

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

Prepared By:
Department of Financial Services

**RADFORD CITY SCHOOL BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

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**RADFORD CITY SCHOOL BOARD
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019**

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INTRODUCTORY SECTION

RADFORD CITY SCHOOL BOARD

SCHOOL BOARD MEMBERS

Liz Altieri, Vice Chair
Adam DeVries

Lee Slusher, Chair

Lynn Burris
Joe Hester

SCHOOL OFFICIALS

Robert Graham
Kerri Long

Superintendent of Schools
Clerk of the School Board

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining information of the Radford City School Board, a component unit of the City of Radford, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Radford City School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Radford City School Board, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 60-63 and 64-75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020, on our consideration of the Radford City School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Radford City School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Radford City School Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia

February 18, 2020

Basic Financial Statements

Radford City School Board
Statement of Net Position
June 30, 2019

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 592,633
Accounts receivable	6,344
Due from other governmental units	308,498
Prepaid expenses	8,062
Inventories	25,964
Net pension asset	195,432
Capital assets (net of accumulated depreciation):	
Land	211,699
Buildings and improvements	6,760,149
Machinery and equipment	833,451
Construction in progress	400,027
Total assets	<u>\$ 9,342,259</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 1,810,379
OPEB related items	254,048
Total deferred outflows of resources	<u>\$ 2,064,427</u>
LIABILITIES	
Accounts payable	\$ 96,997
Wages payable	39,250
Accrued health claims	359,471
Unearned revenue	73,654
Long-term liabilities:	
Due within one year	403,281
Due in more than one year	15,703,455
Total liabilities	<u>\$ 16,676,108</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 1,771,518
OPEB related items	144,428
Total deferred inflows of resources	<u>\$ 1,915,946</u>
NET POSITION	
Investment in capital assets	\$ 8,205,326
Restricted	
Cafeteria operations	159,888
Unrestricted	(15,550,582)
Total net position	<u>\$ (7,185,368)</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, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	
PRIMARY GOVERNMENT:						
Governmental activities:						
Instruction	\$ 12,955,850	\$ 80,115	\$ 11,697,621	\$ -	\$	(1,178,114)
Administration, Attendance and Health	1,072,059	27	-	-		(1,072,032)
Pupil Transportation Services	443,399	-	-	-		(443,399)
Operation and Maintenance Services	1,503,521	-	-	-		(1,503,521)
School Food Services and Other	735,053	178,599	553,941	-		(2,513)
Technology	858,510	-	304,180	-		(554,330)
Facilities	254,185	-	-	-		(254,185)
Total governmental activities	\$ 17,822,577	\$ 258,741	\$ 12,555,742	\$ -	\$	(5,008,094)
General revenues:						
Unrestricted revenues from the use of money and property					\$	375
Miscellaneous						197,226
Contributions from the City of Radford, Virginia						5,424,594
Total general revenues					\$	5,622,195
Change in net position					\$	614,101
Net position - beginning						(7,799,469)
Net position - ending					\$	(7,185,368)

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

Radford City School Board
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	School Grants Fund	School Cafeteria Fund	School Textbook Fund	School Construction Fund	Total
ASSETS						
Cash and cash equivalents	\$ 1,000	\$ -	\$ 161,192	\$ 250,709	\$ 200,000	\$ 612,901
Accounts receivable	5,867	-	477	-	-	6,344
Due from other governmental units	136,505	164,858	7,135	-	-	308,498
Prepaid expenses	3,977	3,545	540	-	-	8,062
Inventories	-	-	25,964	-	-	25,964
Total assets	\$ 147,349	\$ 168,403	\$ 195,308	\$ 250,709	\$ 200,000	\$ 961,769
LIABILITIES						
Accounts payable	\$ 75,200	\$ 11,200	\$ 6,836	\$ 3,761	\$ -	\$ 96,997
Wages payable	28,666	8,504	2,080	-	-	39,250
Reconciled overdraft	-	21,066	-	-	-	21,066
Unearned revenue	-	73,654	-	-	-	73,654
Total liabilities	\$ 103,866	\$ 114,424	\$ 8,916	\$ 3,761	\$ -	\$ 230,967
FUND BALANCES						
Nonspendable						
Inventories	\$ -	\$ -	\$ 25,964	\$ -	\$ -	\$ 25,964
Prepays	3,977	3,545	540	-	-	8,062
Restricted	-	-	159,888	-	-	159,888
Committed	-	50,434	-	246,948	200,000	497,382
Unassigned	39,506	-	-	-	-	39,506
Total fund balances	\$ 43,483	\$ 53,979	\$ 186,392	\$ 246,948	\$ 200,000	\$ 730,802
Total liabilities and fund balances	\$ 147,349	\$ 168,403	\$ 195,308	\$ 250,709	\$ 200,000	\$ 961,769

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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	730,802
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	211,699	
Buildings and improvements		6,760,149	
Machinery and equipment		833,451	
Construction in progress		400,027	8,205,326
The net pension asset is not an available resource and, therefore, is not reported in the funds.			195,432
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	1,810,379	
OPEB related items		254,048	2,064,427
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			(358,673)
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	\$	(537,708)	
Net OPEB liabilities		(2,796,028)	
Net pension liability		(12,773,000)	(16,106,736)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(1,771,518)	
OPEB related items		(144,428)	(1,915,946)
Net position of governmental activities			<u>\$ (7,185,368)</u>

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

Radford City School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2019

	General Fund	School Grants Fund	School Cafeteria Fund	School Textbook Fund	School Construction Fund	Total
REVENUES						
Revenue from the use of money and property	\$ 375	\$ -	\$ -	\$ -	\$ -	\$ 375
Charges for services	80,115	-	178,599	27	-	258,741
Miscellaneous	110,035	72,007	15,184	-	-	197,226
Recovered costs	16,004	-	-	-	-	16,004
Intergovernmental	15,455,804	1,169,251	553,941	121,100	680,240	17,980,336
Total revenues	\$ 15,662,333	\$ 1,241,258	\$ 747,724	\$ 121,127	\$ 680,240	\$ 18,452,682
EXPENDITURES						
Instruction	\$ 12,093,100	\$ 1,038,743	\$ -	\$ 192,893	\$ -	\$ 13,324,736
Administration, Attendance and Health	1,014,091	81,714	-	-	-	1,095,805
Pupil Transportation Services	367,245	-	-	-	-	367,245
Operation and Maintenance Services	1,452,619	-	-	-	6,636	1,459,255
School Food Services and Other	82,701	-	647,788	-	-	730,489
Technology	697,418	146,993	-	-	-	844,411
Facilities	30,659	-	-	-	-	30,659
Capital Projects	-	-	-	-	473,604	473,604
Total expenditures	\$ 15,737,833	\$ 1,267,450	\$ 647,788	\$ 192,893	\$ 480,240	\$ 18,326,204
Excess (deficiency) of revenues over (under) expenditures	\$ (75,500)	\$ (26,192)	\$ 99,936	\$ (71,766)	\$ 200,000	\$ 126,478
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 69,730	\$ -	\$ -	\$ -	\$ -	\$ 69,730
Transfers out	-	-	(69,730)	-	-	(69,730)
Total other financing sources (uses)	\$ 69,730	\$ -	\$ (69,730)	\$ -	\$ -	\$ -
Net change in fund balances	\$ (5,770)	\$ (26,192)	\$ 30,206	\$ (71,766)	\$ 200,000	\$ 126,478
Fund balances - beginning	49,253	80,171	156,186	318,714	-	604,324
Fund balances - ending	\$ 43,483	\$ 53,979	\$ 186,392	\$ 246,948	\$ 200,000	\$ 730,802

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, 2019

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

Net change in fund balances - total governmental funds	\$	126,478
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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 capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 606,888	
Depreciation expense	<u>(494,362)</u>	112,526

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

(358,673)

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	\$ (33,923)	
Changes in OPEB related items	35,748	
Changes in pension related items	<u>731,945</u>	733,770

Change in net position of governmental activities

\$ 614,101

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

Radford City School Board
Statement of Net Position
Proprietary Funds
June 30, 2019

	Internal Service <u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 798
Total assets	<u>\$ 798</u>
LIABILITIES	
Current liabilities:	
Accrued health claims	\$ 359,471
Total liabilities	<u>\$ 359,471</u>
NET POSITION	
Unrestricted	<u>\$ (358,673)</u>
Total net position	<u><u>\$ (358,673)</u></u>

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

Radford City School Board
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Internal Service <u>Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 2,363,581
Total operating revenues	<u>\$ 2,363,581</u>
OPERATING EXPENSES	
Insurance claims and expenses	2,722,254
Total operating expenses	<u>\$ 2,722,254</u>
Operating income (loss)	<u>\$ (358,673)</u>
Change in net position	\$ (358,673)
Total net position - beginning	-
Total net position - ending	<u><u>\$ (358,673)</u></u>

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

Radford City School Board
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Internal Service <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 2,363,581
Payments for health claims	(2,362,783)
Net cash provided by (used for) operating activities	<u>\$ 798</u>
Net increase (decrease) in cash and cash equivalents	\$ 798
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	<u><u>\$ 798</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (358,673)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in health claims payable	<u>\$ 359,471</u>
Total adjustments	<u>\$ 359,471</u>
Net cash provided by (used for) operating activities	<u><u>\$ 798</u></u>

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

RADFORD CITY SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity:

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

Related Organizations

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

B. Government-wide and fund financial statements:

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

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized 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, School Cafeteria, and School Textbook Funds.

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

The government reports the following major proprietary funds:

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

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

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

1. Cash and Cash Equivalents

The School Board considers all highly liquid investments (including certificates of deposit, repurchase agreements, treasury bills and restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

2. Inventories

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

3. Capital assets

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

3. Capital assets (continued)

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

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

4. Fund equity

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

4. Fund equity (continued)

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

5. Compensated Absences

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

6. Deferred Outflows/Inflows of Resources

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

7. Pensions

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

8. Other Postemployment Benefits (OPEB)

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

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

9. Use of Estimates

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

10. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

11. Net Position Flow Assumption

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

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, 2019

Note 2-Stewardship, Compliance, and Accountability:

Budgets and Budgetary Accounting (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:

	School Board
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 136,505
VPSA grant	38,494
Categorical aid-Other	1,656
<u>Federal Government:</u>	
School grants	124,708
School food program	7,135
	<hr/>
Totals	\$ 308,498

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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	\$ 503,785	\$ 411,762	\$ (377,839)	\$ 537,708	\$ 403,281
Net OPEB liabilities	2,825,994	393,853	(423,819)	2,796,028	-
Net pension liability	13,625,000	2,862,000	(3,714,000)	12,773,000	-
Total	\$ 16,954,779	\$ 3,667,615	\$ (4,515,658)	\$ 16,106,736	\$ 403,281

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

Note 6-Pension Plans:

Plan Description

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

Benefit Structures

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

Benefit Structures (continued)

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

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government School Board (Nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	9
Inactive members:	
Vested inactive members	1
Non-vested inactive members	3
Inactive members active elsewhere in VRS	2
Total inactive members	6
Active members	11
Total covered employees	26

Contributions

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

The School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 2.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board's nonprofessional employees were \$5,569 and \$11,028 for the years ended June 30, 2019 and June 30, 2018, respectively.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The School Board's (nonprofessional) net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

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

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

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

Actuarial Assumptions - General Employees (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Primary Government-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2017	\$ 1,711,872	\$ 1,888,037	\$ (176,165)
Changes for the year:			
Service cost	\$ 29,480	\$ -	\$ 29,480
Interest	115,132	-	115,132
Differences between expected and actual experience	(1,373)	-	(1,373)
Contributions - employer	-	11,028	(11,028)
Contributions - employee	-	15,854	(15,854)
Net investment income	-	136,991	(136,991)
Benefit payments, including refunds of employee contributions	(134,247)	(134,247)	-
Administrative expenses	-	(1,248)	1,248
Other changes	-	(119)	119
Net changes	\$ 8,992	\$ 28,259	\$ (19,267)
Balances at June 30, 2018	\$ 1,720,864	\$ 1,916,296	\$ (195,432)

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Primary Government-School Board (nonprofessional)			
Net Pension (Asset) Liability	\$ (42,558)	\$ (195,432)	\$ (327,996)

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

For the year ended June 30, 2019, the School Board (nonprofessional) recognized pension expense of \$(24,950). At June 30, 2019, 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 \$	-	\$ 5,679
Changes of assumptions	-	846
Net difference between projected and actual earnings on pension plan investments	-	13,993
Employer contributions subsequent to the measurement date	5,569	-
Total	\$ 5,569	\$ 20,518

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

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

\$5,569 reported as deferred outflows of resources related to pensions resulting from the School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset in the fiscal year ending June 30, 2020. 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>
2020	\$ 3,040
2021	(2,146)
2022	(19,686)
2023	(1,726)
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Primary Government-School Board (professional)

Plan Description

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

Primary Government-School Board (professional) (continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,374,810 and \$1,404,384 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$12,773,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.10861% as compared to 0.11079% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$672,000. 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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

Primary Government-School Board (professional) (continued)

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

At June 30, 2019, 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 \$	-	\$ 1,092,000
Net difference between projected and actual earnings on pension plan investments	-	271,000
Changes of assumptions	152,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	278,000	388,000
Employer contributions subsequent to the measurement date	1,374,810	-
Total	<u>\$ 1,804,810</u>	<u>\$ 1,751,000</u>

\$1,374,810 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. 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>	
2020	\$ (221,000)
2021	(299,000)
2022	(556,000)
2023	(170,000)
Thereafter	(75,000)

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

Primary Government-School Board (professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

Primary Government-School Board (professional) (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	34,919,563
Employers' Net Pension Liability (Asset)	\$ <u><u>11,759,992</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 6-Pension Plans: (continued)

Primary Government-School Board (professional) (continued)

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

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 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	\$ 19,510,000	\$ 12,773,000	\$ 7,196,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.retire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate Pension Information

The following is a summary of deferred outflows, deferred inflows, net pension liability (asset), and pension expense for the year ended June 30, 2019.

	Primary Government-School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Nonprofessional	\$ 5,569	\$ 20,518	\$ (195,432)	\$ (24,950)
School Board Professional	1,804,810	1,751,000	12,773,000	672,000
Totals	<u>\$ 1,810,379</u>	<u>\$ 1,771,518</u>	<u>\$ 12,577,568</u>	<u>\$ 647,050</u>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 7-Capital Assets:

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Radford City School Board				
Capital assets, not being depreciated:				
Land	\$ 211,699	\$ -	\$ -	\$ 211,699
Construction in progress	-	400,027	-	400,027
Total capital assets not being depreciated	<u>\$ 211,699</u>	<u>\$ 400,027</u>	<u>\$ -</u>	<u>\$ 611,726</u>
Capital assets, being depreciated:				
Buildings and Improvements	\$ 13,574,357	\$ 97,378	\$ -	\$ 13,671,735
Machinery and equipment	2,427,660	109,483	-	2,537,143
Total capital assets being depreciated	<u>\$ 16,002,017</u>	<u>\$ 206,861</u>	<u>\$ -</u>	<u>\$ 16,208,878</u>
Accumulated depreciation:				
Buildings and Improvements	\$ (6,556,844)	\$ (354,742)	\$ -	\$ (6,911,586)
Machinery and equipment	(1,564,072)	(139,620)	-	(1,703,692)
Total accumulated depreciation	<u>\$ (8,120,916)</u>	<u>\$ (494,362)</u>	<u>\$ -</u>	<u>\$ (8,615,278)</u>
Total capital assets being depreciated, net	<u>\$ 7,881,101</u>	<u>\$ (287,501)</u>	<u>\$ -</u>	<u>\$ 7,593,600</u>
Governmental activities capital assets, net	<u>\$ 8,092,800</u>	<u>\$ 112,526</u>	<u>\$ -</u>	<u>\$ 8,205,326</u>

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

Administration, attendance, and health	\$ 3,352
Instruction	9,376
Pupil transportation	72,316
Food service	587
Technology	27,539
Operation and maintenance	121,633
Facilities	<u>259,559</u>
Total depreciation expense-governmental activities	<u>\$ 494,362</u>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 8-Risk Management:

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

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

Note 9-Other Postemployment Benefits - Health Insurance:

Plan Description

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

Benefits Provided

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

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

Plan Membership

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2019 was \$74,819.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions

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

Discount Rate - A 3.50% discount rate for measuring the plan's June 30, 2019 Total OPEB Liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2019. A 3.87% discount rate for measuring the plan's June 30, 2018 Total OPEB Liability. This assumption is similar to yields implied by theoretical 20-year general obligation bond indices as of June 30, 2018.

Inflation Rate - 2.50% annual rate of inflation.

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

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

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

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions (continued)

Healthcare Trend Assumption - The healthcare trend rate assumption starts at 5.90% and gradually grading to 4.20% by the year 2090 and after.

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

Changes in Total OPEB Liability

		<u>Primary Government Total OPEB Liability</u>
Balances at June 30, 2018	\$	674,994
Changes for the year:		
Service cost		50,116
Interest		26,627
Effect of assumptions changes or inputs		14,110
Benefit payments		(74,819)
Net changes	\$	<u>16,034</u>
Balances at June 30, 2019	\$	<u><u>691,028</u></u>

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>Rate</u>		
	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
\$	729,289	\$ 691,028	\$ 653,149

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.90% decreasing to an ultimate rate of 3.20%) or one percentage point higher (6.90% decreasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

Rates		
1% Decrease (4.90% decreasing to 3.20%)	Healthcare Cost Trend (5.90% decreasing to 4.20%)	1% Increase (6.90% decreasing to 5.20%)
\$ 610,285	\$ 691,028	\$ 786,330

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$77,213. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 11,590	\$ 9,428
Total	\$ 11,590	\$ 9,428

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

Year Ended June 30	
2020	\$ 470
2021	470
2022	470
2023	470
2024	282
Thereafter	-

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Contributions

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

Contributions to the GLI Program from the School Board (nonprofessional) were \$1,833 and \$1,821 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the School Board (professional) were \$46,747 and \$45,609 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the School Board (nonprofessional) reported a liability of \$28,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.0018% as compared to 0.0019% at June 30, 2017.

At June 30, 2019, the School Board (professional) reported a liability of \$700,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.0461% as compared to 0.0475% at June 30, 2017.

For the year ended June 30, 2019, the participating School Board (nonprofessional) and School Board (professional) recognized GLI OPEB expense of \$(1,000) and \$5,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>School Board (nonprofessional)</u>		<u>School Board (professional)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,000	\$ 1,000	\$ 34,000	\$ 13,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000	-	23,000
Change in assumptions	-	1,000	-	29,000
Changes in proportion	-	-	20,000	19,000
Employer contributions subsequent to the measurement date	1,833	-	46,747	-
Total	<u>\$ 2,833</u>	<u>\$ 3,000</u>	<u>\$ 100,747</u>	<u>\$ 84,000</u>

\$1,833 and \$46,747 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>School Board (nonprofessional)</u>	<u>School Board (professional)</u>
2020	\$ (2,000)	\$ (10,000)
2021	-	(10,000)
2022	-	(10,000)
2023	-	(4,000)
2024	-	3,000
Thereafter	-	1,000

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (continued)

Mortality Rates - Teachers (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School Board's (nonprofessional)				
proportionate share of				
the Group Life Insurance				
Program Net OPEB				
Liability	\$	37,000	\$ 28,000	\$ 21,000
School Board's (professional)				
proportionate share of				
the Group Life Insurance				
Program Net OPEB				
Liability	\$	915,000	\$ 700,000	\$ 526,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Program Notes

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher HIC Program were \$107,878 and \$107,886 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$1,377,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.1085% as compared to 0.1109% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$113,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	12,000
Change in proportion	31,000	28,000
Employer contributions subsequent to the measurement date	<u>107,878</u>	<u>-</u>
Total	<u>\$ 138,878</u>	<u>\$ 48,000</u>

\$107,878 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2020	\$ (3,000)
2021	(3,000)
2022	(3,000)
2023	(2,000)
2024	(2,000)
Thereafter	(4,000)

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation: Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Actuarial Assumptions: (continued)

Mortality Rates - Teachers: (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		
		8.08%

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,538,000	\$ 1,377,000	\$ 1,240,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12-Aggregate OPEB Information:

The following is a summary of deferred outflows, deferred inflows, net OPEB liabilities, and OPEB expense for the year ended June 30, 2019.

	Primary Government - School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program:				
School Board Nonprofessional	\$ 2,833	\$ 3,000	\$ 28,000	\$ (1,000)
School Board Professional	100,747	84,000	700,000	5,000
Teacher Health Insurance Credit Program	138,878	48,000	1,377,000	113,000
School Stand-Alone Plan	11,590	9,428	691,028	77,213
Totals	\$ 254,048	\$ 144,428	\$ 2,796,028	\$ 194,213

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 13-Contingent Liabilities:

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

Note 14-Interfund Transfers:

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 69,730	\$ -
School Cafeteria Fund	-	69,730
Total	<u>\$ 69,730</u>	<u>\$ 69,730</u>

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

Note 15—Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 15—Upcoming Pronouncements: (continued)

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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, 2019

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>		
REVENUES					
Revenue from the use of money and property	\$ 3,000	\$ 3,000	\$ 375	\$	(2,625)
Charges for services	80,000	80,000	80,115		115
Miscellaneous	-	-	110,035		110,035
Recovered costs	70,730	70,730	16,004		(54,726)
Intergovernmental	16,010,853	16,010,853	15,455,804		(555,049)
Total revenues	<u>\$ 16,164,583</u>	<u>\$ 16,164,583</u>	<u>\$ 15,662,333</u>	<u>\$</u>	<u>(502,250)</u>
EXPENDITURES					
Instruction	\$ 12,335,000	\$ 12,335,000	\$ 12,093,100	\$	241,900
Administration, Attendance and Health	1,024,182	1,024,182	1,014,091		10,091
Pupil Transportation Services	448,059	448,059	367,245		80,814
Operation and Maintenance Services	1,496,329	1,496,329	1,452,619		43,710
School Food Services and Other	102,309	102,309	82,701		19,608
Technology	757,704	757,704	697,418		60,286
Facilities	1,000	1,000	30,659		(29,659)
Total expenditures	<u>\$ 16,164,583</u>	<u>\$ 16,164,583</u>	<u>\$ 15,737,833</u>	<u>\$</u>	<u>426,750</u>
Excess (deficiency) of revenues over (under)					
expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (75,500)</u>	<u>\$</u>	<u>(75,500)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,730</u>	<u>\$</u>	<u>69,730</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,730</u>	<u>\$</u>	<u>69,730</u>
Net change in fund balances					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,770)</u>	<u>\$</u>	<u>(5,770)</u>
Fund balances - beginning	-	-	49,253		49,253
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,483</u>	<u>\$</u>	<u>43,483</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Miscellaneous	\$ 20,000	\$ 20,000	\$ 72,007	\$ 52,007
Intergovernmental	1,403,337	1,403,337	1,169,251	(234,086)
Total revenues	<u>\$ 1,423,337</u>	<u>\$ 1,423,337</u>	<u>\$ 1,241,258</u>	<u>\$ (182,079)</u>
EXPENDITURES				
Instruction	\$ 1,423,337	\$ 1,423,337	\$ 1,038,743	\$ 384,594
Administration, Attendance and Health	-	-	81,714	(81,714)
Technology	-	-	146,993	(146,993)
Total expenditures	<u>\$ 1,423,337</u>	<u>\$ 1,423,337</u>	<u>\$ 1,267,450</u>	<u>\$ 155,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,192)</u>	<u>\$ (26,192)</u>
Net change in fund balances	\$ -	\$ -	\$ (26,192)	\$ (26,192)
Fund balances - beginning	-	-	80,171	80,171
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,979</u>	<u>\$ 53,979</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Charges for services	\$ 142,673	\$ 142,673	\$ 178,599	\$ 35,926
Miscellaneous	-	-	15,184	15,184
Intergovernmental	520,769	520,769	553,941	33,172
Total revenues	<u>\$ 663,442</u>	<u>\$ 663,442</u>	<u>\$ 747,724</u>	<u>\$ 84,282</u>
EXPENDITURES				
School Food Services and Other	\$ 663,442	\$ 663,442	\$ 647,788	\$ 15,654
Total expenditures	<u>\$ 663,442</u>	<u>\$ 663,442</u>	<u>\$ 647,788</u>	<u>\$ 15,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,936</u>	<u>\$ 99,936</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (69,730)	\$ (69,730)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,730)</u>	<u>\$ (69,730)</u>
Net change in fund balances	\$ -	\$ -	\$ 30,206	\$ 30,206
Fund balances - beginning	-	-	156,186	156,186
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,392</u>	<u>\$ 186,392</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 27	\$ 27
Intergovernmental	117,017	117,017	121,100	4,083
Total revenues	<u>\$ 117,017</u>	<u>\$ 117,017</u>	<u>\$ 121,127</u>	<u>\$ 4,110</u>
EXPENDITURES				
Instruction	\$ 441,845	\$ 441,845	\$ 192,893	\$ 248,952
Total expenditures	<u>\$ 441,845</u>	<u>\$ 441,845</u>	<u>\$ 192,893</u>	<u>\$ 248,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (324,828)</u>	<u>\$ (324,828)</u>	<u>\$ (71,766)</u>	<u>\$ 253,062</u>
Net change in fund balances	\$ (324,828)	\$ (324,828)	\$ (71,766)	\$ 253,062
Fund balances - beginning	324,828	324,828	318,714	(6,114)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,948</u>	<u>\$ 246,948</u>

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board
Schedule of Changes in Net Pension Asset and Related Ratios
School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

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

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

Radford City School Board
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Measurement Dates of June 30, 2014 through June 30, 2018

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

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

Radford City School Board
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2010 through June 30, 2019

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)					
2019	\$ 5,569	\$ 5,569	\$ -	\$ 352,523	1.58%
2018	11,028	11,028	-	350,188	3.15%
2017	11,681	11,681	-	351,501	3.32%
2016	23,810	23,810	-	320,523	7.43%
2015	24,654	24,654	-	324,192	7.60%
2014	27,867	27,867	-	402,124	6.93%
2013	27,677	27,677	-	399,375	6.93%
2012	23,813	23,813	-	373,246	6.38%
2011	23,577	23,577	-	369,550	6.38%
2010	25,003	25,003	-	367,685	6.80%
School Board (professional)					
2019	\$ 1,374,810	\$ 1,374,810	\$ -	\$ 8,989,832	15.29%
2018	1,404,384	1,404,384	-	8,771,160	16.01%
2017	1,271,312	1,271,312	-	8,755,005	14.52%
2016	1,148,636	1,148,636	-	7,575,596	15.16%
2015	1,172,886	1,172,886	-	7,961,811	14.73%
2014	927,851	927,851	-	7,957,553	11.66%
2013	933,400	933,400	-	8,005,146	11.66%
2012	487,996	487,996	-	7,709,258	6.33%
2011	304,915	304,915	-	7,758,651	3.93%
2010	506,639	506,639	-	8,106,224	6.25%

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

Radford City School Board
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Component Unit School Board - Professional Employees

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

City of Radford, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2019 and 2018

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

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

City of Radford, Virginia
Notes to Required Supplementary Information - School Board OPEB
For the Year Ended June 30, 2019

Valuation Date: 1/1/2018
Measurement Date: 6/30/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.50% as of June 30, 2019
Inflation	2.50% per year as of June 30, 2019; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.90% and gradually grading to 4.20% by the year 2090 and after
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The pre-retirement mortality rates are based on RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. The post-retirement mortality rates are based on RP 2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85. The post-disablement mortality rates are based on RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

City of Radford, Virginia
Schedule of School Board's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017

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

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

City of Radford, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2010 through June 30, 2019

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)					
2019	\$ 1,833	\$ 1,833	\$ -	\$ 352,523	0.52%
2018	1,821	1,821	-	350,188	0.52%
2017	1,828	1,828	-	351,501	0.52%
2016	1,539	1,539	-	320,523	0.48%
2015	1,556	1,556	-	324,192	0.48%
2014	1,930	1,930	-	402,124	0.48%
2013	1,917	1,917	-	399,375	0.48%
2012	1,045	1,045	-	373,246	0.28%
2011	1,035	1,035	-	369,550	0.28%
2010	749	749	-	367,685	0.20%
School Board (professional)					
2019	\$ 46,747	\$ 46,747	\$ -	\$ 8,989,832	0.52%
2018	45,609	45,609	-	8,771,160	0.52%
2017	45,556	45,556	-	8,755,005	0.52%
2016	39,593	39,593	-	7,575,596	0.52%
2015	39,100	39,100	-	7,961,811	0.49%
2014	38,201	38,201	-	7,957,553	0.48%
2013	39,110	39,110	-	8,005,146	0.49%
2012	21,586	21,586	-	7,709,258	0.28%
2011	21,725	21,725	-	7,758,651	0.28%
2010	15,516	15,516	-	8,106,224	0.19%

City of Radford, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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

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

Teachers

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

City of Radford, Virginia
 Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

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

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However,

City of Radford, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Program
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
	(1)	(2)	(3)	(4)	(5)
2019	\$ 107,878	\$ 107,878	\$ -	\$ 8,989,832	1.20%
2018	107,886	107,886	-	8,771,160	1.23%
2017	97,181	97,181	-	8,755,005	1.11%
2016	87,083	87,083	-	7,575,596	1.15%
2015	86,041	86,041	-	7,961,811	1.08%
2014	88,340	88,340	-	7,957,553	1.11%
2013	89,213	89,213	-	8,005,146	1.11%
2012	46,256	46,256	-	7,709,258	0.60%
2011	46,552	46,552	-	7,758,651	0.60%
2010	59,808	59,808	-	8,106,224	0.74%

City of Radford, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

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

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

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

Other Supplementary Information

Supporting Schedules

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ 3,000	\$ 3,000	\$ 375	\$ (2,625)
Total revenue from use of money and property	\$ 3,000	\$ 3,000	\$ 375	\$ (2,625)
Charges for services:				
Tuition	\$ 80,000	\$ 80,000	\$ 80,115	\$ 115
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 110,035	\$ 110,035
Recovered costs:				
Rebates and refunds	\$ 1,000	\$ 1,000	\$ 2,056	\$ 1,056
Sale of equipment	-	-	7,617	7,617
Insurance recoveries	69,730	69,730	6,331	(63,399)
Total recovered costs	\$ 70,730	\$ 70,730	\$ 16,004	\$ (54,726)
Total revenue from local sources	\$ 153,730	\$ 153,730	\$ 206,529	\$ 52,799
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Radford, Virginia	\$ 5,779,528	\$ 5,779,528	\$ 4,744,354	\$ (1,035,174)
Revenue from the Commonwealth:				
Categorical aid:				
Sales tax	\$ 1,593,686	\$ 1,593,686	\$ 1,688,298	\$ 94,612
Basic school aid	5,285,100	5,285,100	5,503,927	218,827
Foster children	2,560	2,560	15,344	12,784
Gifted and talented	58,107	58,107	60,135	2,028
Remedial education	190,592	190,592	197,243	6,651
Special education	819,315	819,315	908,827	89,512
Vocational education	115,831	115,831	119,090	3,259
Social security	346,320	346,320	358,404	12,084
Retirement	764,694	764,694	791,376	26,682
Early reading intervention	27,838	27,838	17,715	(10,123)
Homebound Instruction	13,655	13,655	19,700	6,045
Group Life Payments	23,243	23,243	24,054	811
GED prep programs	7,859	7,859	8,355	496

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Intergovernmental: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid: (continued)				
Vocational education - equipment	\$ 1,000	\$ 1,000	\$ 3,184	\$ 2,184
SOL algebra readiness	23,065	23,065	25,746	2,681
At risk payments	142,303	142,303	162,729	20,426
Primary class size payments	210,915	210,915	212,327	1,412
Mentor teacher program	620	620	1,444	824
English as a second language	10,187	10,187	11,206	1,019
Salary supplement	396,984	396,984	-	(396,984)
Virginia preschool initiative payments	124,525	124,525	124,525	-
Lottery funds	-	-	437,963	437,963
Other state funds	72,926	72,926	19,690	(53,236)
Total categorical aid	\$ 10,231,325	\$ 10,231,325	\$ 10,711,282	\$ 479,957
Total revenue from the Commonwealth	\$ 10,231,325	\$ 10,231,325	\$ 10,711,282	\$ 479,957
Revenue from the federal government:				
Categorical aid:				
Vocational education	\$ -	\$ -	\$ 168	\$ 168
Total categorical aid	\$ -	\$ -	\$ 168	\$ 168
Total revenue from the federal government	\$ -	\$ -	\$ 168	\$ 168
Total General Fund	\$ 16,164,583	\$ 16,164,583	\$ 15,662,333	\$ (502,250)
Special Revenue Funds:				
School Grants Fund:				
Revenue from local sources:				
Miscellaneous:				
Erate revenue	\$ 20,000	\$ 20,000	\$ 72,007	\$ 52,007
Total revenue from local sources	\$ 20,000	\$ 20,000	\$ 72,007	\$ 52,007

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
School Grants Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VPSA grants	\$ 154,000	\$ 154,000	\$ 74,986	\$ (79,014)
School start-up grant	50,000	50,000	-	(50,000)
High school innovation grant	50,000	50,000	52,291	2,291
VFHY grant	-	-	25,742	25,742
Other state funds	26,216	26,216	5,152	(21,064)
Total categorical aid	<u>\$ 280,216</u>	<u>\$ 280,216</u>	<u>\$ 158,171</u>	<u>\$ (122,045)</u>
Total revenue from the Commonwealth	<u>\$ 280,216</u>	<u>\$ 280,216</u>	<u>\$ 158,171</u>	<u>\$ (122,045)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 370,059	\$ 370,059	\$ 366,230	\$ (3,829)
Special education - grants to States	449,952	449,952	302,007	(147,945)
Vocational education	24,000	24,000	21,585	(2,415)
Special education - preschool grants	17,133	17,133	11,913	(5,220)
Improving teacher quality	56,618	56,618	48,482	(8,136)
Twenty-First Century Community Learning Centers	150,000	150,000	229,194	79,194
Student support and academice enrichment program	25,359	25,359	28,825	3,466
English Language Acquisition Grant	30,000	30,000	2,844	(27,156)
Total categorical aid	<u>\$ 1,123,121</u>	<u>\$ 1,123,121</u>	<u>\$ 1,011,080</u>	<u>\$ (112,041)</u>
Total revenue from the federal government	<u>\$ 1,123,121</u>	<u>\$ 1,123,121</u>	<u>\$ 1,011,080</u>	<u>\$ (112,041)</u>
Total School Grants Fund	<u>\$ 1,423,337</u>	<u>\$ 1,423,337</u>	<u>\$ 1,241,258</u>	<u>\$ (182,079)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 142,673	\$ 142,673	\$ 178,599	\$ 35,926
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 15,184	\$ 15,184
Total revenue from local sources	<u>\$ 142,673</u>	<u>\$ 142,673</u>	<u>\$ 193,783</u>	<u>\$ 51,110</u>

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
School Cafeteria Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 17,462	\$ 17,462	\$ 18,030	\$ 568
Total revenue from the Commonwealth	\$ 17,462	\$ 17,462	\$ 18,030	\$ 568
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 503,307	\$ 503,307	\$ 535,911	\$ 32,604
Total revenue from the federal government	\$ 503,307	\$ 503,307	\$ 535,911	\$ 32,604
Total School Cafeteria Fund	\$ 663,442	\$ 663,442	\$ 747,724	\$ 84,282
School Textbook Fund:				
Revenue from local sources:				
Charges for services:				
Other charges for services	\$ -	\$ -	\$ 27	\$ 27
Total revenue from local sources	\$ -	\$ -	\$ 27	\$ 27
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State textbook payments	\$ 117,017	\$ 117,017	\$ 121,100	\$ 4,083
Total revenue from the Commonwealth	\$ 117,017	\$ 117,017	\$ 121,100	\$ 4,083
Total School Textbook Fund	\$ 117,017	\$ 117,017	\$ 121,127	\$ 4,110

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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>
Capital Projects Fund:				
School Construction Fund:				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from the City of Radford, Virginia	\$ 748,756	\$ 748,756	\$ 680,240	\$ (68,516)
Total revenues from local governments	\$ 748,756	\$ 748,756	\$ 680,240	\$ (68,516)
 Total School Construction Fund	 \$ 748,756	 \$ 748,756	 \$ 680,240	 \$ (68,516)
 Total School Board	 \$ 19,117,135	 \$ 19,117,135	 \$ 18,452,682	 \$ (664,453)

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Instruction				
Classroom instruction	\$ 9,871,612	\$ 9,871,612	\$ 9,651,945	\$ 219,667
Guidance services	385,952	385,952	409,585	(23,633)
Social worker	47,545	47,545	47,562	(17)
Homebound instruction	46,306	46,306	41,153	5,153
Management and direction	618,154	618,154	627,774	(9,620)
Inservice and staff development	27,954	27,954	5,072	22,882
Library services	255,746	255,746	244,816	10,930
Office of the principal	1,081,731	1,081,731	1,065,193	16,538
Total Instruction	\$ 12,335,000	\$ 12,335,000	\$ 12,093,100	\$ 241,900
Administration, Attendance and Health				
Board services	\$ 38,367	\$ 38,367	\$ 35,672	\$ 2,695
Clerk's services	99,617	99,617	98,774	843
Superintendent's services	270,122	270,122	293,536	(23,414)
Planning services	5,300	5,300	3,150	2,150
Fiscal services	59,472	59,472	61,144	(1,672)
Health services	67,121	67,121	68,817	(1,696)
Medical services	39,710	39,710	40,653	(943)
Nursing services	154,097	154,097	144,646	9,451
Psychological services	100,821	100,821	94,919	5,902
Speech/audiology services	189,555	189,555	172,780	16,775
Total Administration, Attendance and Health	\$ 1,024,182	\$ 1,024,182	\$ 1,014,091	\$ 10,091
Pupil Transportation Services				
Vehicle operation	\$ 322,102	\$ 322,102	\$ 289,825	\$ 32,277
Monitoring services	35,724	35,724	21,275	14,449
Vehicle maintenance services	90,233	90,233	56,145	34,088
Total Pupil Transportation Services	\$ 448,059	\$ 448,059	\$ 367,245	\$ 80,814
Operation and Maintenance Services				
Building services	\$ 1,356,664	\$ 1,356,664	\$ 1,283,480	\$ 73,184
Grounds services	32,500	32,500	17,108	15,392
Equipment services	5,000	5,000	3,436	1,564
Security services	80,493	80,493	110,570	(30,077)
Vehicle services	21,672	21,672	38,025	(16,353)
Total Operations and Maintenance Services	\$ 1,496,329	\$ 1,496,329	\$ 1,452,619	\$ 43,710
School Food Services and Other				
School food	\$ 102,309	\$ 102,309	\$ 82,701	\$ 19,608

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Technology				
Technology - classroom instruction	\$ 137,120	\$ 137,120	\$ 57,994	\$ 79,126
Technology - instructional support	571,084	571,084	593,232	(22,148)
Technology - administration	19,500	19,500	25,326	(5,826)
Technology - operations and maintenance	30,000	30,000	20,866	9,134
Total Technology	\$ 757,704	\$ 757,704	\$ 697,418	\$ 60,286
Facilities				
Building Improvements	\$ -	\$ -	\$ 30,659	\$ (30,659)
Architecture and engineering services	1,000	1,000	-	1,000
Total Facilities	\$ 1,000	\$ 1,000	\$ 30,659	\$ (29,659)
Total General Fund	\$ 16,164,583	\$ 16,164,583	\$ 15,737,833	\$ 426,750
Special Revenue Funds:				
School Grants Fund:				
Instruction				
Classroom instruction	\$ 1,423,337	\$ 1,423,337	\$ 1,037,034	\$ 386,303
Instructional Staff	-	-	1,709	(1,709)
Total Instruction	\$ 1,423,337	\$ 1,423,337	\$ 1,038,743	\$ 384,594
Administration, Attendance and Health				
Management and direction	\$ -	\$ -	\$ 75	\$ (75)
Fiscal services	-	-	935	(935)
Medical services	-	-	3,883	(3,883)
Vehicle Operation Services	-	-	21,344	(21,344)
Psychological services	-	-	55,477	(55,477)
Total Administration, Attendance and Health	\$ -	\$ -	\$ 81,714	\$ (81,714)
Technology				
Technology classroom Instruction	\$ -	\$ -	\$ 36,492	\$ (36,492)
Technology instructional support	-	-	110,501	(110,501)
Total Technology	\$ -	\$ -	\$ 146,993	\$ (146,993)
Total School Grants Fund	\$ 1,423,337	\$ 1,423,337	\$ 1,267,450	\$ 155,887
School Cafeteria Fund:				
School Food Services and Other				
School food	\$ 663,442	\$ 663,442	\$ 647,788	\$ 15,654
Total School Cafeteria Fund	\$ 663,442	\$ 663,442	\$ 647,788	\$ 15,654

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
School Textbook Fund:				
Instruction				
Classroom instruction	\$ 441,845	\$ 441,845	\$ 192,893	\$ 248,952
Total School Textbook Fund	\$ 441,845	\$ 441,845	\$ 192,893	\$ 248,952
Capital Projects Fund:				
School Construction Fund:				
Operation & Maintenance Services				
Building services	\$ -	\$ -	\$ 6,636	\$ (6,636)
Capital projects				
Architecture and engineering	\$ 55,303	\$ 55,303	\$ 64,185	\$ (8,882)
Building improvements	693,453	693,453	409,419	284,034
Total Capital Projects	\$ 748,756	\$ 748,756	\$ 473,604	\$ 275,152
Total School Construction Fund	\$ 748,756	\$ 748,756	\$ 480,240	\$ 268,516
Total School Board	\$ 19,441,963	\$ 19,441,963	\$ 18,326,204	\$ 1,115,759

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Radford City School Board, a component unit of the City of Radford, Virginia, as of and for the year ended June 30, 2019, 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 February 18, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Radford City School Board's internal control over financial reporting (internal control) 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, Farmer, Cox Associates

Blacksburg, Virginia
February 18, 2020



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the Radford City School Board's, a component unit of the City of Radford, Virginia, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Radford City School Board's major federal programs for the year ended June 30, 2019. 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, 2019.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
February 18, 2020

Radford City School Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

For the Year Ended June 30, 2017			
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:			
Child Nutrition Cluster:			
State Department of Agriculture:			
Food Distribution (Note C)	10.555	40623	\$ 53,259
Food Distribution (Note C)	10.559	Unknown	\$ 1,616
State Department of Education:			
National School Lunch Program	10.555	40623	330,172
Summer Food Service Program for Children	10.559	Unknown	17,304
School Breakfast Program	10.553	40591	133,560
Total Child Nutrition Cluster:			\$ 535,911
Total Department of Agriculture			\$ 535,911
Department of Education:			
Pass Through Payments from:			
State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	42892	\$ 366,230
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	60205	\$ 302,007
Special Education - Preschool Grants	84.173	61136	11,913
Total Special Education Cluster (IDEA):			313,920
Career and Technical Education - Basic Grants to States	84.048	60531	21,753
Supporting Effective Instruction State Grant	84.367	61484	48,482
Twenty-First Century Community Learning Centers	84.287	60565	229,194
English Language Acquisition State Grants	84.365	Unknown	2,844
Student Support and Academic Enrichment Program	84.424	Unknown	28,825
Total Department of Education			\$ 1,011,248
Total Expenditures of Federal Awards			\$ 1,547,159

Notes to Schedule of Expenditures of Federal Awards

Note A -- Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Radford City School Board under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Radford City School Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Radford City School Board.

Note B -- Summary of Significant Accounting Policies

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

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

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

Radford City School Board
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2019

Note C -- Food Donation

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

Note D -- Subrecipients

The School Board did not have any subrecipients for the year ended June 30, 2019.

Note E -- Outstanding Balance of Federal Loans

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

Note F -- Relationship to the Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund-Intergovernmental	\$ 15,455,804
Less: Contribution from the City of Radford, Virginia	(4,744,354)
Less: Revenue from the Commonwealth	(10,711,282)
School Grants Fund-Intergovernmental	1,169,251
Less: Revenue from the Commonwealth	(158,171)
Cafeteria Fund-Intergovernmental	553,941
Less: Revenue from the Commonwealth	(18,030)
School Textbook Fund-Intergovernmental	121,100
Less: Revenue from the Commonwealth	(121,100)
School Construction Fund-Intergovernmental	680,240
Less: Contribution from the City of Radford, Virginia	(680,240)
	<hr/>
Total School Board	<u><u>\$ 1,547,159</u></u>

Radford City School Board
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

There were no prior audit findings.