	17,552	(7,807)
English Language Acquisition Grant	30,000	30,000	2,533	(27,467)
Total categorical aid	<u>\$ 1,379,715</u>	<u>\$ 1,379,715</u>	<u>\$ 923,742</u>	<u>\$ (455,973)</u>
Total revenue from the federal government	<u>\$ 1,379,715</u>	<u>\$ 1,379,715</u>	<u>\$ 923,742</u>	<u>\$ (455,973)</u>
Total School Grants Fund	<u>\$ 1,619,931</u>	<u>\$ 1,619,931</u>	<u>\$ 1,131,164</u>	<u>\$ (488,767)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 142,341	\$ 142,341	\$ 143,420	\$ 1,079
Total charges for services	<u>\$ 142,341</u>	<u>\$ 142,341</u>	<u>\$ 143,420</u>	<u>\$ 1,079</u>
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 15,696	\$ 15,696
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,696</u>	<u>\$ 15,696</u>
Total revenue from local sources	<u>\$ 142,341</u>	<u>\$ 142,341</u>	<u>\$ 159,116</u>	<u>\$ 16,775</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 19,300	\$ 19,300	\$ 17,982	\$ (1,318)
Total categorical aid	<u>\$ 19,300</u>	<u>\$ 19,300</u>	<u>\$ 17,982</u>	<u>\$ (1,318)</u>
Total revenue from the Commonwealth	<u>\$ 19,300</u>	<u>\$ 19,300</u>	<u>\$ 17,982</u>	<u>\$ (1,318)</u>

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
School Cafeteria Fund: (continued)				
Intergovernmental: (continued)				
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 513,000	\$ 513,000	\$ 670,786	\$ 157,786
Total categorical aid	\$ 513,000	\$ 513,000	\$ 670,786	\$ 157,786
 Total revenue from the federal government	 \$ 513,000	 \$ 513,000	 \$ 670,786	 \$ 157,786
 Total School Cafeteria Fund	 \$ 674,641	 \$ 674,641	 \$ 847,884	 \$ 173,243
School Textbook Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State textbook payments	\$ 118,923	\$ 118,923	\$ 122,262	\$ 3,339
Total categorical aid	\$ 118,923	\$ 118,923	\$ 122,262	\$ 3,339
 Total revenue from the Commonwealth	 \$ 118,923	 \$ 118,923	 \$ 122,262	 \$ 3,339
 Total School Textbook Fund	 \$ 118,923	 \$ 118,923	 \$ 122,262	 \$ 3,339
Capital Projects Fund:				
School Construction Fund:				
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Radford, Virginia	\$ 1,367,097	\$ 1,367,097	\$ 1,063,947	\$ (303,150)
Total revenues from local governments	\$ 1,367,097	\$ 1,367,097	\$ 1,063,947	\$ (303,150)
 Total School Construction Fund	 \$ 1,367,097	 \$ 1,367,097	 \$ 1,063,947	 \$ (303,150)
 Total School Board	 \$ 20,719,855	 \$ 20,719,855	 \$ 19,737,486	 \$ (982,369)

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Instruction				
Classroom instruction	\$ 10,291,802	\$ 10,291,802	\$ 10,241,892	\$ 49,910
Guidance services	424,027	424,027	434,249	(10,222)
Social worker	48,987	48,987	58,097	(9,110)
Homebound instruction	47,681	47,681	29,654	18,027
Management and direction	732,578	732,578	686,239	46,339
Inservice and staff development	28,000	28,000	7,567	20,433
Library services	266,827	266,827	189,463	77,364
Office of the principal	1,120,990	1,120,990	1,102,730	18,260
Total Instruction	\$ 12,960,892	\$ 12,960,892	\$ 12,749,891	\$ 211,001
Administration, Attendance and Health				
Board services	\$ 38,367	\$ 38,367	\$ 36,604	\$ 1,763
Clerk's services	103,699	103,699	105,412	(1,713)
Superintendent's services	280,693	280,693	314,681	(33,988)
Planning services	5,300	5,300	3,150	2,150
Fiscal services	69,933	69,933	69,052	881
Health services	70,020	70,020	74,258	(4,238)
Medical services	45,250	45,250	45,925	(675)
Nursing services	160,628	160,628	152,066	8,562
Psychological services	101,688	101,688	100,407	1,281
Speech/audiology services	173,266	173,266	173,669	(403)
Total Administration, Attendance and Health	\$ 1,048,844	\$ 1,048,844	\$ 1,075,224	\$ (26,380)
Pupil Transportation Services				
Vehicle operation	\$ 358,567	\$ 358,567	\$ 343,286	\$ 15,281
Monitoring services	32,292	32,292	24,453	7,839
Vehicle maintenance services	90,233	90,233	41,290	48,943
Total Pupil Transportation Services	\$ 481,092	\$ 481,092	\$ 409,029	\$ 72,063
Operation and Maintenance Services				
Building services	\$ 1,370,999	\$ 1,370,999	\$ 1,293,852	\$ 77,147
Grounds services	33,200	33,200	28,644	4,556
Equipment services	4,100	4,100	4,461	(361)
Security services	104,934	104,934	106,935	(2,001)
Vehicle services	24,841	24,841	28,204	(3,363)
Total Operations and Maintenance Services	\$ 1,538,074	\$ 1,538,074	\$ 1,462,096	\$ 75,978
School Food Services and Other				
School food	\$ 108,674	\$ 108,674	\$ 117,434	\$ (8,760)
Total School Food Services and Other	\$ 108,674	\$ 108,674	\$ 117,434	\$ (8,760)

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Technology				
Technology - classroom instruction	\$ 119,924	\$ 119,924	\$ 67,901	\$ 52,023
Technology - instructional support	627,763	627,763	591,220	36,543
Technology - administration	23,000	23,000	13,806	9,194
Technology - operations and maintenance	30,000	30,000	20,866	9,134
Total Technology	<u>\$ 800,687</u>	<u>\$ 800,687</u>	<u>\$ 693,793</u>	<u>\$ 106,894</u>
Facilities				
Building Improvements	\$ -	\$ -	\$ 56,945	\$ (56,945)
Architecture and engineering services	1,000	1,000	-	1,000
Total Facilities	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 56,945</u>	<u>\$ (55,945)</u>
Total General Fund	<u>\$ 16,939,263</u>	<u>\$ 16,939,263</u>	<u>\$ 16,564,412</u>	<u>\$ 374,851</u>
Special Revenue Funds:				
School Grants Fund:				
Instruction				
Classroom instruction	\$ 1,619,931	\$ 1,619,931	\$ 864,813	\$ 755,118
Total Instruction	<u>\$ 1,619,931</u>	<u>\$ 1,619,931</u>	<u>\$ 864,813</u>	<u>\$ 755,118</u>
Administration, Attendance and Health				
Fiscal services	\$ -	\$ -	\$ 820	\$ (820)
Medical services	-	-	2,017	(2,017)
Vehicle Operation Services	-	-	14,286	(14,286)
Psychological services	-	-	55,212	(55,212)
Total Administration, Attendance and Health	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,335</u>	<u>\$ (72,335)</u>
Technology				
Technology classroom Instruction	\$ -	\$ -	\$ 167,996	\$ (167,996)
Total Technology	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,996</u>	<u>\$ (167,996)</u>
Total School Grants Fund	<u>\$ 1,619,931</u>	<u>\$ 1,619,931</u>	<u>\$ 1,105,144</u>	<u>\$ 514,787</u>
School Cafeteria Fund:				
School Food Services and Other				
School food	\$ 674,641	\$ 674,641	\$ 700,637	\$ (25,996)
Total School Food Services and Other	<u>\$ 674,641</u>	<u>\$ 674,641</u>	<u>\$ 700,637</u>	<u>\$ (25,996)</u>
Total School Cafeteria Fund	<u>\$ 674,641</u>	<u>\$ 674,641</u>	<u>\$ 700,637</u>	<u>\$ (25,996)</u>

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
School Textbook Fund:				
Instruction				
Classroom instruction	\$ 386,392	\$ 386,392	\$ 195,783	\$ 190,609
Total Instruction	\$ 386,392	\$ 386,392	\$ 195,783	\$ 190,609
Total School Textbook Fund	\$ 386,392	\$ 386,392	\$ 195,783	\$ 190,609
Capital Projects Fund:				
School Construction Fund:				
Operation & Maintenance Services				
Building services	\$ -	\$ -	\$ 23,309	\$ (23,309)
Total Operations & Maintenance Services	\$ -	\$ -	\$ 23,309	\$ (23,309)
Capital projects				
Architecture and engineering	\$ 900,000	\$ 900,000	\$ 851,202	\$ 48,798
Techonology instructional support	-	-	43,222	(43,222)
Building improvements	467,097	467,097	532,118	(65,021)
Total Capital Projects	\$ 1,367,097	\$ 1,367,097	\$ 1,426,542	\$ (59,445)
Debt service:				
Principal retirement	\$ -	\$ -	\$ 188,611	\$ (188,611)
Interest and other fiscal charges	-	-	5,861	(5,861)
Total debt service	\$ -	\$ -	\$ 194,472	\$ (194,472)
Total School Construction Fund	\$ 1,367,097	\$ 1,367,097	\$ 1,644,323	\$ (277,226)
Total School Board	\$ 20,987,324	\$ 20,987,324	\$ 20,210,299	\$ 777,025

COMPLIANCE SECTION



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

**To the Honorable Members of the
Radford City School Board
Radford, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Radford City School Board, a component unit of the City of Radford, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Radford City School Board's basic financial statements, and have issued our report thereon dated December 8, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 8, 2020



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

**To the Honorable Members of the
Radford City School Board
Radford, Virginia**

Report on Compliance for Each Major Federal Program

We have audited the Radford City School Board's, a component unit of the City of Radford, Virginia, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Radford City School Board's major federal programs for the year ended June 30, 2020. Radford City School Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Radford City School Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Radford City School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Radford City School Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Radford City School Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Radford City School Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Radford City School Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Radford City School Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 8, 2020

Radford City School Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	
Department of Agriculture:				
Pass Through Payments from:				
State Department of Agriculture:				
Child Nutrition Cluster:				
Food Distribution (Note C)	10.555	40623	\$ 55,298	
Food Distribution (Note C)	10.559	Unknown	\$ 1,298	
State Department of Education:				
National School Lunch Program	10.555	40623	237,336	
COVID - 19 National School Lunch Program	10.555	40623	10,235	\$ 302,869
Summer Food Service Program for Children	10.559	Unknown	9,323	
COVID - 19 Summer Food Service Program for Children	10.559	Unknown	232,601	243,222
School Breakfast Program	10.553	40591	\$ 91,949	
COVID - 19 School Breakfast Program	10.553	40591	4,142	96,091
Total Child Nutrition Cluster				\$ 642,182
Child and Adult Care Food Program	10.558	Unkown	\$ 1,863	
COVID 19 - Child and Adult Care Food Program	10.558	Unkown	26,741	
				28,604
Total Department of Agriculture				\$ 670,786
Department of Education:				
Pass Through Payments from:				
State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	42892		\$ 358,301
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	60205	\$ 290,104	
Special Education - Preschool Grants	84.173	61136	4,926	
Total Special Education Cluster (IDEA)				295,030
Career and Technical Education - Basic Grants to States	84.048	60531		32,848
Supporting Effective Instruction State Grant	84.367	61484		49,908
Twenty-First Century Community Learning Centers	84.287	60565		167,570
English Language Acquisition State Grants	84.365	Unknown		2,533
Student Support and Academic Enrichment Program	84.424	Unknown		17,552
Total Department of Education				\$ 923,742
Total Expenditures of Federal Awards				\$ 1,594,528

Radford City School Board
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2020

Notes to Schedule of Expenditures of Federal Awards

Note A -- Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Radford City School Board under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Radford City School Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Radford City School Board.

Note B -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The School Board did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement.

Note C -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D -- Subrecipients

The School Board did not have any subrecipients for the year ended June 30, 2020.

Note E -- Outstanding Balance of Federal Loans

The School Board has not received any federal funding through loans.

Note F -- Relationship to the Financial Statements

Federal expenditures and revenues are reported in the School Board's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund-Intergovernmental	\$ 16,369,724
Less: Contribution from the City of Radford, Virginia	(5,161,730)
Less: Revenue from the Commonwealth	(11,207,994)
School Grants Fund-Intergovernmental	1,113,450
Less: Revenue from the Commonwealth	(189,708)
Cafeteria Fund-Intergovernmental	688,768
Less: Revenue from the Commonwealth	(17,982)
School Textbook Fund-Intergovernmental	122,262
Less: Revenue from the Commonwealth	(122,262)
School Construction Fund-Intergovernmental	1,063,947
Less: Contribution from the City of Radford, Virginia	(1,063,947)
Total School Board	<u>\$ 1,594,528</u>

Radford City School Board
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No
Identification of major programs:	

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings

There were no prior audit findings.