

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

Prepared By:
Department of Financial Services

RADFORD CITY SCHOOL BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

RADFORD CITY SCHOOL BOARD

SCHOOL BOARD MEMBERS

Adam DeVries, Vice Chair
Joe Hester

Lynn Burris, Chair

Jessie Critterton
Carl Mitchell

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, each major fund, and the aggregate remaining fund information of the Radford City School Board, a component unit of the City of Radford, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Radford City School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Radford City School Board, as of June 30, 2016, 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 11 to the financial statements, in 2016, the Radford City School Board adopted new accounting guidance, GASB Statement No. 82 Pension Issues - and amendment of GASB Statements No. 67, No. 68. 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 OPEB and pension funding on pages 48-51 and 52-56 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.

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 supporting schedules, 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* (CFR) 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.

Other Information (continued)

The supporting schedules 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 supporting schedules 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, 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 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 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, Turner, Co. Associates

Blacksburg, Virginia
November 7, 2016

Basic Financial Statements

Radford City School Board
Statement of Net Position
June 30, 2016

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 404,469
Accounts receivable	2,625
Due from other governmental units	265,908
Due from primary government	5,934
Inventories	13,246
Net pension asset	147,057
Capital assets (net of accumulated depreciation):	
Land	211,699
Buildings and improvements	5,508,315
Machinery and equipment	738,541
Construction in progress	90,134
Total assets	<u>\$ 7,387,928</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	\$ 1,172,446
Change in proportionate share of net pension liability	38,000
Total deferred outflows of resources	<u>\$ 1,210,446</u>
LIABILITIES	
Accounts payable	\$ 59,156
Wages payable	75,443
Unearned revenue	62,511
Long-term liabilities:	
Due within one year	358,060
Due in more than one year	14,109,876
Total liabilities	<u>\$ 14,665,046</u>
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of the net pension liability	\$ 1,091,276
Change in proportionate share of net pension liability	411,000
Total deferred inflows of resources	<u>\$ 1,502,276</u>
NET POSITION	
Investment in capital assets	\$ 6,548,689
Restricted	
Cafeteria operations	9,509
Unrestricted	(14,127,146)
Total net position	<u>\$ (7,568,948)</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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental activities:					
Instruction	\$ 11,433,679	\$ 84,001	\$ 10,537,916	\$ -	\$ (811,762)
Administration, Attendance and Health	1,101,186	-	-	-	(1,101,186)
Pupil Transportation Services	369,314	-	-	-	(369,314)
Operation and Maintenance Services	1,439,141	-	-	-	(1,439,141)
School Food Services and Other	752,928	104,269	534,962	-	(113,697)
Technology	910,446	-	343,652	-	(566,794)
Facilities	316,870	-	-	-	(316,870)
Total governmental activities	\$ 16,323,564	\$ 188,270	\$ 11,416,530	\$ -	\$ (4,718,764)
General revenues:					
Unrestricted revenues from the use of money and property					\$ 1,673
Miscellaneous					65,106
Contributions from the City of Radford, Virginia					5,059,972
Total general revenues					\$ 5,126,751
Change in net position					\$ 407,987
Net position - beginning					(7,976,935)
Net position - ending					\$ (7,568,948)

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

Radford City School Board
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	School Grants Fund	School Cafeteria Fund	School Textbook Fund	School Construction Fund	Total
ASSETS						
Cash and cash equivalents	\$ 1,000	\$ 50,206	\$ 6,302	\$ 346,961	\$ -	\$ 404,469
Receivables						
Accounts receivable	2,625	-	-	-	-	2,625
Due from other governmental units	127,053	125,418	13,437	-	-	265,908
Due from primary government	-	-	-	-	5,934	5,934
Inventories	-	-	13,246	-	-	13,246
Total assets	\$ 130,678	\$ 175,624	\$ 32,985	\$ 346,961	\$ 5,934	\$ 692,182
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 46,181	\$ -	\$ 7,041	\$ -	\$ 5,934	\$ 59,156
Wages payable	39,310	32,944	3,189	-	-	75,443
Unearned revenue	-	62,511	-	-	-	62,511
Total liabilities	\$ 85,491	\$ 95,455	\$ 10,230	\$ -	\$ 5,934	\$ 197,110
Fund balances:						
Nonspendable	\$ -	\$ -	\$ 13,246	\$ -	\$ -	\$ 13,246
Inventories	-	-	9,509	-	-	9,509
Restricted	-	80,169	-	346,961	-	427,130
Committed	45,187	-	-	-	-	45,187
Unassigned	45,187	80,169	22,755	346,961	-	495,072
Total fund balances	\$ 130,678	\$ 175,624	\$ 32,985	\$ 346,961	\$ 5,934	\$ 692,182
Total liabilities and fund balances						

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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	495,072
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 211,699	
Buildings and improvements	5,508,315	
Machinery and equipment	738,541	
Construction in progress	<u>90,134</u>	6,548,689

The net pension asset is not an available resource and, therefore, is not reported in the funds.		147,057
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Pension related deferred (inflows) outflows are long-term in nature and therefore, are not reflected in the fund basis statements:

Items related to measurement of net pension liability:

Difference between actual and expected experience	\$ (198,868)	
Adjustment for changes in proportionate share of net pension liability	(411,000)	
Difference between actual and expected returns	<u>(892,408)</u>	(1,502,276)

Pension contributions subsequent to the measurement date will be a increase in/reduction to the net pension asset/liability in the next fiscal year and, therefore, are not reported in the funds.		1,172,446
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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	\$ (477,413)	
Net OPEB obligation	(250,523)	
Net pension liability	(13,740,000)	
Adjustment for changes in proportionate share of net pension liability	<u>38,000</u>	(14,429,936)

Net position of governmental activities		<u><u>\$ (7,568,948)</u></u>
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The notes to the financial statements are an integral part of this statement.

Radford City School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	School Grants Fund	School Cafeteria Fund	School Textbook Fund	School Construction Fund	Total
REVENUES						
Revenue from the use of money and property	\$ 1,671	\$ -	\$ 2	\$ -	\$ -	\$ 1,673
Charges for services	84,001	-	104,269	-	-	188,270
Miscellaneous	39,662	25,444	-	-	-	65,106
Recovered costs	780	-	-	-	-	780
Intergovernmental	14,397,419	1,351,059	534,962	112,728	80,334	16,476,502
Total revenues	\$ 14,523,533	\$ 1,376,503	\$ 639,233	\$ 112,728	\$ 80,334	\$ 16,732,331
EXPENDITURES						
Instruction	\$ 10,566,135	\$ 1,144,821	\$ -	\$ 87,808	\$ -	\$ 11,798,764
Administration, Attendance and Health	1,056,558	69,759	-	-	-	1,126,317
Pupil Transportation Services	438,903	-	-	-	-	438,903
Operation and Maintenance Services	1,332,613	-	-	-	-	1,332,613
School Food Services and Other	101,159	-	649,897	-	-	751,056
Technology	725,250	161,972	-	-	-	887,222
Facilities	312,143	-	-	-	-	312,143
Capital Projects	-	-	-	-	137,528	137,528
Total expenditures	\$ 14,532,761	\$ 1,376,552	\$ 649,897	\$ 87,808	\$ 137,528	\$ 16,784,546
Excess (deficiency) of revenues over (under) expenditures	\$ (9,228)	\$ (49)	\$ (10,664)	\$ 24,920	\$ (57,194)	\$ (52,215)
Net change in fund balances	\$ (9,228)	\$ (49)	\$ (10,664)	\$ 24,920	\$ (57,194)	\$ (52,215)
Fund balances - beginning	54,415	80,218	33,419	322,041	57,194	547,287
Fund balances - ending	\$ 45,187	\$ 80,169	\$ 22,755	\$ 346,961	\$ -	\$ 495,072

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, 2016

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

Net change in fund balances - total governmental funds	\$	(52,215)
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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 the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 469,098	
Depreciation expenses	<u>(438,023)</u>	31,075

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Increase) decrease in deferred inflows related to the measurement of the net pension asset/liability		1,092,009
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Changes in compensated absences	\$ (34,770)	
Changes in net OPEB obligation	(34,618)	
Changes in net pension asset	(18,188)	
Changes in net pension liability	(588,000)	
Changes in deferred outflows related to pension payments subsequent to the measurement date	(25,306)	
Changes in deferred outflows related to changes in proportionate share	<u>38,000</u>	(662,882)

Change in net position of governmental activities	\$	<u><u>407,987</u></u>
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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, 2016

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, 2016

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 Board reports the following major capital projects 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, 2016

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

D. 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 asset/liability. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and contributions to the pension plan made during the current year and subsequent to the net pension asset/liability measurement date, which will be recognized as a reduction of the net pension asset/liability next fiscal year. For more detailed information on these items, reference the pension note.

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. Certain items related to the measurement of the net pension asset/liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

E. 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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

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:

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

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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

4. Fund equity (continued)

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.

6. 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.

7. 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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

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

8. 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.

9. 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.

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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2-Stewardship, Compliance, and Accountability: (Continued)

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.

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:

	<u>School Board</u>
<u>Local Government:</u>	
Other local governments and agencies	\$ 2,786
<u>Commonwealth of Virginia:</u>	
Local sales tax	126,208
<u>Federal Government:</u>	
School grants	123,477
School food program	<u>13,437</u>
Totals	<u>\$ 265,908</u>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5-Long-term Obligations:

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 442,643	\$ 366,752	\$ (331,982)	\$ 477,413	\$ 358,060
Net OPEB obligation	215,905	87,418	(52,800)	250,523	-
Net pension liability	13,152,000	3,414,000	(2,826,000)	13,740,000	-
Total	\$13,810,548	\$ 3,868,170	\$ (3,210,782)	\$ 14,467,936	\$ 358,060

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

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the (nonprofessional) employees of public school divisions are automatically covered by 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 a 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
<p>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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>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. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <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, 2016

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.)	About the Hybrid Retirement Plan (Cont.) <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.</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, 2016

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. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</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, 2016

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 Contributions 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, 2016

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 Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</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, 2016

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 Contributions 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, 2016

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, 2016

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: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2016

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, 2016

Note 6-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6-Pension Plan: (continued)

Plan Description (continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 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	6
Inactive members:	
Vested inactive members	1
Non-vested inactive members	3
Inactive members active elsewhere in VRS	1
Total inactive members	5
Active members	11
Total covered employees	22

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 contribution rate for nonprofessional employees for the year ended June 30, 2016 was 7.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6-Pension Plan: (continued)

Contributions (continued)

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 \$23,810 and \$24,654 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Asset

The School Board's (nonprofessional) net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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, 2014, 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, 2015.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6-Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

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

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2018, 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, 2018 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, 2014	\$ 1,690,313	\$ 1,855,558	\$ (165,245)
Changes for the year:			
Service cost	\$ 40,207	\$ -	\$ 40,207
Interest	112,699	-	112,699
Differences between expected and actual experience	(14,706)	-	(14,706)
Contributions - employer	-	24,654	(24,654)
Contributions - employee	-	15,997	(15,997)
Net investment income	-	80,576	(80,576)
Benefit payments, including refunds of employee contributions	(160,660)	(160,660)	-
Administrative expenses	-	(1,199)	1,199
Other changes	-	(16)	16
Net changes	\$ (22,460)	\$ (40,648)	\$ 18,188
Balances at June 30, 2015	\$ 1,667,853	\$ 1,814,910	\$ (147,057)

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 lower¹ (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Primary Government-School Board (nonprofessional)			
Net Pension (Asset) Liability	16,876	(147,057)	(288,715)

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

For the year ended June 30, 2016, the School Board (nonprofessional) recognized pension expense of \$11,955. At June 30, 2016, 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	\$ -	\$ 9,868
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	50,408
Employer contributions subsequent to the measurement date	23,810	-
Total	\$ 23,810	\$ 60,276

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6-Pension Plan: (continued)

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

\$23,810 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 ended June 30, 2017. 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>
2017	\$ (24,645)
2018	(24,645)
2019	(20,000)
2020	9,014
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 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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6-Pension Plan: (continued)

Primary Government-School Board (professional) (continued)

Contributions (continued)

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2065. Contributions to the pension plan from the School Board were \$1,148,636 and \$1,172,886 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$13,740,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.10917% as compared to 0.10883% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$897,000. 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, 2016

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, 2016, 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	\$ -	\$ 189,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	842,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,000	411,000
Employer contributions subsequent to the measurement date	1,148,636	-
Total	\$ 1,186,636	\$ 1,442,000

\$1,148,636 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 ended June 30, 2017. 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	
2017	\$ (482,000)
2018	(482,000)
2019	(482,000)
2020	60,000
Thereafter	(18,000)

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2014, 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, 2015.

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

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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, 2018, 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, 2018 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	20,108,000	13,740,000	8,490,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.retire.org/Pdf/Publications/2015-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, 2016

Note 7-Capital Assets:

Capital asset activity for the year ended June 30, 2016 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	25,000	102,634	(37,500)	90,134
Total capital assets not being depreciated	<u>\$ 236,699</u>	<u>\$ 102,634</u>	<u>\$ (37,500)</u>	<u>\$ 301,833</u>
Capital assets, being depreciated:				
Buildings and Improvements	\$ 11,178,529	\$ 261,694	\$ -	\$ 11,440,223
Machinery and equipment	1,892,444	142,270	-	2,034,714
Total capital assets being depreciated	<u>\$ 13,070,973</u>	<u>\$ 403,964</u>	<u>\$ -</u>	<u>\$ 13,474,937</u>
Accumulated depreciation:				
Buildings and Improvements	\$ (5,655,869)	\$ (276,039)	\$ -	\$ (5,931,908)
Machinery and equipment	(1,134,189)	(161,984)	-	(1,296,173)
Total accumulated depreciation	<u>\$ (6,790,058)</u>	<u>\$ (438,023)</u>	<u>\$ -</u>	<u>\$ (7,228,081)</u>
Total capital assets being depreciated, net	<u>\$ 6,280,915</u>	<u>\$ (34,059)</u>	<u>\$ -</u>	<u>\$ 6,246,856</u>
Governmental activities capital assets, net	<u>\$ 6,517,614</u>	<u>\$ 68,575</u>	<u>\$ (37,500)</u>	<u>\$ 6,548,689</u>

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

Administration, attendance, and health	\$ 2,793
Instruction	19,748
Pupil transportation	72,104
Food service	2,764
Technology	32,714
Operation and maintenance	139,833
Facilities	<u>168,067</u>
Total depreciation expense-governmental activities	<u>\$ 438,023</u>

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 Virginia School Board Association Property and Casualty Pool. 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:

From an accrual accounting perspective, the cost of postemployment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. The School Board recognizes the cost of postemployment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the School Board's future cash flows.

A. Plan Description

The School Board administers a single-employer healthcare plan ("the Plan"). 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.

B. Funding Policy

The School Board currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 171 employees that are eligible for the program. Retirees and spouses contribute 100% of the premium cost of retiree and spouse/dependent coverage.

Health benefits include Medical, Dental, and Vision coverage for retirees and eligible spouses/dependents. Retirees are eligible to choose one of the following medical options through the School Board. The rates are as follows:

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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

B. Funding Policy: (continued)

	Key Advantage Expanded (PPO)	Key Advantage 500 (PPO)
Retiree	\$ 690	\$ 589
Retiree and Spouse/Dependent	1,277	1,090
Family	1,863	1,590

The School Board is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

C. Annual OPEB Cost and Net OPEB Obligation

For 2016, the Board's annual OPEB cost (expense) was \$87,418 and the ARC was \$91,600. The obligation calculation is as follows:

Annual required contribution	\$ 91,600
Interest on net OPEB obligation	7,557
Adjustment to annual required contribution	(11,739)
Annual OPEB cost (expense)	\$ 87,418
Contributions made	(52,800)
Increase in net OPEB obligation	\$ 34,618
Net OPEB obligation - beginning of year	215,905
Net OPEB obligation - end of year	\$ 250,523

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 87,418	60.40%	\$ 250,523
6/30/2015	85,296	71.05%	215,905
6/30/2014	84,912	59.00%	191,209

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Other Post Employment Benefits - Health Insurance: (continued)

D. Funded Status and Funding Progress

The funded status of the Plan for the School Board as of January 1, 2015 (the most recent valuation), is as follows:

Actuarial accrued liability (AAL)	\$	735,300
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	735,300
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	7,571,900
UAAL as a percentage of covered payroll		9.71%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015, the most recent actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.50 percent; investment rate of return at 3.50 percent; and a medical care trend rate of 6.6 percent graded to 4.4 percent over 82 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2015 was 30 years.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 10-Other Post-Employment Benefits - VRS Health Insurance Credit:

Professional Employees:

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2016, 2015, and 2014 were \$87,079, \$85,842, and \$88,682, respectively, and equaled the required contributions.

Note 11—Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The School Board early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12—Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 3,250	\$ 3,250	\$ 1,671	\$ (1,579)
Charges for services	85,500	85,500	84,001	(1,499)
Miscellaneous	-	-	39,662	39,662
Recovered costs	1,000	1,000	780	(220)
Intergovernmental	14,822,153	14,822,153	14,397,419	(424,734)
Total revenues	<u>\$ 14,911,903</u>	<u>\$ 14,911,903</u>	<u>\$ 14,523,533</u>	<u>\$ (388,370)</u>
EXPENDITURES				
Instruction	\$ 11,000,943	\$ 11,000,943	\$ 10,566,135	\$ 434,808
Administration, Attendance and Health	1,060,233	1,060,233	1,056,558	3,675
Pupil Transportation Services	500,202	500,202	438,903	61,299
Operation and Maintenance Services	1,355,449	1,355,449	1,332,613	22,836
School Food Services and Other	61,514	61,514	101,159	(39,645)
Technology	756,033	756,033	725,250	30,783
Facilities	177,529	177,529	312,143	(134,614)
Total expenditures	<u>\$ 14,911,903</u>	<u>\$ 14,911,903</u>	<u>\$ 14,532,761</u>	<u>\$ 379,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,228)</u>	<u>\$ (9,228)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,228)</u>	<u>\$ (9,228)</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>54,415</u>	<u>54,415</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,187</u>	<u>\$ 45,187</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 20,000	\$ 20,000	\$ 25,444	\$ 5,444
Intergovernmental	1,471,133	1,471,133	1,351,059	(120,074)
Total revenues	<u>\$ 1,491,133</u>	<u>\$ 1,491,133</u>	<u>\$ 1,376,503</u>	<u>\$ (114,630)</u>
EXPENDITURES				
Instruction	\$ 1,491,133	\$ 1,491,133	\$ 1,144,821	\$ 346,312
Administration, Attendance and Health	-	-	69,759	(69,759)
Technology	-	-	161,972	(161,972)
Total expenditures	<u>\$ 1,491,133</u>	<u>\$ 1,491,133</u>	<u>\$ 1,376,552</u>	<u>\$ 114,581</u>
Net change in fund balances	\$ -	\$ -	\$ (49)	\$ (49)
Fund balances - beginning	-	-	80,218	80,218
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,169</u>	<u>\$ 80,169</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 25	\$ 25	\$ 2	\$ (23)
Charges for services	137,391	137,391	104,269	(33,122)
Intergovernmental	475,067	475,067	534,962	59,895
Total revenues	<u>\$ 612,483</u>	<u>\$ 612,483</u>	<u>\$ 639,233</u>	<u>\$ 26,750</u>
EXPENDITURES				
School Food Services and Other	\$ 612,483	\$ 612,483	\$ 649,897	\$ (37,414)
Total expenditures	<u>\$ 612,483</u>	<u>\$ 612,483</u>	<u>\$ 649,897</u>	<u>\$ (37,414)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (10,664)	\$ (10,664)
Net change in fund balances	\$ -	\$ -	\$ (10,664)	\$ (10,664)
Fund balances - beginning	-	-	33,419	33,419
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,755</u>	<u>\$ 22,755</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, 2016

	<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	\$ 108,541	\$ 108,541	\$ 112,728	\$ 4,187
Total revenues	\$ 108,541	\$ 108,541	\$ 112,728	\$ 4,187
EXPENDITURES				
Instruction	\$ 404,590	\$ 404,590	\$ 87,808	\$ 316,782
Total expenditures	\$ 404,590	\$ 404,590	\$ 87,808	\$ 316,782
Excess (deficiency) of revenues over (under) expenditures	\$ (296,049)	\$ (296,049)	\$ 24,920	\$ 320,969
Net change in fund balances	\$ (296,049)	\$ (296,049)	\$ 24,920	\$ 320,969
Fund balances - beginning	296,049	296,049	322,041	25,992
Fund balances - ending	\$ -	\$ -	\$ 346,961	\$ 346,961

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2016

School Board: Other Postemployment Benefits

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio of AAL (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
January 1, 2015	\$ -	\$ 735,300	\$ 735,300	-	\$ 7,571,900	9.71%
January 1, 2012	-	674,300	674,300	-	7,506,000	8.98%
January 1, 2009	-	470,600	470,600	-	7,800,200	6.03%

Radford City School Board
Schedule of Components of and Changes in Net Pension Asset and Related Ratios
School Board (nonprofessional)
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 40,207	\$ 50,737
Interest	112,699	110,042
Changes of benefit terms	-	-
Differences between expected and actual experience	(14,706)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(160,660)	(84,990)
Net change in total pension liability	\$ (22,460)	\$ 75,789
Total pension liability - beginning	1,690,313	1,614,524
Total pension liability - ending (a)	<u>\$ 1,667,853</u>	<u>\$ 1,690,313</u>
Plan fiduciary net position		
Contributions - employer	\$ 24,654	\$ 27,867
Contributions - employee	15,997	20,106
Net investment income	80,576	257,327
Benefit payments, including refunds of employee contributions	(160,660)	(84,990)
Administrative expense	(1,199)	(1,404)
Other	(16)	14
Net change in plan fiduciary net position	\$ (40,648)	\$ 218,920
Plan fiduciary net position - beginning	1,855,558	1,636,638
Plan fiduciary net position - ending (b)	<u>\$ 1,814,910</u>	<u>\$ 1,855,558</u>
School Division's net pension asset - ending (a) - (b)	\$ (147,057)	\$ (165,245)
Plan fiduciary net position as a percentage of the total pension liability	-8.82%	-9.78%
Covered payroll	\$ 324,192	\$ 402,124
School Division's net pension asset as a percentage of covered payroll	-220.45%	-243.35%

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 Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability	0.10917%	0.10883%
Employer's Proportionate Share of the Net Pension Liability	\$ 13,740,000	\$ 13,152,000
Employer's Covered Payroll	7,961,811	7,957,553
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	172.57%	165.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 Year Ended June 30, 2016

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)					
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%
2008	30,981	30,981	-	337,122	9.19%
2007	29,992	29,992	-	326,350	9.19%
School Board (professional)					
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%
2008	801,598	801,598	-	7,782,505	10.30%
2007	671,633	671,633	-	7,300,359	9.20%

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, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

Supporting Schedules

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 1 of 4

<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	\$ 96	\$ (154)
Revenue from use of property	3,000	3,000	1,575	(1,425)
Total revenue from use of money and property	<u>\$ 3,250</u>	<u>\$ 3,250</u>	<u>\$ 1,671</u>	<u>\$ (1,579)</u>
Charges for services:				
Tuition	\$ 85,500	\$ 85,500	\$ 84,001	\$ (1,499)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 39,662	\$ 39,662
Recovered costs:				
Rebates and refunds	\$ 1,000	\$ 1,000	\$ 16	\$ (984)
Sale of equipment	-	-	180	180
Insurance recoveries	-	-	584	584
Total recovered costs	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 780</u>	<u>\$ (220)</u>
Total revenue from local sources	<u>\$ 89,750</u>	<u>\$ 89,750</u>	<u>\$ 126,114</u>	<u>\$ 36,364</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Radford, Virginia	<u>\$ 5,725,528</u>	<u>\$ 5,725,528</u>	<u>\$ 4,979,638</u>	<u>\$ (745,890)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Sales tax	\$ 1,373,761	\$ 1,373,761	\$ 1,562,594	\$ 188,833
Basic school aid	5,112,626	5,112,626	5,149,859	37,233
Foster children	11,125	11,125	27,106	15,981
Remedial summer school	30,427	30,427	22,643	(7,784)
Gifted and talented	53,018	53,018	55,064	2,046
Remedial education	164,695	164,695	171,049	6,354
Special education	694,879	694,879	721,686	26,807
Vocational education	73,323	73,323	76,152	2,829
Vocational education - adults	2,610	2,610	-	(2,610)
Social security	311,342	311,342	323,353	12,011
Retirement	614,787	614,787	638,504	23,717
Project Graduation	-	-	15,545	15,545
Early reading intervention	32,516	32,516	30,193	(2,323)
Homebound Instruction	19,673	19,673	30,820	11,147
Group Life Payments	19,177	19,177	19,917	740
GED prep programs	7,859	7,859	7,859	-
Vocational education - equipment	3,195	3,195	3,195	-
Supplemental support for school	83,155	83,155	-	(83,155)
SOL algebra readiness	23,809	23,809	21,486	(2,323)
At risk payments	128,879	128,879	133,800	4,921

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 2 of 4

<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)				
Primary class size payments	\$ 208,497	\$ 208,497	\$ 204,479	\$ (4,018)
Mentor teacher program	1,129	1,129	1,891	762
English as a second language	10,914	10,914	10,914	-
Salary supplement	-	-	86,358	86,358
Virginia preschool initiative payments	79,110	79,110	79,110	-
Middle school teacher corps	4,999	4,999	5,000	1
Other state funds	31,120	31,120	18,780	(12,340)
Total categorical aid	\$ 9,096,625	\$ 9,096,625	\$ 9,417,357	\$ 320,732
Total revenue from the Commonwealth	\$ 9,096,625	\$ 9,096,625	\$ 9,417,357	\$ 320,732
Revenue from the federal government:				
Categorical aid:				
Vocational education	\$ -	\$ -	\$ 178	\$ 178
Advanced placement incentive	-	-	246	246
Total categorical aid	\$ -	\$ -	\$ 424	\$ 424
Total revenue from the federal government	\$ -	\$ -	\$ 424	\$ 424
Total General Operating Fund	\$14,911,903	\$14,911,903	\$14,523,533	\$ (388,370)
Special Revenue Funds:				
School Grants Fund:				
Revenue from local sources:				
Miscellaneous:				
Erate revenue	\$ 20,000	\$ 20,000	\$ 25,444	\$ 5,444
Total revenue from local sources	\$ 20,000	\$ 20,000	\$ 25,444	\$ 5,444
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VPSA grants	\$ 154,000	\$ 154,000	\$ 153,275	\$ (725)
School start-up grant	212,240	212,240	212,240	-
Other state funds	-	-	4	4
Total categorical aid	\$ 366,240	\$ 366,240	\$ 365,519	\$ (721)
Total revenue from the Commonwealth	\$ 366,240	\$ 366,240	\$ 365,519	\$ (721)

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 3 of 4

<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)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 318,198	\$ 318,198	\$ 373,059	\$ 54,861
Special education - grants to States	328,020	328,020	322,146	(5,874)
Vocational education	24,000	24,000	25,445	1,445
Special education - preschool grants	17,770	17,770	14,230	(3,540)
Improving teacher quality	62,505	62,505	58,342	(4,163)
Twenty-First Century Community Learning Centers	325,000	325,000	190,377	(134,623)
English Language Acquisition Grant	29,400	29,400	1,941	(27,459)
Total categorical aid	<u>\$ 1,104,893</u>	<u>\$ 1,104,893</u>	<u>\$ 985,540</u>	<u>\$ (119,353)</u>
Total revenue from the federal government	<u>\$ 1,104,893</u>	<u>\$ 1,104,893</u>	<u>\$ 985,540</u>	<u>\$ (119,353)</u>
Total School Grants Fund	<u>\$ 1,491,133</u>	<u>\$ 1,491,133</u>	<u>\$ 1,376,503</u>	<u>\$ (114,630)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 25	\$ 25	\$ 2	\$ (23)
Charges for services:				
Cafeteria sales	\$ 137,391	\$ 137,391	\$ 104,269	\$ (33,122)
Total revenue from local sources	<u>\$ 137,416</u>	<u>\$ 137,416</u>	<u>\$ 104,271</u>	<u>\$ (33,145)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 15,067	\$ 15,067	\$ 18,604	\$ 3,537
Total revenue from the Commonwealth	<u>\$ 15,067</u>	<u>\$ 15,067</u>	<u>\$ 18,604</u>	<u>\$ 3,537</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 460,000	\$ 460,000	\$ 516,358	\$ 56,358
Total revenue from the federal government	<u>\$ 460,000</u>	<u>\$ 460,000</u>	<u>\$ 516,358</u>	<u>\$ 56,358</u>
Total School Cafeteria Fund	<u>\$ 612,483</u>	<u>\$ 612,483</u>	<u>\$ 639,233</u>	<u>\$ 26,750</u>

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 4 of 4

<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 Textbook Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State textbook payments	\$ 108,541	\$ 108,541	\$ 112,728	\$ 4,187
Total revenue from the Commonwealth	\$ 108,541	\$ 108,541	\$ 112,728	\$ 4,187
Total School Textbook Fund	\$ 108,541	\$ 108,541	\$ 112,728	\$ 4,187
Capital Projects Fund:				
School Construction Fund:				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from the City of Radford, Virginia	\$ 74,400	\$ 74,400	\$ 80,334	\$ 5,934
Total revenues from local governments	\$ 74,400	\$ 74,400	\$ 80,334	\$ 5,934
Total School Construction Fund	\$ 74,400	\$ 74,400	\$ 80,334	\$ 5,934
Total School Board	\$17,198,460	\$17,198,460	\$16,732,331	\$ (466,129)

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 1 of 2

<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	\$ 8,960,251	\$ 8,960,251	\$ 8,560,806	\$ 399,445
Guidance services	393,191	393,191	373,839	19,352
Social worker	44,616	44,616	44,698	(82)
Homebound instruction	36,153	36,153	25,590	10,563
Management and direction	353,580	353,580	313,312	40,268
Inservice and staff development	4,154	4,154	11,489	(7,335)
Library services	258,553	258,553	236,504	22,049
Office of the principal	950,445	950,445	999,897	(49,452)
Total Instruction	\$ 11,000,943	\$ 11,000,943	\$ 10,566,135	\$ 434,808
Administration, Attendance and Health				
Board services	\$ 57,917	\$ 57,917	\$ 39,982	\$ 17,935
Clerk's services	91,857	91,857	91,891	(34)
Superintendent's services	254,382	254,382	262,298	(7,916)
Planning services	2,300	2,300	-	2,300
Fiscal services	52,255	52,255	56,211	(3,956)
Health services	61,311	61,311	62,734	(1,423)
Medical services	39,710	39,710	24,031	15,679
Nursing services	98,004	98,004	119,217	(21,213)
Psychological services	229,606	229,606	227,230	2,376
Speech/audiology services	172,891	172,891	172,964	(73)
Total Administration, Attendance and Health	\$ 1,060,233	\$ 1,060,233	\$ 1,056,558	\$ 3,675
Pupil Transportation Services				
Vehicle operation	\$ 279,553	\$ 279,553	\$ 283,677	\$ (4,124)
Monitoring services	46,999	46,999	34,209	12,790
Vehicle maintenance services	173,650	173,650	121,017	52,633
Total Pupil Transportation Services	\$ 500,202	\$ 500,202	\$ 438,903	\$ 61,299
Operation and Maintenance Services				
Building services	\$ 1,316,064	\$ 1,316,064	\$ 1,231,478	\$ 84,586
Grounds services	12,000	12,000	26,176	(14,176)
Equipment services	8,371	8,371	3,369	5,002
Security services	-	-	28,731	(28,731)
Vehicle services	19,014	19,014	42,859	(23,845)
Total Operations and Maintenance Services	\$ 1,355,449	\$ 1,355,449	\$ 1,332,613	\$ 22,836
School Food Services and Other				
School food	\$ 61,514	\$ 61,514	\$ 101,159	\$ (39,645)
Technology				
Technology - classroom instruction	\$ 115,915	\$ 115,915	\$ 118,091	\$ (2,176)
Technology - instructional support	603,018	603,018	564,645	38,373
Technology - administration	15,100	15,100	20,309	(5,209)
Technology - operations and maintenance	22,000	22,000	22,205	(205)
Total Technology	\$ 756,033	\$ 756,033	\$ 725,250	\$ 30,783

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 2 of 2

<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)				
Facilities				
Building Improvements	\$ 176,529	\$ 176,529	\$ 265,195	\$ (88,666)
Architecture and engineering services	1,000	1,000	46,948	(45,948)
Total Facilities	<u>\$ 177,529</u>	<u>\$ 177,529</u>	<u>\$ 312,143</u>	<u>\$ (134,614)</u>
Total General Fund	<u>\$ 14,911,903</u>	<u>\$ 14,911,903</u>	<u>\$ 14,532,761</u>	<u>\$ 379,142</u>
Special Revenue Funds:				
School Grants Fund:				
Instruction				
Classroom instruction	\$ 1,491,133	\$ 1,491,133	\$ 1,144,153	\$ 346,980
Instructional Staff	-	-	668	(668)
Total Instruction	<u>\$ 1,491,133</u>	<u>\$ 1,491,133</u>	<u>\$ 1,144,821</u>	<u>\$ 346,312</u>
Administration, Attendance and Health				
Management and direction	\$ -	\$ -	\$ 1,245	\$ (1,245)
Medical services	-	-	5,651	(5,651)
Vehicle Operation Services	-	-	13,855	(13,855)
Psychological services	-	-	49,008	(49,008)
Total Administration, Attendance and Health	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,759</u>	<u>\$ (69,759)</u>
Technology				
Technology classroom Instruction	\$ -	\$ -	\$ 160,771	\$ (160,771)
Technology instructional support	-	-	1,201	(1,201)
Total Technology	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,972</u>	<u>\$ (161,972)</u>
Total School Grants Fund	<u>\$ 1,491,133</u>	<u>\$ 1,491,133</u>	<u>\$ 1,376,552</u>	<u>\$ 114,581</u>
School Cafeteria Fund:				
School Food Services and Other				
School food	\$ 612,483	\$ 612,483	\$ 649,897	\$ (37,414)
Total School Cafeteria Fund	<u>\$ 612,483</u>	<u>\$ 612,483</u>	<u>\$ 649,897</u>	<u>\$ (37,414)</u>
School Textbook Fund:				
Instruction				
Classroom instruction	\$ 404,590	\$ 404,590	\$ 87,808	\$ 316,782
Total School Textbook Fund	<u>\$ 404,590</u>	<u>\$ 404,590</u>	<u>\$ 87,808</u>	<u>\$ 316,782</u>
Capital Projects Fund:				
School Construction Fund:				
Capital projects				
Building improvements	\$ 131,594	\$ 131,594	\$ 137,528	\$ (5,934)
Total School Construction Fund	<u>\$ 131,594</u>	<u>\$ 131,594</u>	<u>\$ 137,528</u>	<u>\$ (5,934)</u>
Total School Board	<u>\$ 17,551,703</u>	<u>\$ 17,551,703</u>	<u>\$ 16,784,546</u>	<u>\$ 767,157</u>

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, each major fund, and the aggregate remaining fund information of the Radford City School Board, a component unit of the City of Radford, Virginia, as of and for the year ended June 30, 2016, 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 7, 2016.

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, Turner, & Associates

Blacksburg, Virginia
November 7, 2016

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 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, 2016. 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, 2016.

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 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, Turner, Cox Associates

Blacksburg, Virginia
November 7, 2016

Radford City School Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Pass Through Payments from:			
<i>Child Nutrition Cluster:</i>			
State Department of Agriculture:			
Food Distribution (Note C)	10.555	40623	\$ 47,756
State Department of Education:			
National School Lunch Program	10.555	40623	373,188 \$ 420,944
State Department of Education:			
School Breakfast Program	10.553	40591	94,977
Summer Food Service Program for Children	10.559	N/A	437
<i>Total Child Nutrition Cluster:</i>			\$ 516,358
Total Department of Agriculture			\$ 516,358
Department of Education:			
Pass Through Payments from:			
State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	42892	\$ 373,059
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027	60205	\$ 322,146
Special Education - Preschool Grants	84.173	61136	14,230
<i>Total Special Education Cluster (IDEA):</i>			336,376
Career and Technical Education - Basic Grants to States	84.048	60531	25,623
Supporting Effective Instruction State Grant	84.367	61484	58,342
Twenty-First Century Community Learning Centers	84.287	60565	190,377
Advanced Placement Program	84.330	Unknown	246
English Language Acquisition State Grants	84.365	Unknown	1,941
Total Department of Education			\$ 985,964
Total Expenditures of Federal Awards			\$ 1,502,322

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 grant activity of the Radford City School Board under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

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

Note C -- Food Donation

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

Note D -- 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	\$ 14,397,419
Less: Contribution from the City of Radford, Virginia	(4,979,638)
Less: Revenue from the Commonwealth	(9,417,357)
School Grants Fund-Intergovernmental	1,351,059
Less: Revenue from the Commonwealth	(365,519)
Cafeteria Fund-Intergovernmental	534,962
Less: Revenue from the Commonwealth	(18,604)
Total School Board	\$ 1,502,322

Radford City School Board

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

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

Section II - Financial Statement Findings

There are no financial statement findings.

Section III - Federal Award Findings and Questioned Costs

There are no findings or questioned costs related to federal awards.

Section IV - Status of Prior Audit Findings

There were no prior findings.