

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

Prepared By:
Department of Financial Services

RADFORD CITY SCHOOL BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Directory of Principal Officials	1

FINANCIAL SECTION

Independent Auditors' Report	2-4
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	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	5
Statement of Activities	2	6
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	3	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	8
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	10
Notes to the Financial Statements		11-73

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	7	74
School Grants Fund	8	75
School Cafeteria Fund	9	76
School Textbook Fund	10	77
Pension Plans:		
Schedule of Changes in Net Pension Asset and Related Ratios	11	78
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	12	79
Schedule of Employer Contributions	13	80
Notes to Required Supplementary Information.....	14	81
Other Postemployment Benefit Plan - Health Insurance:		
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios	15	82
Notes to Required Supplementary Information.....	16	83
Other Postemployment Benefit Plan - Group Life Insurance Program (GLI):		
Schedule of School Board's Share of Net OPEB Liability	17	84
Schedule of Employer Contributions	18	85
Notes to Required Supplementary Information.....	19	86-88

RADFORD CITY SCHOOL BOARD
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
Other Postemployment Benefit Plan - Health Insurance Credit Program (HIC):		
Schedule of School Board's Share of Net OPEB Liability	20	89
Schedule of Employer Contributions	21	90
Notes to Required Supplementary Information.....	22	91

Other Supplementary Information:

	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	92-95
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	96-98

COMPLIANCE SECTION

	<u>Page</u>
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 <i>Government Auditing Standards</i>	99-100
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	101-102
Schedule of Expenditures of Federal Awards	103-104
Schedule of Findings and Questioned Costs.....	105-107

INTRODUCTORY SECTION

RADFORD CITY SCHOOL BOARD

SCHOOL BOARD MEMBERS

Joe Hester, Vice Chair
Adam DeVries

Lynn Burris, Chair

Liz Altieri
Lee Slusher

SCHOOL OFFICIALS

Robert Graham
Kerri Long

Superintendent of Schools
Clerk of the School Board

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 and each major fund of the Radford City School Board, a component unit of the City of Radford, Virginia, as of and for the year ended June 30, 2018, 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 and each major fund of the Radford City School Board, as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2018, the Radford City School Board adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 14 to the financial statements, in 2018, the Radford City School Board restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 73-76 and 77-90 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 November 26, 2018, 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 26, 2018

Basic Financial Statements

Radford City School Board
Statement of Net Position
June 30, 2018

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 364,675
Accounts receivable	174,880
Due from other governmental units	320,674
Inventories	16,988
Net pension asset	176,165
Capital assets (net of accumulated depreciation):	
Land	211,699
Buildings and improvements	7,017,513
Machinery and equipment	863,588
Total assets	<u>\$ 9,146,182</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 1,975,412
OPEB related items	215,316
Total deferred outflows of resources	<u>\$ 2,190,728</u>
LIABILITIES	
Accounts payable	\$ 120,800
Wages payable	68,010
Unearned revenue	84,083
Long-term liabilities:	
Due within one year	377,839
Due in more than one year	16,576,940
Total liabilities	<u>\$ 17,227,672</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 1,797,229
OPEB related items	111,478
Total deferred inflows of resources	<u>\$ 1,908,707</u>
NET POSITION	
Investment in capital assets	\$ 8,092,800
Restricted	
Cafeteria operations	139,198
Unrestricted	(16,031,467)
Total net position	<u>\$ (7,799,469)</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, 2018

<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	\$ 12,715,837	\$ 74,612	\$ 11,213,576	\$ -	\$	(1,427,649)
Administration, Attendance and Health	1,054,506	-	-	-		(1,054,506)
Pupil Transportation Services	435,996	-	-	-		(435,996)
Operation and Maintenance Services	1,394,609	-	-	-		(1,394,609)
School Food Services and Other	856,643	172,689	563,597	-		(120,357)
Technology	645,574	-	389,203	-		(256,371)
Facilities	289,359	-	-	-		(289,359)
Total governmental activities	\$ 17,392,524	\$ 247,301	\$ 12,166,376	\$ -	\$	(4,978,847)
General revenues:						
Unrestricted revenues from the use of money and property					\$	1,448
Miscellaneous						88,100
Contributions from the City of Radford, Virginia						5,156,024
Total general revenues					\$	5,245,572
Change in net position					\$	266,725
Net position - beginning, as restated						(8,066,194)
Net position - ending					\$	(7,799,469)

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

Radford City School Board
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	School Grants Fund	School Cafeteria Fund	School Textbook Fund	School Construction Fund	Total
ASSETS						
Cash and cash equivalents	\$ 1,333	\$ 23,334	\$ 21,294	\$ 318,714	\$ -	\$ 364,675
Accounts receivable	-	-	174,880	-	-	174,880
Due from other governmental units	136,765	172,893	11,016	-	-	320,674
Inventories	-	-	16,988	-	-	16,988
Total assets	\$ 138,098	\$ 196,227	\$ 224,178	\$ 318,714	\$ -	\$ 877,217
LIABILITIES						
Accounts payable	\$ 56,681	\$ -	\$ 64,119	\$ -	\$ -	\$ 120,800
Wages payable	32,164	31,973	3,873	-	-	68,010
Unearned revenue	-	84,083	-	-	-	84,083
Total liabilities	\$ 88,845	\$ 116,056	\$ 67,992	\$ -	\$ -	\$ 272,893
FUND BALANCES						
Nonspendable						
Inventories	\$ -	\$ -	\$ 16,988	\$ -	\$ -	\$ 16,988
Restricted	-	-	139,198	-	-	139,198
Committed	-	80,171	-	318,714	-	398,885
Unassigned	49,253	-	-	-	-	49,253
Total fund balances	\$ 49,253	\$ 80,171	\$ 156,186	\$ 318,714	\$ -	\$ 604,324
Total liabilities and fund balances	\$ 138,098	\$ 196,227	\$ 224,178	\$ 318,714	\$ -	\$ 877,217

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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 604,324
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 211,699	
Buildings and improvements	7,017,513	
Machinery and equipment	<u>863,588</u>	8,092,800
The net pension asset is not an available resource and, therefore, is not reported in the funds.		176,165
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 1,975,412	
OPEB related items	<u>215,316</u>	2,190,728
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	\$ (503,785)	
Net OPEB liabilities	(2,825,994)	
Net pension liability	<u>(13,625,000)</u>	(16,954,779)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (1,797,229)	
OPEB related items	<u>(111,478)</u>	(1,908,707)
Net position of governmental activities		<u><u>\$ (7,799,469)</u></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, 2018

	General Fund	School Grants Fund	School Cafeteria Fund	School Textbook Fund	School Construction Fund	Total
REVENUES						
Revenue from the use of money and property	\$ 1,447	\$ -	\$ 1	\$ -	\$ -	\$ 1,448
Charges for services	74,612	-	172,689	-	-	247,301
Miscellaneous	74,561	11,133	2,406	-	-	88,100
Recovered costs	9,125	-	-	-	-	9,125
Intergovernmental	15,188,622	1,398,537	563,597	129,262	42,382	17,322,400
Total revenues	\$ 15,348,367	\$ 1,409,670	\$ 738,693	\$ 129,262	\$ 42,382	\$ 17,668,374
EXPENDITURES						
Instruction	\$ 11,688,598	\$ 1,154,067	\$ -	\$ 83,955	\$ -	\$ 12,926,620
Administration, Attendance and Health	1,018,014	81,917	-	-	-	1,099,931
Pupil Transportation Services	458,285	-	-	-	-	458,285
Operation and Maintenance Services	1,388,999	-	-	-	3,305	1,392,304
School Food Services and Other	79,186	-	789,847	-	-	869,033
Technology	722,918	159,404	-	-	-	882,322
Facilities	28,422	-	-	-	-	28,422
Capital Projects	-	-	-	-	168,078	168,078
Total expenditures	\$ 15,384,422	\$ 1,395,388	\$ 789,847	\$ 83,955	\$ 171,383	\$ 17,824,995
Excess (deficiency) of revenues over (under) expenditures	\$ (36,055)	\$ 14,282	\$ (51,154)	\$ 45,307	\$ (129,001)	\$ (156,621)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 14,283	\$ -	\$ -	\$ -	\$ -	\$ 14,283
Transfers out	-	(14,283)	-	-	-	(14,283)
Total other financing sources (uses)	\$ 14,283	\$ (14,283)	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (21,772)	\$ (1)	\$ (51,154)	\$ 45,307	\$ (129,001)	\$ (156,621)
Fund balances - beginning	71,025	80,172	207,340	273,407	129,001	760,945
Fund balances - ending	\$ 49,253	\$ 80,171	\$ 156,186	\$ 318,714	\$ -	\$ 604,324

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, 2018

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

Net change in fund balances - total governmental funds	\$	(156,621)
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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	\$	430,220
Depreciation expense		(478,089)
		(47,869)

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	\$	(27,848)
OPEB expense		12,407
Pension expense		486,656
		471,215

Change in net position of governmental activities	\$	266,725
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The notes to the financial statements are an integral part of this statement.

RADFORD CITY SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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).

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*.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

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 as soon as 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 expenditures, 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, 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.

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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

1. Cash and Cash Equivalents

The School Board considers all highly liquid investments (including certificates of deposit, repurchase agreements, treasury bills and restricted assets) 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.

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

4. Fund equity

The School Board follows provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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.

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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

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.

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)

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

8. Other Postemployment Benefits (OPEB) (continued)

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

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

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

11. Net Position Flow Assumption

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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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.

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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 3-Deposits and Investments: (continued)

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 and certain corporate notes, 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>Local Government:</u>	
Other local governments and agencies	\$ 316
<u>Commonwealth of Virginia:</u>	
Local sales tax	136,765
VPSA grant	51,478
<u>Federal Government:</u>	
School grants	121,099
School food program	11,016
	<hr/>
Totals	\$ 320,674

Note 5-Long-term Obligations:

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

	Beginning Balance, as restated	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 475,937	\$ 384,801	\$ (356,953)	\$ 503,785	\$ 377,839
Net OPEB liabilities	2,879,128	268,292	(321,426)	2,825,994	-
Net pension liability	15,100,000	2,437,000	(3,912,000)	13,625,000	-
Total	<hr/> \$ 18,455,065	\$ 3,090,093	\$ (4,590,379)	\$ 16,954,779	\$ 377,839

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan:

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.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Plan Description (continued)

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Plan Description (continued)

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contribution Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Plan Description (continued)

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Plan Description (continued)

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Plan Description (continued)

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

Pension Plan Data

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 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	9
Inactive members:	
Vested inactive members	1
Non-vested inactive members	1
Inactive members active elsewhere in VRS	1
Total inactive members	3
Active members	11
Total covered employees	23

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 3.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$11,028 and \$11,681 for the years ended June 30, 2018 and June 30, 2017, respectively.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Net Pension Asset

The School Board's (nonprofessional) net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths 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, 2018

Note 6-Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

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.

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

Largest 10 - 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% to 20%

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% to 15%

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2016	\$ 1,692,263	\$ 1,764,081	\$ (71,818)
Changes for the year:			
Service cost	\$ 31,584	\$ -	\$ 31,584
Interest	114,521	-	114,521
Changes of assumptions	(2,212)	-	(2,212)
Differences between expected and actual experience	(11,799)	-	(11,799)
Contributions - employer	-	11,681	(11,681)
Contributions - employee	-	15,962	(15,962)
Net investment income	-	210,256	(210,256)
Benefit payments, including refunds of employee contributions	(112,485)	(112,485)	-
Administrative expenses	-	(1,273)	1,273
Other changes	-	(185)	185
Net changes	\$ 19,609	\$ 123,956	\$ (104,347)
Balances at June 30, 2017	\$ 1,711,872	\$ 1,888,037	\$ (176,165)

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Primary Government-School Board (nonprofessional)			
Net Pension (Asset) Liability	\$ (22,727)	\$ (176,165)	\$ (309,007)

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

For the year ended June 30, 2018, the School Board (nonprofessional) recognized pension expense of \$(17,970). At June 30, 2018, 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	\$ -	\$ 9,735
Changes of assumptions	-	1,529
Net difference between projected and actual earnings on pension plan investments	-	25,965
Employer contributions subsequent to the measurement date	11,028	-
Total	\$ 11,028	\$ 37,229

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

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

\$11,028 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, 2019. 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>
2019	\$ (24,461)
2020	5,297
2021	(106)
2022	(17,959)
Thereafter	-

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 regarding the plan description can be found in the first section of this note.

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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Primary Government-School Board (professional) (continued)

Contributions (continued)

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,404,384 and \$1,271,312 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$13,625,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.11079% as compared to 0.10775% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$935,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (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, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 965,000
Net difference between projected and actual earnings on pension plan investments	-	495,000
Changes of assumptions	199,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	361,000	300,000
Employer contributions subsequent to the measurement date	1,404,384	-
Total	\$ 1,964,384	\$ 1,760,000

\$1,404,384 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, 2019. 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:

Year ended June 30	
2019	\$ (605,000)
2020	(55,000)
2021	(136,000)
2022	(399,000)
Thereafter	(5,000)

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Primary Government-School Board (professional) (continued)

Actuarial Assumptions (continued)

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

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

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, 2017, 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	\$	45,417,520
Plan Fiduciary Net Position		<u>33,119,545</u>
Employers' Net Pension Liability (Asset)	\$	<u><u>12,297,975</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		72.92%

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, 2018

Note 6-Pension Plan: (continued)

Primary Government-School Board (professional) (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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Pension Plan: (continued)

Primary Government-School Board (professional) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability	\$ 20,347,000	\$ 13,625,000	\$ 8,065,000

Pension Plan Fiduciary Net Position

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 7-Capital Assets:

Capital asset activity for the year ended June 30, 2018 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	22,964	61,576	(84,540)	-
Total capital assets not being depreciated	<u>\$ 234,663</u>	<u>\$ 61,576</u>	<u>\$ (84,540)</u>	<u>\$ 211,699</u>
Capital assets, being depreciated:				
Buildings and Improvements	\$ 13,446,491	\$ 127,866	\$ -	\$ 13,574,357
Machinery and equipment	2,102,342	325,318	-	2,427,660
Total capital assets being depreciated	<u>\$ 15,548,833</u>	<u>\$ 453,184</u>	<u>\$ -</u>	<u>\$ 16,002,017</u>
Accumulated depreciation:				
Buildings and Improvements	\$ (6,208,314)	\$ (348,530)	\$ -	\$ (6,556,844)
Machinery and equipment	(1,434,513)	(129,559)	-	(1,564,072)
Total accumulated depreciation	<u>\$ (7,642,827)</u>	<u>\$ (478,089)</u>	<u>\$ -</u>	<u>\$ (8,120,916)</u>
Total capital assets being depreciated, net	<u>\$ 7,906,006</u>	<u>\$ (24,905)</u>	<u>\$ -</u>	<u>\$ 7,881,101</u>
Governmental activities capital assets, net	<u>\$ 8,140,669</u>	<u>\$ 36,671</u>	<u>\$ (84,540)</u>	<u>\$ 8,092,800</u>

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

Administration, attendance, and health	\$ 10,950
Instruction	3,352
Pupil transportation	69,528
Food service	2,722
Technology	19,961
Operation and maintenance	120,404
Facilities	<u>251,172</u>
Total depreciation expense-governmental activities	<u>\$ 478,089</u>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018 was \$64,898.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2018. 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 3.50% discount rate for measuring the plan's June 30, 2017 Total OPEB Liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2017. A 3.87% discount rate for measuring the plan's June 30, 2018 Total OPEB Liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2018.

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, 2018

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

Actuarial Assumptions (continued)

Healthcare Trend Assumption - The healthcare trend assumption for medical benefits was changed from 6.60% in 2015, 6.40% in 2016, 5.70% in 2017, then grading to an ultimate rate of 4.40% in 2097 to 5.90% in 2018, 5.40% in 2019, 4.90% in 2020, then grading to an ultimate rate of 4.20% in 2090.

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

		<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2017	\$	678,128
Changes for the year:		
Service cost		50,902
Interest		24,390
Effect of assumptions changes or inputs		(13,528)
Benefit payments		(64,898)
Net changes	\$	(3,134)
Balances at June 30, 2018	\$	<u>674,994</u>

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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	<u>Rate</u>		
	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
\$	711,606	\$ 674,994	\$ 638,969

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Other Postemployment Benefit - 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 (4.90% decreasing to an ultimate rate of 3.20%) or one percentage point higher (6.90% decreasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (4.90% decreasing to 3.20%)	Trend (5.90% decreasing to 4.20%)	1% Increase (6.90% decreasing to 5.20%)
\$ 605,470	\$ 674,994	\$ 756,598

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$73,242. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 11,478
Total	\$ -	\$ 11,478

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	
2019	\$ (2,050)
2020	(2,050)
2021	(2,050)
2022	(2,050)
2023	(2,050)
Thereafter	(1,228)

Additional disclosures on changes in net 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, 2018

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

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Plan Description (continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Contributions (continued)

Contributions to the Group Life Insurance Program from the School Board (nonprofessional) were \$1,821 and \$1,828 for the years ended June 30, 2018 and June 30, 2017, respectively.

Contributions to the Group Life Insurance Program from the School Board (professional) were \$45,609 and \$45,556 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the School Board (nonprofessional) reported a liability of \$29,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.0019% as compared to 0.0018% at June 30, 2016.

At June 30, 2018, the School Board (professional) reported a liability of \$715,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.0475% as compared to 0.0459% at June 30, 2016.

For the year ended June 30, 2018, the participating School Board (nonprofessional) and School Board (professional) recognized GLI OPEB expense of \$2,000 and \$12,000, 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, 2018

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

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

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

	School Board (nonprofessional)		School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,000	\$ -	\$ 16,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000	-	27,000
Change in assumptions	-	1,000	-	37,000
Changes in proportion	-	-	24,000	-
Employer contributions subsequent to the measurement date	1,821	-	45,609	-
Total	<u>\$ 1,821</u>	<u>\$ 3,000</u>	<u>\$ 69,609</u>	<u>\$ 80,000</u>

\$1,821 and \$45,609 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	School Board (nonprofessional)	School Board (professional)
2019	\$ (1,000)	\$ (12,000)
2020	(1,000)	(12,000)
2021	(1,000)	(12,000)
2022	-	(12,000)
2023	-	(6,000)
Thereafter	-	(2,000)

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (continued)

Mortality Rates - General State Employees (continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

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, 2018

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

Actuarial Assumptions: (continued)

Mortality Rates - Teachers (continued)

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

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

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (continued)

Mortality Rates - SPORS Employees (continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (continued)

Mortality Rates - VaLORS Employees (continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
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
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (continued)

Mortality Rates - JRS Employees (continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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, 2018

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

Actuarial Assumptions: (continued)

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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, 2018

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

Actuarial Assumptions: (continued)

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

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

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Long-Term Expected Rate of Return

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

<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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

Discount Rate

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School Board's (nonprofessional)				
proportionate share of				
the Group Life Insurance				
Program Net OPEB				
Liability	\$	38,000	\$ 29,000	\$ 22,000
School Board's (professional)				
proportionate share of				
the Group Life Insurance				
Program Net OPEB				
Liability	\$	924,000	\$ 715,000	\$ 545,000

Group Life Insurance Program Fiduciary Net Position

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. 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 health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11-Teacher Employee Health Insurance Credit (HIC) Program (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, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$107,886 and \$97,181 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$1,407,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.1109% as compared to 0.1077% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$119,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	3,000
Change in assumptions	-	14,000
Change in proportion	36,000	-
Employer contributions subsequent to the measurement date	107,886	-
Total	\$ 143,886	\$ 17,000

\$107,886 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2019	\$ 2,000
2020	2,000
2021	2,000
2022	2,000
2023	3,000
Thereafter	8,000

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation: Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Actuarial Assumptions: (continued)

Mortality Rates - Teachers: (continued)

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

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

Net Teacher Employee HIC OPEB Liability

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

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

<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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore 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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,570,000	\$ 1,407,000	\$ 1,268,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

Note 12-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, 2018

Note 13-Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 14,283	\$ -
School Grants Fund	-	14,283
Total	<u>\$ 14,283</u>	<u>\$ 14,283</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in one fund to other fund(s) to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 14-Adoption of Accounting Principles:

The School Board implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the School Board implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018.

This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

Net Position, July 1, 2017, as previously stated	\$ (5,617,701)
Remove prior year net OPEB obligations	286,070
GASB 75 implementation - health insurance	(678,128)
GASB 75 implementation - group life insurance (GLI) program	(786,616)
GASB 75 implementation - health insurance credit (HIC) program	(1,269,819)
Net Position, July 1, 2017, as restated	<u><u>\$ (8,066,194)</u></u>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15—Upcoming Pronouncements:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15—Upcoming Pronouncements: (continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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, 2018

For the Year Ended June 30, 2018

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>		
REVENUES					
Revenue from the use of money and property	\$ 3,250	\$ 3,250	\$ 1,447	\$	(1,803)
Charges for services	83,500	83,500	74,612		(8,888)
Miscellaneous	-	-	74,561		74,561
Recovered costs	1,000	1,000	9,125		8,125
Intergovernmental	15,601,805	15,601,805	15,188,622		(413,183)
Total revenues	<u>\$ 15,689,555</u>	<u>\$ 15,689,555</u>	<u>\$ 15,348,367</u>	<u>\$</u>	<u>(341,188)</u>
EXPENDITURES					
Instruction	\$ 11,864,785	\$ 11,864,785	\$ 11,688,598	\$	176,187
Administration, Attendance and Health	1,000,196	1,000,196	1,018,014		(17,818)
Pupil Transportation Services	435,977	435,977	458,285		(22,308)
Operation and Maintenance Services	1,498,914	1,498,914	1,388,999		109,915
School Food Services and Other	68,205	68,205	79,186		(10,981)
Technology	820,478	820,478	722,918		97,560
Facilities	1,000	1,000	28,422		(27,422)
Total expenditures	<u>\$ 15,689,555</u>	<u>\$ 15,689,555</u>	<u>\$ 15,384,422</u>	<u>\$</u>	<u>305,133</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,055)</u>	<u>\$</u>	<u>(36,055)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ 14,283	\$	14,283
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,283</u>	<u>\$</u>	<u>14,283</u>
Net change in fund balances	\$ -	\$ -	\$ (21,772)	\$	(21,772)
Fund balances - beginning	-	-	71,025		71,025
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,253</u>	<u>\$</u>	<u>49,253</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 267,240	\$ 267,240	\$ 11,133	\$ (256,107)
Intergovernmental	1,613,566	1,613,566	1,398,537	(215,029)
Total revenues	<u>\$ 1,880,806</u>	<u>\$ 1,880,806</u>	<u>\$ 1,409,670</u>	<u>\$ (471,136)</u>
EXPENDITURES				
Instruction	\$ 1,880,806	\$ 1,880,806	\$ 1,154,067	\$ 726,739
Administration, Attendance and Health	-	-	81,917	(81,917)
Technology	-	-	159,404	(159,404)
Total expenditures	<u>\$ 1,880,806</u>	<u>\$ 1,880,806</u>	<u>\$ 1,395,388</u>	<u>\$ 485,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,282</u>	<u>\$ 14,282</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (14,283)	\$ (14,283)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,283)</u>	<u>\$ (14,283)</u>
Net change in fund balances	\$ -	\$ -	\$ (1)	\$ (1)
Fund balances - beginning	-	-	80,172	80,172
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,171</u>	<u>\$ 80,171</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 25	\$ 25	\$ 1	\$ (24)
Charges for services	133,639	133,639	172,689	39,050
Miscellaneous	-	-	2,406	2,406
Intergovernmental	506,896	506,896	563,597	56,701
Total revenues	<u>\$ 640,560</u>	<u>\$ 640,560</u>	<u>\$ 738,693</u>	<u>\$ 98,133</u>
EXPENDITURES				
School Food Services and Other	\$ 640,560	\$ 640,560	\$ 789,847	\$ (149,287)
Total expenditures	<u>\$ 640,560</u>	<u>\$ 640,560</u>	<u>\$ 789,847</u>	<u>\$ (149,287)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (51,154)</u>	<u>\$ (51,154)</u>
Net change in fund balances	\$ -	\$ -	\$ (51,154)	\$ (51,154)
Fund balances - beginning	-	-	207,340	207,340
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,186</u>	<u>\$ 156,186</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, 2018

	<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				
Intergovernmental	\$ 127,990	\$ 127,990	\$ 129,262	\$ 1,272
Total revenues	\$ 127,990	\$ 127,990	\$ 129,262	\$ 1,272
EXPENDITURES				
Instruction	\$ 380,719	\$ 380,719	\$ 83,955	\$ 296,764
Total expenditures	\$ 380,719	\$ 380,719	\$ 83,955	\$ 296,764
Excess (deficiency) of revenues over (under) expenditures	\$ (252,729)	\$ (252,729)	\$ 45,307	\$ 298,036
Net change in fund balances	\$ (252,729)	\$ (252,729)	\$ 45,307	\$ 298,036
Fund balances - beginning	252,729	252,729	273,407	20,678
Fund balances - ending	\$ -	\$ -	\$ 318,714	\$ 318,714

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)
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 31,584	\$ 33,823	\$ 40,207	\$ 50,737
Interest	114,521	112,602	112,699	110,042
Changes of benefit terms	-	-	-	-
Changes of assumptions	(2,212)	-	-	-
Differences between expected and actual experience	(11,799)	(3,516)	(14,706)	-
Changes in assumptions	-	-	-	-
Benefit payments, including refunds of employee contributions	(112,485)	(118,499)	(160,660)	(84,990)
Net change in total pension liability	\$ 19,609	\$ 24,410	\$ (22,460)	\$ 75,789
Total pension liability - beginning	1,692,263	1,667,853	1,690,313	1,614,524
Total pension liability - ending (a)	\$ 1,711,872	\$ 1,692,263	\$ 1,667,853	\$ 1,690,313
Plan fiduciary net position				
Contributions - employer	\$ 11,681	\$ 23,810	\$ 24,654	\$ 27,867
Contributions - employee	15,962	15,252	15,997	20,106
Net investment income	210,256	29,786	80,576	257,327
Benefit payments, including refunds of employee contributions	(112,485)	(118,499)	(160,660)	(84,990)
Administrative expense	(1,273)	(1,165)	(1,199)	(1,404)
Other	(185)	(13)	(16)	14
Net change in plan fiduciary net position	\$ 123,956	\$ (50,829)	\$ (40,648)	\$ 218,920
Plan fiduciary net position - beginning	1,764,081	1,814,910	1,855,558	1,636,638
Plan fiduciary net position - ending (b)	\$ 1,888,037	\$ 1,764,081	\$ 1,814,910	\$ 1,855,558
School Division's net pension asset - ending (a) - (b)	\$ (176,165)	\$ (71,818)	\$ (147,057)	\$ (165,245)
Plan fiduciary net position as a percentage of the total pension liability	110.29%	104.24%	108.82%	109.78%
Covered payroll	\$ 351,501	\$ 320,523	\$ 324,192	\$ 402,124
School Division's net pension asset as a percentage of covered payroll	-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
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.11079%	0.10775%	0.10917%	0.10883%
Employer's Proportionate Share of the Net Pension Liability	\$ 13,625,000	\$ 15,100,000	\$ 13,740,000	\$ 13,152,000
Employer's Covered Payroll	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	155.63%	199.32%	172.57%	165.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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
For the Years Ended June 30, 2009 through June 30, 2018

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)					
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%
2010	25,003	25,003	-	367,685	6.80%
2009	24,204	24,204	-	355,947	6.80%
School Board (professional)					
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%
2010	506,639	506,639	-	8,106,224	6.25%
2009	729,078	729,078	-	8,275,573	8.81%

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
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

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

Largest 10 - 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% to 20%

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% to 15%

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

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

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 50,902
Interest	24,390
Effect of assumptions changes or inputs	(13,528)
Benefit payments	(64,898)
Net change in total OPEB liability	\$ (3,134)
Total OPEB liability - beginning	678,128
Total OPEB liability - ending	\$ <u>674,994</u>
 Covered-employee payroll	 \$ 9,795,068
 School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	 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, 2018

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

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	3.50% as of June 30, 2017; 3.87% as of June 30, 2018
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.90% in 2018 increasing to 5.40% in 2019 and gradually grading to 4.20% by the year 2090 and after
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 Program
For the Year Ended June 30, 2018

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)					
2017	0.0019% \$	29,000 \$	351,501	8.25%	48.86%
School Board (professional)					
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 Program
For the Years Ended June 30, 2009 through June 30, 2018

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)					
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%
2010	749	749	-	367,685	0.20%
2009	961	961	-	355,947	0.27%
School Board (professional)					
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%
2010	15,516	15,516	-	8,106,224	0.19%
2009	22,344	22,344	-	8,275,573	0.27%

City of Radford, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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

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

General State 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	
Line of Duty Disability	Increased rate from 14% to 25%	

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	

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience	
Retirement Rates	Increased age 50 rates and lowered rates at older ages	
Withdrawal Rates	Adjusted rates to better fit experience	
Disability Rates	Adjusted rates to better match experience	
Salary Scale	No change	
Line of Duty Disability	Increased rate from 60% to 85%	

City of Radford, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
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 fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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% to 20%

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% to 15%

City of Radford, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Largest Ten Locality Employers - Hazardous Duty 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

City of Radford, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
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,

City of Radford, Virginia
Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

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)
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%
2010	59,808	59,808	-	8,106,224	0.74%
2009	89,376	89,376	-	8,275,573	1.08%

City of Radford, Virginia
Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

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

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

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

Other Supplementary Information

Supporting Schedules

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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 money	\$ 250	\$ 250	\$ 147	\$ (103)
Revenue from use of property	3,000	3,000	1,300	(1,700)
Total revenue from use of money and property	\$ 3,250	\$ 3,250	\$ 1,447	\$ (1,803)
Charges for services:				
Tuition	\$ 83,500	\$ 83,500	\$ 74,612	\$ (8,888)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 74,561	\$ 74,561
Recovered costs:				
Rebates and refunds	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Sale of equipment	-	-	1,171	1,171
Insurance recoveries	-	-	7,954	7,954
Total recovered costs	\$ 1,000	\$ 1,000	\$ 9,125	\$ 8,125
Total revenue from local sources	\$ 87,750	\$ 87,750	\$ 159,745	\$ 71,995
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Radford, Virginia	\$ 5,689,528	\$ 5,689,528	\$ 5,113,642	\$ (575,886)
Revenue from the Commonwealth:				
Categorical aid:				
Sales tax	\$ 1,542,263	\$ 1,542,263	\$ 1,676,682	\$ 134,419
Basic school aid	5,099,451	5,099,451	5,156,797	57,346
Foster children	19,626	19,626	2,379	(17,247)
Remedial summer school	12,005	12,005	-	(12,005)
Gifted and talented	55,962	55,962	56,518	556
Remedial education	191,205	191,205	193,104	1,899
Special education	813,785	813,785	821,871	8,086
Vocational education	95,300	95,300	95,450	150
Social security	338,106	338,106	341,465	3,359
Retirement	776,477	776,477	784,192	7,715
Early reading intervention	24,450	24,450	34,230	9,780
Homebound Instruction	10,183	10,183	13,437	3,254
Group Life Payments	23,318	23,318	23,549	231
GED prep programs	7,859	7,859	8,294	435

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 3,186	\$ 2,186
SOL algebra readiness	19,781	19,781	24,804	5,023
At risk payments	138,010	138,010	143,453	5,443
Primary class size payments	210,892	210,892	208,732	(2,160)
Mentor teacher program	3,159	3,159	620	(2,539)
English as a second language	9,324	9,324	9,814	490
Salary supplement	53,433	53,433	53,967	534
Virginia preschool initiative payments	68,796	68,796	68,796	-
Middle school teacher corps	10,000	10,000	10,000	-
Lottery funds	319,591	319,591	323,061	3,470
Other state funds	68,301	68,301	20,579	(47,722)
Total categorical aid	\$ 9,912,277	\$ 9,912,277	\$ 10,074,980	\$ 162,703
Total revenue from the Commonwealth	\$ 9,912,277	\$ 9,912,277	\$ 10,074,980	\$ 162,703
Total General Fund	\$ 15,689,555	\$ 15,689,555	\$ 15,348,367	\$ (341,188)
Special Revenue Funds:				
School Grants Fund:				
Revenue from local sources:				
Miscellaneous:				
Erate revenue	\$ 267,240	\$ 267,240	\$ 11,133	\$ (256,107)
Total revenue from local sources	\$ 267,240	\$ 267,240	\$ 11,133	\$ (256,107)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VPSA grants	\$ -	\$ -	\$ 139,821	\$ 139,821
School start-up grant	154,000	154,000	212,240	58,240
High school innovation grant	50,000	50,000	37,644	(12,356)
Other state funds	39,000	39,000	-	(39,000)
Total categorical aid	\$ 243,000	\$ 243,000	\$ 389,705	\$ 146,705
Total revenue from the Commonwealth	\$ 243,000	\$ 243,000	\$ 389,705	\$ 146,705

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 355,059	\$ 355,059	\$ 353,319	\$ (1,740)
Special education - grants to States	444,952	444,952	303,024	(141,928)
Vocational education	24,000	24,000	29,074	5,074
Special education - preschool grants	17,133	17,133	13,004	(4,129)
Improving teacher quality	56,618	56,618	56,853	235
Twenty-First Century Community Learning Centers	471,804	471,804	249,382	(222,422)
Student support and academics enrichment program	-	-	3,750	3,750
English Language Acquisition Grant	1,000	1,000	426	(574)
Total categorical aid	\$ 1,370,566	\$ 1,370,566	\$ 1,008,832	\$ (361,734)
Total revenue from the federal government	\$ 1,370,566	\$ 1,370,566	\$ 1,008,832	\$ (361,734)
Total School Grants Fund	\$ 1,880,806	\$ 1,880,806	\$ 1,409,670	\$ (471,136)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 25	\$ 25	\$ 1	\$ (24)
Charges for services:				
Cafeteria sales	\$ 133,639	\$ 133,639	\$ 172,689	\$ 39,050
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 2,406	\$ 2,406
Total revenue from local sources	\$ 133,664	\$ 133,664	\$ 175,096	\$ 41,432
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 16,896	\$ 16,896	\$ 19,361	\$ 2,465
Total revenue from the Commonwealth	\$ 16,896	\$ 16,896	\$ 19,361	\$ 2,465

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 490,000	\$ 490,000	\$ 544,236	\$ 54,236
Total revenue from the federal government	\$ 490,000	\$ 490,000	\$ 544,236	\$ 54,236
Total School Cafeteria Fund	\$ 640,560	\$ 640,560	\$ 738,693	\$ 98,133
School Textbook Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State textbook payments	\$ 127,990	\$ 127,990	\$ 129,262	\$ 1,272
Total revenue from the Commonwealth	\$ 127,990	\$ 127,990	\$ 129,262	\$ 1,272
Total School Textbook Fund	\$ 127,990	\$ 127,990	\$ 129,262	\$ 1,272
Capital Projects Fund:				
School Construction Fund:				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from the City of Radford, Virginia	\$ 220,000	\$ 220,000	\$ 42,382	\$ (177,618)
Total revenues from local governments	\$ 220,000	\$ 220,000	\$ 42,382	\$ (177,618)
Total School Construction Fund	\$ 220,000	\$ 220,000	\$ 42,382	\$ (177,618)
Total School Board	\$ 18,558,911	\$ 18,558,911	\$ 17,668,374	\$ (890,537)

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 9,612,308	\$ 9,612,308	\$ 9,287,636	\$ 324,672
Guidance services	376,724	376,724	393,844	(17,120)
Social worker	46,392	46,392	46,386	6
Homebound instruction	-	-	48,347	(48,347)
Management and direction	490,327	490,327	562,890	(72,563)
Inservice and staff development	27,954	27,954	36,444	(8,490)
Library services	248,069	248,069	244,402	3,667
Office of the principal	1,063,011	1,063,011	1,068,649	(5,638)
Total Instruction	\$ 11,864,785	\$ 11,864,785	\$ 11,688,598	\$ 176,187
Administration, Attendance and Health				
Board services	\$ 38,367	\$ 38,367	\$ 36,446	\$ 1,921
Clerk's services	97,868	97,868	97,536	332
Superintendent's services	261,540	261,540	284,362	(22,822)
Planning services	3,300	3,300	3,000	300
Fiscal services	58,320	58,320	58,186	134
Health services	65,497	65,497	67,052	(1,555)
Medical services	39,710	39,710	51,079	(11,369)
Nursing services	151,698	151,698	143,173	8,525
Psychological services	100,163	100,163	94,893	5,270
Speech/audiology services	183,733	183,733	182,287	1,446
Total Administration, Attendance and Health	\$ 1,000,196	\$ 1,000,196	\$ 1,018,014	\$ (17,818)
Pupil Transportation Services				
Vehicle operation	\$ 305,710	\$ 305,710	\$ 303,728	\$ 1,982
Monitoring services	40,034	40,034	17,896	22,138
Vehicle maintenance services	90,233	90,233	136,661	(46,428)
Total Pupil Transportation Services	\$ 435,977	\$ 435,977	\$ 458,285	\$ (22,308)
Operation and Maintenance Services				
Building services	\$ 1,383,645	\$ 1,383,645	\$ 1,265,753	\$ 117,892
Grounds services	32,500	32,500	34,818	(2,318)
Equipment services	5,000	5,000	2,234	2,766
Security services	55,727	55,727	60,440	(4,713)
Vehicle services	22,042	22,042	25,754	(3,712)
Total Operations and Maintenance Services	\$ 1,498,914	\$ 1,498,914	\$ 1,388,999	\$ 109,915
School Food Services and Other				
School food	\$ 68,205	\$ 68,205	\$ 79,186	\$ (10,981)

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 136,838	\$ 136,838	\$ 109,807	\$ 27,031
Technology - instructional support	634,140	634,140	572,049	62,091
Technology - administration	19,500	19,500	20,196	(696)
Technology - operations and maintenance	30,000	30,000	20,866	9,134
Total Technology	\$ 820,478	\$ 820,478	\$ 722,918	\$ 97,560
Facilities				
Building Improvements	\$ -	\$ -	\$ 24,125	\$ (24,125)
Architecture and engineering services	1,000	1,000	4,297	(3,297)
Total Facilities	\$ 1,000	\$ 1,000	\$ 28,422	\$ (27,422)
Total General Fund	\$ 15,689,555	\$ 15,689,555	\$ 15,384,422	\$ 305,133
Special Revenue Funds:				
School Grants Fund:				
Instruction				
Classroom instruction	\$ 1,880,806	\$ 1,880,806	\$ 1,154,067	\$ 726,739
Administration, Attendance and Health				
Medical services	\$ -	\$ -	\$ 10,217	\$ (10,217)
Vehicle Operation Services	-	-	19,753	(19,753)
Psychological services	-	-	51,947	(51,947)
Total Administration, Attendance and Health	\$ -	\$ -	\$ 81,917	\$ (81,917)
Technology				
Technology classroom Instruction	\$ -	\$ -	\$ 156,195	\$ (156,195)
Technology instructional support	-	-	3,209	(3,209)
Total Technology	\$ -	\$ -	\$ 159,404	\$ (159,404)
Total School Grants Fund	\$ 1,880,806	\$ 1,880,806	\$ 1,395,388	\$ 485,418
School Cafeteria Fund:				
School Food Services and Other				
School food	\$ 640,560	\$ 640,560	\$ 789,847	\$ (149,287)
Total School Cafeteria Fund	\$ 640,560	\$ 640,560	\$ 789,847	\$ (149,287)

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 380,719	\$ 380,719	\$ 83,955	\$ 296,764
Total School Textbook Fund	\$ 380,719	\$ 380,719	\$ 83,955	\$ 296,764
Capital Projects Fund:				
School Construction Fund:				
Operation & Maintenance Services				
Building services	\$ -	\$ -	\$ 3,305	\$ (3,305)
Total Operations & Maintenance Services	\$ -	\$ -	\$ 3,305	\$ (3,305)
Capital projects				
Architecture and engineering	\$ 20,000	\$ 20,000	\$ 10,045	\$ 9,955
Administrative	38,531	38,531	38,531	-
Building improvements	291,325	291,325	119,502	171,823
Total Capital Projects	\$ 349,856	\$ 349,856	\$ 168,078	\$ 181,778
Total School Construction Fund	\$ 349,856	\$ 349,856	\$ 171,383	\$ 178,473
Total School Board	\$ 18,941,496	\$ 18,941,496	\$ 17,824,995	\$ 1,116,501

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 and each major fund of the Radford City School Board, a component unit of the City of Radford, Virginia, as of and for the year ended June 30, 2018, 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 November 26, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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, Farnier, Cox Associates

Blacksburg, Virginia

November 26, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2018. 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, 2018.

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
November 26, 2018

Radford City School Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass-through		Federal Expenditures
	Federal CFDA Number	Entity Identifying Number	
Department of Agriculture:			
Pass Through Payments from:			
<i>Child Nutrition Cluster:</i>			
State Department of Agriculture:			
Food Distribution (Note C)	10.555	40623	\$ 48,092
State Department of Education:			
National School Lunch Program	10.555	40623	<u>332,346</u> \$ 380,438
State Department of Education:			
School Breakfast Program	10.553	40591	129,475
Summer Food Service Program for Children	10.559	Unknown	34,323
<i>Total Child Nutrition Cluster:</i>			<u>\$ 544,236</u>
Total Department of Agriculture			<u>\$ 544,236</u>
Department of Education:			
Pass Through Payments from:			
State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	42892	\$ 353,319
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027	60205	\$ 303,024
Special Education - Preschool Grants	84.173	61136	<u>13,004</u>
<i>Total Special Education Cluster (IDEA):</i>			316,028
Career and Technical Education - Basic Grants to States	84.048	60531	29,074
Supporting Effective Instruction State Grant	84.367	61484	56,853
Twenty-First Century Community Learning Centers	84.287	60565	249,382
English Language Acquisition State Grants	84.365	Unknown	426
Student Support and Academic Enrichment Program	84.424	Unknown	<u>3,750</u>
Total Department of Education			<u>\$ 1,008,832</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,553,068</u></u>

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, 2018. 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.

Radford City School Board
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2018

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, 2018.

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	\$ 15,188,622
Less: Contribution from the City of Radford, Virginia	(5,113,642)
Less: Revenue from the Commonwealth	(10,074,980)
School Grants Fund-Intergovernmental	1,398,537
Less: Revenue from the Commonwealth	(389,705)
Cafeteria Fund-Intergovernmental	563,597
Less: Revenue from the Commonwealth	(19,361)
School Textbook Fund-Intergovernmental	129,262
Less: Revenue from the Commonwealth	(129,262)
School Construction Fund-Intergovernmental	42,382
Less: Contribution from the City of Radford, Virginia	(42,382)

Total School Board	<u>\$ 1,553,068</u>
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Radford City School Board
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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
84.027/84.173	Special Education 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?	No

Radford City School Board
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018 (Continued)

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

Finding 2017-001

(Material Weakness and Non-compliance)

Condition: The School Cafeteria Program maintained a clearing account to deposit daily collections from the cafeterias and subsequently remit those funds to City for deposit into the Cafeteria Fund. Deposits to the account could not be reconciled to source documents from the individual cafeterias and funds were expended directly from the clearing account.

Recommendation: The School System should have the Schools begin making their deposits directly to the bank and the School Food Services Director should not be involved in the deposit process. The clearing account should be closed and all transactions should be processed through the Treasurer's Office in the future.

Current Status: Management implemented the changes recommended above.

Finding 2017-002

(Compliance Finding)

Federal Award Finding - Activities Allowed and Eligibility

Program: *United States Department of Agriculture
Child Nutrition Program CFDA 10.553/10.555/10.559*

Condition Reports submitted by the Food Service Director did not reconcile to meal counts in the cafeteria accounting system.

Recommendation: The School System should implement a process by which someone independent of the School Food Program reviews and reconciles monthly meal counts to supporting documentation.

Current Status: The School System now has someone independent of cafeteria operations reconcile school lunch counts to submittals for reimbursement.

Finding 2017-003

(Compliance Finding)

Federal Award Finding - Program Income

Program: *United States Department of Agriculture
Child Nutrition Program CFDA 10.553/10.555/10.559*

Condition Program income was not used in the program as funds appear to have been used for unallowable costs.

Recommendation: The School System should have the Schools begin making their deposits directly to the bank and the School Food Services Director should not be involved in the deposit process. The clearing account should be closed and all transactions should be processed through the Treasurer's Office in the future.

Current Status: Management has implemented the changes recommended above.

Radford City School Board
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018 (Continued)

Section IV - Status of Prior Audit Findings (Continued)

Finding 2017-004
(Material Weakness)

Program	<i>United States Department of Agriculture Child Nutrition Program CFDA 10.553/10.555/10.559</i>
Condition	See compliance finding 2017-003
Recommendation	The School System should have the Schools begin making their deposits directly to the bank and the School Food Services Director should not be involved in the deposit process. The clearing account should be closed and all transactions should be processed through the Treasurer's Office in the future.
Current Status:	Management has implemented the changes recommended above.

Finding 2017-005
(Material Weakness)

Program	<i>United States Department of Agriculture Child Nutrition Program CFDA 10.553/10.555/10.559</i>
Condition	See finding 2017-002
Recommendation	The School System should implement a process by which someone independent of the School Food Program reviews and reconciles monthly meal counts to supporting documentation.
Current Status:	The School System now has someone independent of cafeteria operations reconcile school lunch counts to submittals for reimbursement.