



Richmond Public Schools

The School Board of the City of Richmond, Virginia
A Component Unit of the City of Richmond, Virginia



Congratulations Valedictorians!

Annual Comprehensive Financial Report

for the fiscal year ended June 30, 2023

RICHMOND PUBLIC SCHOOLS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2023

Prepared By: Department of Finance

Jason Kamras
Superintendent of Schools

Dana Fox
Chief Operating Officer

Wanda Payne
Director of Finance

www.rvaschools.net



**THE SCHOOL BOARD OF THE CITY OF RICHMOND
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Introductory Section

(unaudited)

The Introductory Section contains the letter of transmittal, which provides a profile of Richmond Public Schools (RPS) and an overview of its school membership, accomplishments, major initiatives, financial policies, future planning, awards and acknowledgements

Also included in this section are the following:

- Listing of members of The School Board of the City of Richmond and RPS' administration
- The school division's organizational chart



SCHOOL BOARD OF THE CITY OF RICHMOND

SCHOOL BOARD ROOM - 17TH FLOOR, CITY HALL

301 NORTH NINTH STREET RICHMOND, VA 23219-1927 (804) 780-7716

MEMBERS

As of June 30, 2023

November 3, 2023

THE HONORABLE:

DR. SHONDA HARRIS-
MUHAMMED

DISTRICT 6
CHAIR

KENYA GIBSON

DISTRICT 3
VICE CHAIR

ELIZABETH DOERR

DISTRICT 1

MARIAH WHITE

DISTRICT 2

JONATHAN YOUNG

DISTRICT 4

STEPHANIE RIZZI

DISTRICT 5

CHERLY BURKE

DISTRICT 7

DAWN PAGE

DISTRICT 8

NICOLE JONES

DISTRICT 9

The Citizens and Members of the School Board City of Richmond, Virginia:

The Annual Comprehensive Financial Report (ACFR) of the School Board (the School Board) of the City of Richmond, Virginia (the City), as of and for the fiscal year ended June 30, 2023, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the School Board. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and account groups of the School Board. All disclosures necessary to enable the reader to gain an understanding of the School Board's financial activities are included.

The financial statements included in the ACFR have been prepared in conformance with accounting principles generally accepted in the United States (GAAP) for governmental units as promulgated by the Governmental Accounting Standards Board (GASB). The public accounting firm of Cherry Bekaert LLP has audited the financial statements contained in this report. The auditors' report precedes the basic financial statements. The unmodified auditor's report expresses their opinion that the School Board's basic financial statements are fairly presented in all material respects in accordance with GAAP.

The School Board is required to undergo an annual audit in conformity with provisions of the Single Audit Act and the Uniform Grant Guidance Subpart F. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' report on internal control and compliance with applicable laws, regulations, contracts and grant agreements, and a schedule of findings and questioned costs, if any, are included in a separately issued report.

GAAP require management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The School Board's MD&A can be found immediately following the report of the independent auditors.

The School Board is a component unit of the City, accordingly, the financial position and results of operations of the School Board are reflected in the financial statements included in the ACFR of the City.

PROFILE OF THE SCHOOL SYSTEM

OVERVIEW

Richmond Public Schools (RPS) serves approximately 22,000 students, representing the region's diverse socioeconomic mix. RPS is comprised of 5 preschool centers, 25 elementary schools; one charter elementary school, one charter high school serving students with exceptional needs (RCEEA Charter at Marshall High School), 7 middle schools, 5 comprehensive high schools and 3 specialty high schools (Franklin Military Academy, Open High School, Richmond Community High School); one school serving students with exceptional needs (Amelia Street); two programs for students with exceptional needs (REAL located at Henderson MS, and Thirteen Acres at Carver ES); one career & technical education school, the Richmond Technical Center (RTC); and one alternative education school. U.S. News and World Report ranked Richmond Community and Open high schools among the state's top public high schools. And, Franklin Military Academy stands as the nation's first public military school.

The district also operates two regional Governor's School Programs. Gifted and talented students are served by SPACE (Special Program for Academic and Creative Excellence) at the elementary and middle school levels, and by advanced placement and dual enrollment courses at the high school level. Academically advanced students may also earn the prestigious International Baccalaureate (IB) diploma at Thomas Jefferson High School or apply to attend either the Maggie L. Walker Governor's School for Government and International Studies (the Governor's School) or the Appomattox Governor's School for the Arts and Technology.

The School Board was established in 1868 to provide educational opportunities to the residents of the City. It is governed by a nine-member board, one for each City district, elected by the citizens of the City to serve four-year terms. The Chairman, Vice Chairman and other officers are elected by the other members of the School Board annually.

The School Board's ACFR includes all activities, for which the School Board is directly responsible. The School Board has a fiduciary responsibility in its capacity as fiscal agent for the Governor's School. The Governor's School operates as an educational consortium and provides specialized and gifted training for students of participating cities and counties throughout central and southern Virginia. A separate governing board includes one member from each of the participating localities. The School Board does not have a continuing financial interest in the Governor's School. Additionally, RPS serves as fiscal agent for the following schools and programs: Regional Adult Education Program, Richmond Detention Center, Virginia Treatment Center for Children, Hospital Education Program and Richmond City Jail Program.

Richmond Public Schools is a fiscally dependent school division pursuant to State law. As a fiscally dependent school division, Richmond Public Schools does not levy taxes or issue debt. The School Board derives its authority as a political subdivision of the State and has the constitutional responsibility to provide public education to the residents of Richmond.

The School Board revenues consist of City appropriations from revenues, state revenue based on student populations and sales tax receipts, federal revenue usually targeted to specific programs, and other revenues such as school cafeteria sales, tuition and building rental fees. The main sources of revenue for the operating budget are the City of Richmond and the Commonwealth of Virginia.

ECONOMIC CONDITION AND OUTLOOK

LOCAL ECONOMY

Richmond is located in the eastern-central part of the state of Virginia 100 miles from the nation's capital. The quality of life in the City offers a low cost of living, pleasant climate, unique architecture, and an average 24-minute commute between the surrounding jurisdictions in the Greater Richmond Region.

Several higher education institutions, including Virginia Commonwealth University (VCU), including its health system schools, Virginia Union University, Union Theological Seminary & Presbyterian School of Christian Education, University of Richmond, including its law school, and J. Sargeant Reynolds Community College are located within the City. VCU is a top research university and is home to nationally ranked graduate and professional programs.

The Metro Rankings Report published by Business Facilities Magazine ranks the City of Richmond and its metro area fourth in economic growth potential for mid-sized cities, second in corporate leadership, and seventh in attracting millennials.

For public organizations, the highest financial benchmark for a well-managed government is to achieve a Triple-A bond rating from all three major rating agencies, which indicates that an investment in the organization is safe and there is little risk of default. As of August 2023, Richmond has an "AA+" bond rating from two rating agencies and an Aa1 from a third. The City continues to invest in the path to becoming a Triple-A bond rated city.

Demographics

The City's population is approximately 229,395, as of the U.S. Census Bureau's 2022 population estimate, and is approximately 45% White, 45% African-American, 14% Hispanic and other and mixed race. The population of the City has grown by approximately 1.2% between April 2010 and July 2022. Eighty-seven percent of persons residing in Richmond are high school graduates or higher.

(<http://www.census.gov/quickfacts/fact/table/richmondcityvirginia#>)

Employment

According to the U.S. Department of Labor Bureau of Labor Statistics, unemployment in the City is 3.0 percent, not seasonally adjusted August 2023. In 2014, the Office of Community Wealth Building was created to coordinate efforts to reduce poverty and increase wealth building opportunities, particularly related to employment, for the City's low-income population. (https://www.bls.gov/eag/eag.va_richmond_msa.htm)

In 2016, the Office of Community Wealth Building focused its efforts on the expansion of the Center for Workforce Innovation, an endeavor which allows residents the opportunity to interact with local employers. The Center also encourages residents in their abilities to search for and obtain employment by offering training and support.

Additionally, the Office of Community Wealth Building developed an initiative to establish a Social Enterprise sector, targeted at high-poverty neighborhoods, which seeks to create and sustain locally-owned firms with hopes of increasing employment opportunities.

Economic Development

The City of Richmond Department of Economic Development is consistently pursuing projects that will attract high-quality businesses, generate jobs, increase investment, and benefit the City and its residents. The city's goals are encouraging the long-term growth and development of the City of Richmond and maximizing the city's assets and advantages without compromising the health of its neighborhoods and residents. The City Center Innovation District and the Diamond District are considered transformational redevelopment projects that will shape Richmond's future.

In November 2022, the Economic Development Authority of the City of Richmond (EDA), in collaboration with the Greater Richmond Convention Center, issued a request for interest to solicit creative development responses from experienced development teams interested in purchasing and redeveloping approximately 9.4 acres of under-utilized, EDA-owned property in Richmond's City Center Innovation District. The vision for City Center is to redevelop the area to become a mixed-use, mixed-income urban innovation district destination anchored by a headquarters hotel supporting the Greater Richmond Convention Center along with commercial, educational, and residential development to create a dynamic downtown.

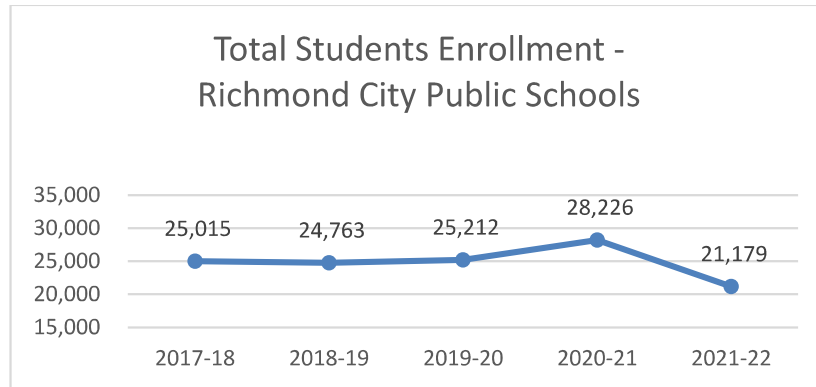
On May 8, 2023, the development agreement between the City of Richmond and its development partner, RVA Diamond Partners, was unanimously approved by City Council, marking a significant milestone in Richmond's planned 68-acre Diamond District. Located at the crossroads of I-64/I-95 and North Arthur Ashe Boulevard, the new home to the Flying Squirrels will be a multipurpose stadium integrated into a connected, green, and equitable mixed-use development. It will include mixed-income housing, commercial office space, retail space, restaurants, and hotels along a revised street grid, incorporating engaging architecture and a walkable urban experience with access to adjacent and redeveloping neighborhoods.

SCHOOL MEMBERSHIP

Enrollment

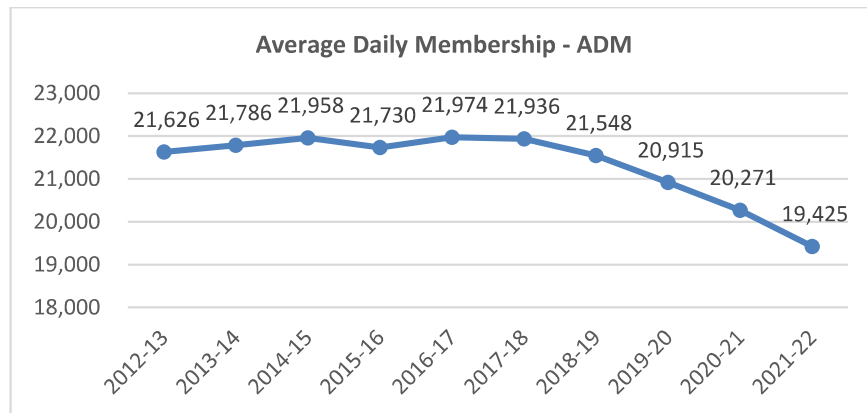
September membership reflects the number of students enrolled in Richmond Public Schools on September 30. Data are collected by school and reported by grade assignment and ethnicity. Excluded from the September 30 count are pupils in hospitals, clinics or detention homes, and local programs such as vocational and alternative education centers (i.e., centers or schools that receive, but do not officially enroll students). September 2023 membership totaled 21,179 students. (Data Source – Virginia Department of Education)

Student enrollment drives the amount of state and federal funding the school division receives. It is also significant because it impacts instructional and support staffing needs that must continue to improve educational and support services to students.



(Data Source: Virginia Department of Education State Report Card)

March 31 Average Daily Membership (ADM) is the student enrollment count that drives most state funding for public education. ADM is the total days in membership for all students, grades K through 12, over the school year divided by the number of days school was in session. Virginia school divisions receive state funding based on their students' ADM as of March 31 of the fiscal year. The division's March 2023 ADM as reported to the Virginia Department of Education is 19,425.



Economically Disadvantaged Students

Free and reduced lunch population is a measure of poverty. As reported in the Department of Education's October 31, 2019 report, RPS is one of five school districts in the Commonwealth operating under the USDA Community Eligibility Provision (CEP) with 100.00% of our students receiving free meals under the Federal school lunch program.

RPS applied and received approval to operate a (CEP) program effective July 1, 2014, whereby all students can eat breakfast and lunch for free. This works well in districts with significant poverty. RPS no longer captures free or reduced eligibility information from students.

ACCOMPLISHMENTS

Standards of Learning and Accreditation

The primary assessment used in Virginia is the SOL (Standards of Learning) tests. SOL tests are administered each spring to students in grades three through eight and End of Course in language arts, writing, science, social studies and math. These test scores are used to determine whether or not a school meets the federal and state guidelines for accreditation. Additionally, benchmark testing takes place at the end of each nine-week reporting period and varied diagnostic assessment tools are used to gauge student growth across all schools.

Graduation

The Virginia On-Time Graduation Rate expresses the percentage of students in a cohort who earned a Board of Education-approved diploma within four years of entering high school for the first time. The on-time graduation rate for Richmond City high schools for 2022-23 school year is 72.5 percent. This is a 1.7 percent decrease from 2021-2022 school year of 74.2 percent.

MAJOR INITIATIVES

Dream4RPS, the division's five-year strategic plan was adopted by the School Board in September 2018 and is grounded in five strategic priorities:

- Exciting and Rigorous Teaching and Learning
- Skilled and Supported Staff
- Safe and Loving School Cultures
- Deep Partnership with Families and Community
- Modern Systems and Infrastructure

Richmond Teacher Residency, in partnership with Virginia Commonwealth University (VCU), RPS offers the state's first teacher residency program. Through this program, residents spend a year co-teaching, guided by both VCU faculty and RPS master teachers trained to mentor them.

Lit Limo, a mobile library designed to help implement RPS' literacy and reading strategies as well as create excitement for books for all school age children. Every child who visits the Lit Limo receives a book of their own, participates in a read aloud, and signs up for a Richmond Public Library card.

Real Richmond, is a groundbreaking high-school history course that provides an unvarnished look at the history of Richmond, VA. The class allows students to take a deep dive into the good, bad and ugly of the history that surrounds them each and every day. Course developers brought the city of Richmond into the classroom by collaborating with partners from higher education, the faith community, and the non-profit sector to provide our students with the opportunity to explore themes such as physical and human geography, family lineage, religion and spirituality, fine arts, law, and politics.

RVA Men Teach, is a program dedicated to improving students’ academic, social, and professional outcomes by recruiting, retaining, and professionally developing male educators of color. RVA Men Teach includes licensure and certification support, expansive partnerships, and regular celebrations for the recognition of excellence.

RPS en Espanol, is an initiative to inform, empower, and share information and resources with our growing Spanish-speaking community. RPS has hired additional English learner staff to help support our Latin American students. We have also created a Latin American Identity Task Force composed of internal staff, parents and community members/partners focused on developing spaces to have meaningful engagement around identity and engaging with our community.

RESOURCE ALLOCATION

Richmond Public Schools is committed to providing high quality educational opportunities to all students. As all school divisions in the Commonwealth, Richmond receives substantially all operating revenues from state and local funds. For FY23, the School Board General Fund Budget anticipated \$150.6 million or 42.5% of funding from the state (including sales tax), a decrease of \$8.4 million from the prior year. Also, the budget includes \$200.3 million of funding from the City or 56.6%. This represents an overall increase of \$15 million over FY22.

The FY23 financial plan commits resources to implement a step increase for eligible employees on the teacher pay scales and to cover a 5% salary adjustment for all eligible employees. The budget will continue to fund new initiatives and programs addressing engagement, equity and excellence, and provides resources for implementing year five of the Dreams4RPS strategic plan.

FINANCIAL POLICIES

Internal Control

Management of the School Board is responsible for establishing and maintaining internal control sufficient to provide reasonable assurance that the assets of the School Board are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal, State and Local financial assistance, the School Board is also responsible for ensuring that adequate internal controls are in place to ensure and document that federal award programs and state and local resources are managed in compliance with applicable laws, regulations, grants and contracts. These internal controls are subject to periodic evaluation by management, the internal audit staff and the Finance and Budget committee and the Audit committee of the School Board, as well as by the external auditors on an annual basis.

Budgetary Process and Controls

Budget Process and Development

Richmond Public Schools has three budget phases in the development process:

Phase I - Superintendent's Estimate of Needs Budget is the beginning phase of budget development used to gather input from parents, business leaders, and other community stakeholders. This phase represents the Superintendent's presentation of the needs of the school division for the upcoming school year to the School Board in January.

Phase II - School Board's Approved Budget is the School Board's recommended spending plan submitted to the Mayor, the City Administration, and the City Council. This phase consists of numerous work sessions and at least one public hearing to ensure input from all interested stakeholders. The budget is approved in February so it can be incorporated into the Mayor's financial plan for submission to City Council in March.

Phase III - School Board's Adopted Budget represents the School Board's adopted budget based on state funding levels and the appropriation ordinance adopted by City Council. The Mayor's recommendation is forwarded to the City Council, which must adopt the schools' appropriation by legal ordinance on or before May 15th of each year. Subsequent to the City Council's action, the School Board makes any required adjustments to balance the budget, which is adopted in May or June.

Budgetary Controls

The School Board maintains budgetary controls to ensure compliance with the annually appropriated (legally adopted) General Fund budget approved by the City Council. Budgetary controls ensure that the legal level of expenditure for the General Fund is not exceeded. Project budgets are also prepared, but not legally adopted, for the Special Revenue and Permanent funds. Management control is exercised over the budget at the budgetary line item level within each fund. The School Board also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts are carried forward at year-end.

Insurance and Risk Management

The insurance and risk management program involves maintaining several comprehensive commercial insurance policies and self-insurance programs, conducting various loss control activities, and a program to manage claims filed against the school system. Additionally, risk management monitors other individual insurance policies such as disability, intensive care, cancer, and life insurance that are marketed to School Board employees by various approved insurers.

The School Board's commercial insurance coverage includes the following: a comprehensive property and casualty policy; a commercial general liability policy; a comprehensive liability vehicle fleet policy; and other insurance coverage for boiler & machinery, School Board errors and omissions, workers' compensation for federal programs, student nurse liability, student accident insurance, physician malpractice, special equipment coverage and excess workers' compensation for accidents in excess of \$350,000.

The School Board provides self-insurance for workers' compensation for all employees not involved with federally funded programs. The workers' compensation claims are handled by a third-party administrator and

the cost of medical claims are contained using a panel of physicians. The medical providers are restricted to charging for services in accordance with a negotiated fee schedule. Likewise, a group self-insured short-term disability program is managed by a third-party administrator, and a long-term disability insurance program is in place through a major insurance company.

Cash Management

The City is the custodian of all cash and investments of the School Board except certain cash on hand or in banks and certain cash and investments of the Fiduciary Funds held by financial institutions. The City policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City's investments are made as allowed in the *Code of Virginia*, which include obligations of the United States and its agencies, time certificates of deposit, banker's acceptances, repurchase agreements, demand notes and commercial paper. Additionally, all bank deposits of the City and the School Board are insured by the Federal Deposit Insurance Corporation up to the allowable maximum amount and are collateralized under the Virginia Security for Public Deposits Act.

OTHER INFORMATION

Independent Audit

State statutes require an annual audit of the financial statements by independent certified public accountants selected by the School Board. Beyond meeting the requirement set forth in state statutes, the School Board's Single Audit was designed to meet the requirements of the Subpart F of the Uniform Grant Guidance. The auditors' report on the basic financial statements is included in the financial section of this report. The auditors' reports on internal controls and opinion on compliance with applicable laws, regulations, contracts and grant agreements can be found in a separately issued School Board Uniform Guidance Audit report.

ACKNOWLEDGEMENTS

We would like to express our sincere gratitude to the dedicated personnel in the Finance and Budget departments who participated in the preparation of this report and to our independent auditors, Cherry Bekaert LLP. Appreciation is extended to the School Board and the administration whose continuing support is vital to the financial health of the school system.

Respectfully submitted,



Jason Kamras
Superintendent of Schools

SCHOOL BOARD MEMBERS AND OFFICIALS

As of June 30, 2023

BOARD MEMBERS

Stephanie Rizzi, Chair
5th District

Cheryl Burke, Vice Chair
7th District

Elizabeth Doerr
1st District

Mariah White
2nd District

Kenya Gibson
3rd District

Jonathan Young
4th District

Dr. Shonda Harris-Muhammed
6th District

Dawn Page
8th District

Nicole Jones
9th District

OFFICIALS

Jason Kamras
Superintendent of Schools

Shadae Harris
Chief Engagement Officer

Leslie Wiggins
Chief Academic Officer, Elementary

Solomon Jefferson
Chief Academic Officer, Secondary

Dana Fox
Chief Operating Officer

Renesha Parks
Chief Wellness Officer

Patrece Richardson
Clerk of the School Board



Financial Section

The Financial Section includes the report of independent auditor, management's discussion and analysis, basic financial statements, including the accompanying notes, required supplementary information, and other supplementary information.

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Richmond, Virginia (the "School Board"), a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023, on our consideration of the 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 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 School Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cherry Bekaert LLP".

Richmond, Virginia
November 3, 2023

Management's Discussion and Analysis

(unaudited)

The Management's Discussion and Analysis subsection provides a narrative introduction to and overview and analysis of the basic financial statements. It includes a description of the government-wide and fund financial statements, as well as an analysis of Richmond Public Schools' financial position and results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

It is an honor to present to the Citizens of the City of Richmond, Virginia (the City) this report of the financial performance of the School Board of the City of Richmond, Virginia (the School Board). This section of the Annual Comprehensive Financial Report (the ACFR) presents management's discussion and analysis of the overall financial performance of the School Board's financial activities for the fiscal year (FY) ended June 30, 2023. We encourage our readers to read this information in conjunction with the transmittal letter at the front of this report and the School Board's financial statements, which follow this section (amounts rounded to the nearest hundred thousand dollars or to the nearest thousand dollars are approximate).

FINANCIAL HIGHLIGHTS FOR FY 2023

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide information about the activities of Richmond Public Schools (the RPS) as a whole, and present both a long-term and short-term view of RPS' property and debt obligations, and other financial matters.

- The School Board's net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) on a government-wide basis (i.e., for the School Board "taken as a whole") was \$(209.1) million at June 30, 2023, a deficit decrease of \$37.0 million from \$(246.1) million. Of the \$(209.1) million net position, \$10.9 million was restricted by outside parties (primarily for capital projects). The unrestricted deficit (after considering all School Board liabilities) is \$(245.9) million (see the discussion of unrestricted net position under "Government-wide Statements" beginning on page 9).
- Net position has been primarily impacted by the required reporting of net pension and OPEB liabilities on the government-wide financial statements. Net pension liabilities were \$207.9 million at year end, an increase of \$37.9 million, compared to net pension liabilities of \$170.0 million estimated in the prior year. The decrease in net pension liabilities is primarily due to changes in the VRS teachers' cost-sharing pool (VRS Teachers' Pool) that is proportionally allocated among employers and changes in the VRS political subdivision plan for general employees. Benefit and funding decisions for VRS pension plans are made by the Commonwealth of Virginia. Note 11 of the notes to the financial statements provide additional information regarding the pension plans. Net OPEB liabilities related to the Virginia Retirement System (the VRS) multiple-employer cost sharing plans for health and life insurances were \$40.7 million at year end, a decrease of \$231.7 thousand, compared to net OPEB of \$40.9 million estimated in the prior year. Total OPEB liabilities related to the School Board's healthcare plan were \$24.7 million compared to Total OPEB of \$22.2 million from prior year.
- The School Board's total revenues of \$486.5 million in fiscal 2023 represented an increase of \$3.1 million (.64%) compared to fiscal 2022 revenues of \$483.4 million. Total revenues consisted of program revenues, which decreased by \$18.2 million, and general revenues, which increased by \$21.3 million. Of the \$18.2 million decrease in total program revenues, state and federal operating grants accounted for a decrease of \$23.4 million. Revenue from capital grants and contributions increased by \$6.6 million, due to the receipt of insurance proceeds of \$5.4 million and \$791.6 thousand received from the City related to new school construction (see the "Summary of Government-wide Revenue" beginning on page 12 and the "Summary of Changes in Net Position" on page 14).

- The School Board’s total expenses of \$449.5 million in fiscal 2023 represented an increase of \$1.4 million more than fiscal 2022 expenses of \$448.1 million. The increase in expenses primarily resulted from an increase of \$2 thousand in attendance and health, \$8.5 million in facilities services, \$8.1 million in transportation, and \$1.7 million in operations and maintenance. These increases were offset by a decrease of \$13.6 million in instruction, \$1.9 million in administration, and \$1.6 million in nutrition services (see the “Summary of Government-wide Expenses, by Function” on page 13; and the “Summary of Changes in Net Position” beginning on page 14).

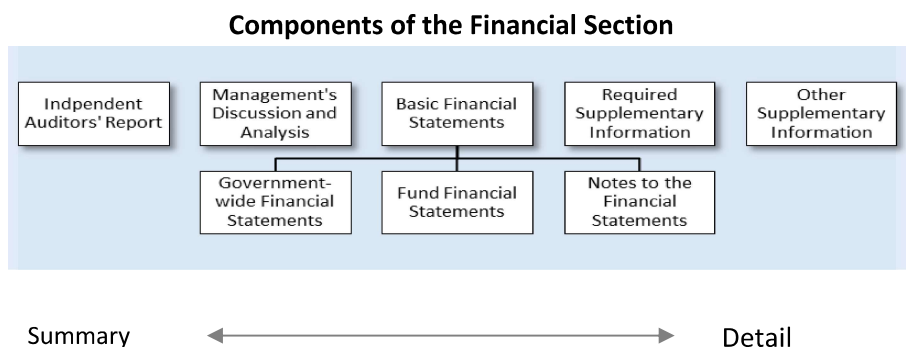
FUND FINANCIAL STATEMENTS

Fund financial statements report RPS’ operations in more detail than government-wide financial statements by providing information about RPS’ most significant funds. These statements reflect activities financed in the short-term as well as resources remaining for future spending.

- The School Board’s governmental funds reported a combined fund balance of \$33.5 million, an increase of \$4.7 million from fiscal 2022 combined fund balance of \$28.8 million. Of the \$33.5 million, a total of \$1.9 million represents nonspendable amounts for inventories of \$516.7 thousand and prepaid insurance of \$25.4 thousand, and \$1.4 million was nonspendable in resources held in permanent funds. Restricted fund balances of \$26.2 million is comprised of \$6.2 million for previously executed contracts for on-going projects and initiatives, \$1.6 million for major renovation and repair projects, \$16.7 million for special revenue funds restricted to expenditures for specific purposes and \$1.7 million for the nutrition service fund for cafeteria operations at each school.
- The assigned fund balance of \$5.1 million is comprised of \$191.4 thousand in investments and \$2.1 million for previously executed contracts for on-going projects and initiatives, and \$2.8 million for federal indirect cost recovery to pay contractual salaries and benefits. The remaining \$11.2 million in unassigned fund balance is available to the School Board to meet shorter-term objectives to meet future instructional and operational initiatives, obligations and contingencies. Therefore, future School Board operations will require future General Fund appropriations to fund its long-term obligations as they mature (see the discussion of unassigned fund balances under “Fund Financial Statements”- Governmental Funds on page 10).

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this ACFR consists of the: 1) report of independent auditor, 2) management’s discussion and analysis (presented here), 3) basic financial statements, 4) required supplementary information and 5) other supplementary information. As the following chart shows, the basic financial statements include three components: the government-wide financial statements, the fund financial statements, and notes to the financial statements.



The basic financial statements include two types of statements, the Government-wide financial statements and the Fund financial statements, each of which provide a unique perspective on School Board finances. The government-wide financial statements present the “overall” financial position and results of activities of the School Board as a whole, and include long-term as well as current financial information. The fund financial statements focus on individual parts (or “funds”) of the School Board and, thus, present the School Board’s activities in more detail than the government-wide statements and include only current financial information. Both the government-wide financial statements and the fund financial statements are described in detail in the following narrative.

The basic financial statements also include notes, which explain some of the information in the financial statements and provide more data that are detailed. The statements are followed by a section of Required Supplementary Information, which further explains and supports certain information in the financial statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. Accordingly, the government-wide statements include all School Board assets, including capital assets, and all School Board liabilities, regardless of when and how they will be paid. The government-wide financial statements include a Statement of Net Position and a Statement of Activities.

The Statement of Net Position includes all of the School Board’s assets and liabilities. The Statement of Activities includes all of the School Board’s current year revenues and expenses, regardless of when cash is received or paid. The Statement of Net Position reports the School Board’s net position - the difference between assets and liabilities and net deferred flows of resources - as of the end of the fiscal year. The Statement of Activities reports the change in the net position between the beginning and the end of the current fiscal year, based on the School Board’s financial activity for the year.

Net position includes assets that are either (1) net investment in capital assets (and thus not available to spend), (2) restricted for specific uses by outside parties (and thus not available for any other use), or (3) unrestricted (available for any use). The change in net position from year to year may serve as a gauge of RPS’ financial position performance.

The School Board’s net assets on hand at the end of a fiscal year may be budgeted or designated for specific uses in providing instructional programs in the upcoming year. Thus, increases or decreases in net position typically result from and are in accordance with the adopted plan to provide educational services in any given year, and fluctuate dollar for dollar with changes in the amount of net capital assets and noncurrent liabilities due in more than one year. Finally, to assess the overall health of the School Board, additional non-financial factors need to be considered, such as changes in the property tax base of the City, the condition of the school buildings and equipment, and the supply of and demand for instructional staff.

For financial reporting purposes, the Statement of Net Position and the Statement of Activities present all School Board activities by type of activity. All School Board activities are considered Governmental Activities as discussed on the next page:

- Governmental Activities – All of the School Board’s basic services are reported here, including all instructional and all support services, including administration, attendance and health, nutrition services, pupil transportation, operations and maintenance, and facilities services. City appropriations, state and federal entitlements and grants finance substantially all of these activities, although nutrition services and certain tuition-supported educational programs are financed in whole or in part by charges to users for services provided.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the School Board’s major funds – not the School Board as a whole. The School Board uses funds to keep track of specific sources of funding and spending for particular purposes.

The School Board has two types of funds:

- Governmental Funds – The School Board’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future expenditure. In contrast to the government-wide financial statements, which include all assets and all liabilities regardless of when and how they will be paid, the governmental funds’ financial statements focus only on short-term assets that are available for spending (i.e., they exclude capital assets) and near-term liabilities. Consequently, the governmental funds’ statements provide a detailed short-term view that helps financial statement users determine whether there are more or fewer financial resources that can be spent in the future to finance School Board programs. The Governmental Funds’ Balance Sheet reports the School Board’s fund balances as of the end of the fiscal year. Fund balances are either (1) nonspendable – representing amounts that are not in spendable form or required to be maintained intact, (2) restricted – amounts constrained to specific purposes by their providers, (3) committed – amounts constrained to specific purposes by action of the School Board, (4) assigned – amounts the School Board intends to use for specific purposes or (5) unassigned – amounts that are available for any purpose. Because governmental fund information does not encompass the long-term focus of the government-wide statements, additional information is presented in Exhibits D and F to explain the differences between the two sets of financial statements.
- Fiduciary Funds – The School Board is the trustee, or *fiduciary*, for its employees’ *Early Retirement Incentive Pension Plan*. In addition, the School Board uses *Agency Funds* to report resources held by it in a purely custodial capacity (in which the assets equal the liabilities) and involve only the temporary receipt, investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The School Board’s only agency fund is the *Maggie L. Walker Governor’s School for Government*, which is a regional educational consortium for which the School Board serves as fiscal agent. Management of the School Board shares responsibility with the management of this agency (which is primarily responsible) for ensuring that the assets reported in this fund are used for their intended purposes. All of the School Board’s fiduciary activities are reported in the separate *Statement of Fiduciary Net Position* and the *Statement of Changes in Fiduciary Net Position*. The School Board excludes these activities from its government-wide financial statements because the School Board cannot use these assets to finance its operations.

REPORTING THE SCHOOL BOARD AS A WHOLE

The Statement of Net Position and the Statement of Activities provide the financial status and operating results of the School Board as a whole. The following table presents a condensed Summary of Net Position:

Table 1 Summary of Net Position As of June 30 (in millions of dollars)					
	Governmental Activities		Change	Total Percentage Change	
	<u>2023</u>	<u>2022</u>	<u>2023-2022</u>	<u>2023-2022</u>	
Assets:					
Current and other assets	\$ 101.3	\$ 85.6	\$ 15.7	18.3	%
Capital assets, net	30.9	28.0	2.9	10.4	
Net Pension asset	0.9	5.2	(4.3)	100.0	
Total assets	<u>133.1</u>	<u>118.8</u>	<u>14.3</u>	12.0	
Deferred Outflows of Resources:					
Deferrals related to OPEB	10.9	12.2	(1.3)	(10.7)	
Deferrals related to Pensions	<u>82.9</u>	<u>98.9</u>	<u>(16.0)</u>	(16.2)	
Total deferred outflows of resources	<u>93.8</u>	<u>111.1</u>	<u>(17.3)</u>	(15.6)	
Liabilities:					
Long-term liabilities	291.3	254.7	36.6	14.4	
Other liabilities	<u>67.8</u>	<u>53.7</u>	<u>14.1</u>	26.3	
Total liabilities	<u>359.1</u>	<u>308.4</u>	<u>50.7</u>	16.4	
Deferred Inflows of Resources:					
Deferrals related to OPEB	19.5	25.4	(5.9)	(23.2)	
Deferrals related to Pensions	<u>57.4</u>	<u>142.9</u>	<u>(85.5)</u>	(59.8)	
Total deferred inflows of resources	<u>76.9</u>	<u>168.3</u>	<u>(91.4)</u>	(54.3)	
Net Position:					
Net investment in					
capital assets	25.9	26.3	(0.4)	(1.5)	
Restricted	10.9	11.4	(0.5)	(4.4)	
Unrestricted	<u>(245.9)</u>	<u>(283.8)</u>	<u>37.9</u>	(13.4)	
Total net position	<u>\$ (209.1)</u>	<u>\$ (246.1)</u>	<u>\$ 37.0</u>	(15.0)	%

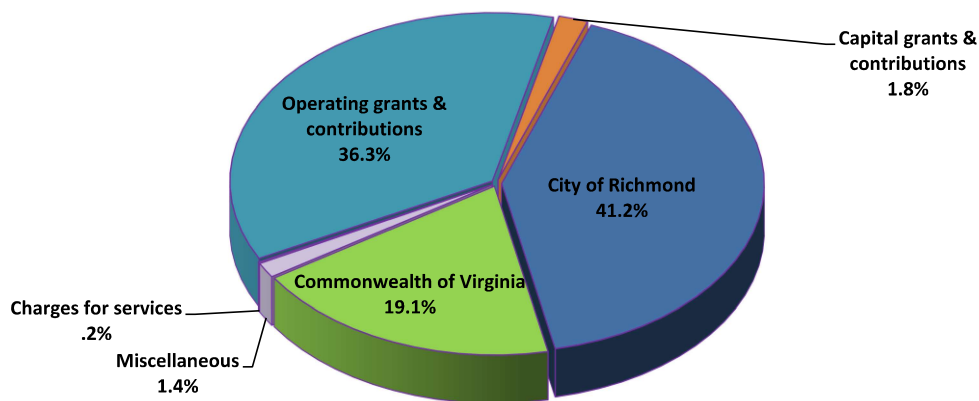
DISCUSSION OF GOVERNMENT - WIDE NET POSITION

As reflected in Table 1 above, the School Board's total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$209.1 million on June 30, 2023. The School Board's net position is comprised of 1) investments in capital assets of \$30.9 million (equipment and vehicles) less outstanding debt used to acquire any of those assets of \$5.0 million, and 2) restricted resources of \$10.8 million comprised of: \$1.6 million appropriated by ordinance of the City for major renovation and repair improvement projects and \$1.4 million restricted by third parties for Permanent Fund purposes, \$2.2 million restriction for school nutrition and \$5.6 million restricted for student activity funds; leaving an unrestricted deficit of \$(245.9) million.

SUMMARY OF GOVERNMENT - WIDE REVENUES

Table 2 following shows a visual representation of the major sources of School Board revenue, by percentages, for fiscal year 2023. Revenue sources, which originate from *Charges for Services*, *Operating Grants and Contributions*, and *Capital Grants and Contributions*, total 38.3 percent of total revenues and are classified as *Program Revenues*. Program revenues are generated from the program itself, such as Charges for Services, or are given to the School Board by other governments, organizations, or individuals, with restrictions to be used to support particular School Board programs. Thus, program revenues reduce the net cost of the particular School Board programs to which they apply and are necessary for the continuation of many of those School Board programs. The costs that remain must be covered by the *General Revenues* received by the School Board. General revenues comprise the remaining 61.7 percent of School Board revenue and consist of appropriations from the City, aid from the Commonwealth of Virginia and the federal government, and an amount of miscellaneous revenues. As shown, the largest part of the School Board's general revenue comes from the City, followed closely by operating grants and contributions.

Table 2
Sources of Revenues for Fiscal Year 2023



SUMMARY OF GOVERNMENT–WIDE EXPENSES, BY FUNCTION

Table 3 following shows a visual representation of the overall expenses of the School Board, by function, on a percentage basis for fiscal year 2023. As shown, the biggest part of the costs incurred in the School Board’s program, 71.2 percent, was spent on instruction. Operations and Maintenance came in second at 8.6 percent. Accordingly, the combined costs to instruct students and to maintain operations and maintenance amounted to 79.8 percent of all School Board costs.

The cost to provide transportation, nutrition services, and to track attendance and provide health services, to students amounted to 6.4 percent, 3.8 percent and 3.9 percent of total costs, respectively, totaling another 14.1 percent of costs. Finally, administrative costs were 2.2 percent and facilities services, which include major capital improvement projects, accounted for 3.9 percent of the total costs of School Board operations during fiscal year 2023.

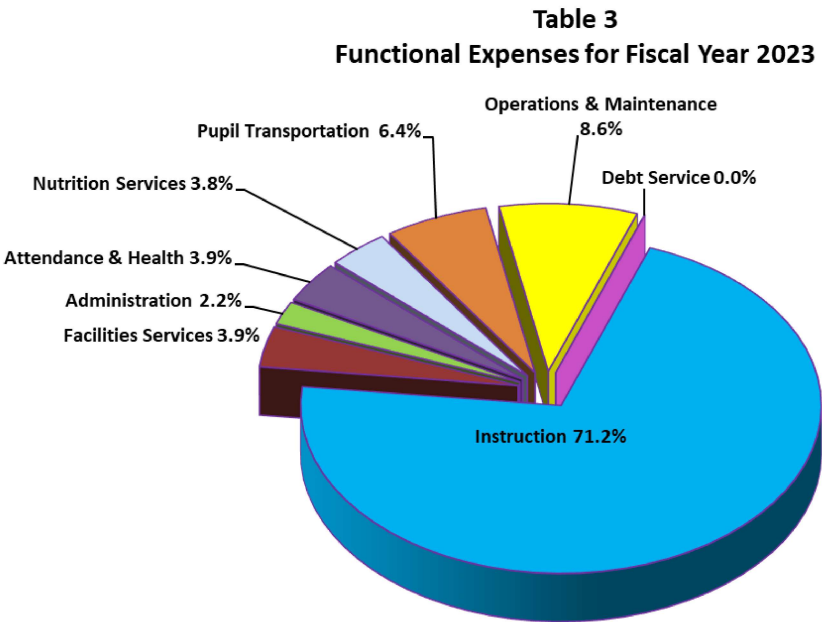


Table 4 following presents a comparative condensed summary of changes in net position and a more detailed discussion of the changes in the School Board's government-wide net position:

Table 4 Summary of Changes in Net Position As of June 30 (in millions of dollars)				
	Governmental Activities		FY 2023 Increase/ (Decrease)	Total Percentage Change 2023-2022
	2023	2022		
Revenues:				
Program revenues:				
Charges for services	\$ 0.8	\$ 2.2	\$ (1.4)	(65.0) %
Operating grants and contributions	176.8	200.2	(23.4)	(11.7)
Capital grants and contributions	8.8	2.2	6.6	300.0
Total program revenues	186.4	204.6	(18.2)	(8.9)
General revenues:				
Intergovernmental aid - unrestricted:				
City of Richmond	200.3	187.1	13.2	7.1
Commonwealth of Virginia	92.9	89.1	3.8	4.3
Miscellaneous and interest	6.9	2.6	4.3	165.4
Total general revenues	300.1	278.8	21.3	7.6
Total revenues	486.5	483.4	3.1	0.6
Expenses:				
Instruction	320.5	334.1	(13.6)	(4.1)
Support services:				
Administration	9.8	11.7	(1.9)	(0.16)
Attendance and health	17.4	17.2	0.2	1.2
Nutrition services	17.1	18.7	(1.6)	(8.6)
Pupil transportation	28.6	20.5	8.1	39.5
Operations and maintenance	38.5	36.8	1.7	4.6
Facilities services	17.5	9.0	8.5	94.2
Total support services expenses	128.9	113.9	15.0	13.2
Interest on long-term debt	0.1	0.1	0.01	10.0
Total expenses	449.5	448.1	1.4	0.3
Increase in Net Position	37.0	35.3	1.7	4.8
Net position - July 1	(246.1)	(281.4)	35.3	(12.6)
Net position - June 30	\$ (209.1)	\$ (246.1)	\$ 37.0	(15.0) %

Revenues for RPS' governmental activities totaled \$486.5 million during fiscal year 2023, representing an increase of \$3.1 million from fiscal year 2022.

Factors impacting the net increase in revenues during fiscal year 2023 include:

- An increase of approximately \$6.6 million in capital grants and contributions.
- An increase of approximately \$13.2 million in City appropriations.

- An increase of approximately \$3.8 million in state revenue.
- An increase of approximately \$4.3 million in miscellaneous revenues.
- A decrease of approximately \$24.8 million in charges for services and operating grants.

Expenses for RPS' governmental activities totaled \$449.5 million during fiscal year 2023, representing an increase of \$1.4 million from fiscal year 2022, primarily due to:

- A net increase of \$15.0 million for support services. The most significant increases in expenses occurred in facilities services of \$8.5 million and pupil transportation of approximately \$8.1 million. Operations and maintenance increased by \$1.7 million and attendance and health increased by \$200 thousand.
- A net decrease of \$13.6 million for instruction primarily attributable to salary and benefit vacancies.

FINANCIAL ANALYSIS OF THE SCHOOL BOARD'S FUNDS

As reported on Exhibit C of the basic financial statements, the School Board's governmental funds reflect a combined fund balance of \$33.5 million at June 30, 2023, an increase of \$4.7 million. The following table presents a summary of fund balances of the governmental funds as of June 30, 2022 and 2023:

Table 5 Fund Balance of Governmental Funds As of June 30 (in million of dollars)					
	2023	2022	Variance	Percent Variance 2023-2022	
General Fund:					
Nonspendable	\$ 0.1	\$ 0.02	\$ 0.1	400.0	%
Restricted	6.2	9.0	(2.8)	(31.1)	
Assigned	5.1	5.6	(0.5)	(8.9)	
Unassigned	11.2	2.7	8.5	314.8	
Total General Fund	<u>22.6</u>	<u>17.3</u>	<u>5.3</u>	30.5	
All Other Governmental Funds:					
Nonspendable	1.9	1.5	0.4	26.7	
Restricted	20.1	21.8	(1.7)	(7.9)	
Unassigned	(11.1)	(11.8)	0.7	(6.2)	
Total All Other Governmental Funds	<u>10.9</u>	<u>11.5</u>	<u>(0.6)</u>	(5.2)	
Total Fund Balances	<u>\$ 33.5</u>	<u>\$ 28.8</u>	<u>\$ 4.7</u>	16.2	%

The major components of the increase in fund balance are:

- Current year General Fund revenue of \$354.1 million over expenditures of \$352.3 million (exclusive of net transfers to other funds of \$(2.6) million and other sources of \$6.1 million) resulted in a net change in the General Fund fund balance of approximately \$5.3 million. The increase in the change in General Fund fund balance from fiscal 2022 of \$3.7 million to approximately \$5.3 million in fiscal 2023 represented an increase in the change in fund balance of \$1.6 million.
- An overall increase of \$10.5 million in general revenues primarily as a result of \$13.2 million increase in local appropriation from the City, \$679 thousand increase in revenue from the state, and \$3.4 million decrease for charges for goods and services, investment income and miscellaneous revenue.
- A net increase in operating expenditures of \$11.8 million primarily resulting from an increase of approximately \$7.3 million in pupil transportation, \$1.7 million in operations and maintenance, and \$2.1 million in instruction.
- The School Board's Special Revenue Fund recognizes revenues based upon expenditures incurred under a reimbursement-basis and restricted-purpose grant awards. Accordingly, reported revenues are equal in amount to expenditures made during the fiscal year. Grant matching requirements and related management objectives resulted in transfers from the General Fund to the Special Revenue Fund to support the grant objectives totaling \$2.6 million during FY 2023.
- The Nutrition Services Fund reported a restricted fund balance of \$1.7 million and \$516 thousand in nonspendable fund balance, an increase of \$944 thousand from prior year. Revenues increased by \$1.8 million. The largest revenue increase was \$1.6 million in lunch program reimbursements. Expenditures decreased by \$1.5 million. The largest expenditures decreases were \$2.9 million for food and supplies offset by a \$1.4 million increase in salaries, wages and benefits.
- At the end of the current fiscal year, the Capital Projects Fund reported a restricted fund balance of \$1.6 million, a decrease of \$6.1 million from fiscal year 2022. Total expenditures increased by \$3.8 million from fiscal 2022 of \$4.9 million to \$8.7 million in fiscal 2023. Local appropriations increased \$400 thousand from fiscal 2022 of \$2.2 million to \$2.6 million in fiscal 2023.
- The School Board's Permanent Funds are nonspendable. The earnings and principal must be held in an endowment trust. The earnings may be used in accordance with the Permanent Fund agreements and the principal must remain in Trust Corpus. Net investment income exceeded current operating expenditures during fiscal 2023, resulting in an increase in the fund balance of the Permanent Funds of \$63 thousand for the fiscal year. The ending fund balance represents the amount reserved for Permanent Fund purposes, as reported on Exhibit C, in accordance with the Permanent Fund agreements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following is a condensed General Fund Budgetary Comparison Schedule (see detail at Exhibit I):

Table 6 General Fund Budgetary Highlights For the Fiscal Year Ended June 30, 2023 (in millions of dollars)				
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive Negative
Budgetary fund balances	\$ 0.7	\$ 8.3	\$ 8.3	\$ -
Revenue Sources (inflows):				
City of Richmond	200.3	200.3	200.3	-
Commonwealth of Virginia	150.6	150.6	151.0	0.4
Federal government	0.7	0.7	0.5	(0.2)
Miscellaneous	1.9	1.9	1.0	(0.9)
Total amounts available for expenditure	<u>354.2</u>	<u>361.8</u>	<u>361.1</u>	<u>(0.7)</u>
Expenditures (outflows):				
Personnel services - salaries and wages	206.3	205.4	200.7	4.7
Employee benefits	91.8	89.7	83.3	6.4
Purchased services	19.8	22.9	20.8	2.1
Other charges	17.5	21.8	22.3	(0.5)
Materials and supplies	8.0	9.6	7.8	1.8
Other operating expenditures	3.3	3.7	2.7	1.0
Capital outlay	0.7	1.9	1.8	0.1
Other financing uses:				
Notes payable	0.7	0.7	0.7	-
Transfers out	6.1	6.1	6.3	(0.2)
Total expenditures and other financing uses	<u>354.2</u>	<u>361.8</u>	<u>346.4</u>	<u>15.4</u>
Amounts available for expenditure over expenditures and other financing uses - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14.7</u>	<u>\$ 14.7</u>

As shown on Exhibit I, the actual amounts available for expenditures was 14.7 million over final budget basis for FY 2023, the net result of actual revenues under budget by approximately \$8.9 million and total expenditures and other financing uses under budget by approximately \$15.3 million.

Actual operating expenditures were under final budget basis expenditures and other financing uses by \$15.3 million. A portion of these savings were used towards fund balance in anticipation of the estimated funding gap in revenues and expenditures for fiscal 2023.

The major variance between the final budget and actual expenditures includes:

- \$4.7 million under budget for salary and wages.
- \$6.4 million under budget for employee benefits. The savings of approximately \$5.4 million in VRS contributions, and \$800 thousand in FICA taxes.

- \$2.1 million under budget for purchased services.
- \$1.8 million under budget for material and supplies.

During fiscal year 2023, the School Board amended the legally adopted budget at various times for the following purposes, as detailed on Exhibit I:

- To appropriate (add) approximately \$7.6 million to pay for commitments in the form of encumbrances established prior to July 1, 2022 but not paid by that date. The encumbrances were for purchase orders authorized and issued, and for contracts and other commitments which existed at June 30, 2022, but for which the goods or services were not received by that date. As one method of budgetary control, the School Board encumbers the budget and fund balance when those obligations are established and increases the budget in the ensuing year by supplemental appropriation for encumbrances, which were outstanding at the end of the previous year.
- To re-allocate the total expenditure budget as needed between various expenditure budget areas as needs change during the year.

CAPITAL ASSETS

At the end of fiscal year 2023, the School Board had invested \$30.9 million in vehicles (primarily school buses), equipment, leased facilities and right to use assets (see financial statement notes 5 and 8), as reflected in Table 7 below:

Table 7 Capital Assets As of June 30 (In millions of dollars)			
	Governmental Activities		Total Change
	2023	2022	2023-2022
Vehicles, net	\$ 14.1	\$ 8.2	\$ 5.9
Other equipment, net	14.4	19.8	(5.4)
Software and licenses assets, net	2.2	0.0	2.2
Right to use assets, net	0.2	0.7	(0.6)
Total	\$ 30.9	\$ 28.7	\$ 2.2

This year's investment in capital assets of approximately \$9.3 million included purchases of 54 buses at \$6.1 million, 36 vehicles at \$1.3 million, \$1.6 million in technology assets, \$110 thousand in cafeteria appliances, \$178 thousand in facilities services equipment and janitorial equipment, and \$41 thousand in instructional equipment.

The City retains legal title to the land and buildings occupied by the School Board, and provide such assets, at no cost, to the School Board for its use. Consequently, these assets, including construction in progress, are only reported on the City's Statement of Net Position. However, the School Board manages all construction contracts for school buildings, and capital appropriations from the City and the expenditure of those monies by the School Board for school major repairs and renovations are reported in the School Board's Capital Projects Fund.

All debt related to the acquisition of the School Board's land and buildings is a liability of the City and, accordingly, is not reflected in the School Board's basic financial statements. The School Board has no infrastructure capital assets. Information about the School Board's capital assets is presented in notes one and five to the basic financial statements. Contractual commitments in the Capital Projects Fund are disclosed in note 14.

LONG-TERM DEBT

The School Board's long-term liabilities are disclosed in note 8 to the basic financial statements. The School Board does not have any legal debt limit, debt margin, or bonds outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

FISCAL YEAR 2024 BUDGET

Revenues

Richmond Public Schools is committed to providing high quality educational opportunities to all students. The School Board, Superintendent and Administration, and Instructional and Support Staff strive to make every day a positive and fun learning experience for students expending the local, state, federal and donated resources provided.

As all school divisions in the Commonwealth, RPS receives substantially all operating revenues from state and local funds. For FY24, the School Board General Fund Budget anticipates \$157.4 million or 41.1% of funding from the state (including sales tax), an increase of \$6.7 million over the current year. Also, the budget includes \$221.5 million of funding from the City or 57.8%. This represents an overall increase of \$21.2 million over FY23.

Other revenue includes items such as building rental fees, fines and fees, and tuition. These streams of revenue total \$930 thousand or 0.2% of the operating budget (net of any local increase).

Federal funding is expected to increase by \$20 thousand for FY24. Federal revenue consists of Impact Aid, Air Force and Army JROTC programs. These resources total \$680,000 or 0.2% of the operating budget.

Expenditures

The FY24 financial plan includes a budget increase of \$28.9 million, or 8.2%. The financial plan commits resources to implement collective bargaining agreements for Teachers, Instructional Assistants, Care and Safety, and School Nutrition Services. The FY24 financial plan also includes annual step increases for decompressed staff on the principal, assistant principal, teacher, instructional assistant, nurse, custodians and bus driver pay scales. Additionally, the plan provides resources for positions to be moved from the American Rescue Plan federal fund to the general fund in FY24.

CONTACTING RPS MANAGEMENT

This financial report is designed to provide the citizens and taxpayers of the City of Richmond, Virginia and the School Board's creditors with a general overview of the School Board's finances and to demonstrate the School Board's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the School Board's Department of Budget and Financial Services at the School Board of The City of Richmond, 301 North Ninth Street, Richmond, Virginia 23219-1927.

Basic Financial Statements

The Basic Financial Statements subsection includes the government-wide statements, which incorporates the governmental activities of Richmond Public Schools in order to provide an overview of the financial position and results of operations for the reporting entity. This subsection also includes the fund financial statements and the accompanying notes to the financial statements.

Government-Wide Financial Statements

**The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)**

Statement of Net Position

June 30, 2023

Assets:

Equity in cash with the City of Richmond, Virginia	\$ 59,963,156
Cash on hand or in banks	2,123,490
Investments	1,711,863
Accounts receivable	1,318,946
Due from other governments	35,638,946
Inventory of materials and supplies	516,670
Prepaid Items	25,400
Capital assets, net	30,908,621
Net Pension asset	900,420
Total assets	<u>133,107,512</u>

Deferred Outflows of Resources:

Deferrals related to OPEB	10,940,388
Deferrals related to Pensions	82,892,519
Total deferred outflows of resources	<u>93,832,907</u>

Liabilities:

Accounts payable	10,389,266
Accrued liabilities	24,497,346
Unearned revenues	20,809,235
Due to other governments and external parties	2,070,640
Accrued healthcare claims	5,083,848
Noncurrent liabilities:	
Due within one year	4,973,091
Due in more than one year	291,315,520
Total liabilities	<u>359,138,946</u>

Deferred Inflows of Resources:

Deferrals related to OPEB	19,506,223
Deferrals related to Pensions	57,415,579
Total deferred inflows of resources	<u>76,921,802</u>

Net position:

Net investment in capital assets	25,908,937
Restricted for:	
Capital Projects	1,638,184
Permanent fund purposes	1,411,425
Special Revenue funds	5,648,260
Nutrition Service funds	2,197,067
Unrestricted (deficit)	(245,924,202)
Total net position	<u>\$ (209,120,329)</u>

See accompanying notes to basic financial statements.

**The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)**

Statement of Activities

For The Fiscal Year Ended June 30, 2023

Functions/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 320,467,541	388,865	157,909,296	-	(162,169,380)
Support services:					
Administration	9,837,631	-	-	-	(9,837,631)
Attendance and health	17,448,630	-	-	-	(17,448,630)
Nutrition services	17,110,791	149,228	17,887,664	-	926,101
Pupil transportation	28,601,898	-	-	-	(28,601,898)
Operations and maintenance	38,458,864	228,339	958,274	-	(37,272,251)
Facilities services	17,481,249	-	-	8,813,971	(8,667,278)
Total support services	<u>128,939,063</u>	<u>377,567</u>	<u>18,845,938</u>	<u>8,813,971</u>	<u>(100,901,587)</u>
Interest on long-term debt	<u>112,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(112,113)</u>
 Total governmental activities	 \$ <u>449,518,717</u>	 <u>766,432</u>	 <u>176,755,234</u>	 <u>8,813,971</u>	 <u>(263,183,080)</u>
 General revenues:					
Intergovernmental aid not restricted to specific purposes:					
City of Richmond, Virginia					200,307,625
Commonwealth of Virginia					92,876,407
Investment Gains					60,418
Miscellaneous					<u>6,896,456</u>
Total general revenues					<u>300,140,906</u>
Change in net position					36,957,826
Net position - July 1, 2022					<u>(246,078,155)</u>
Net position - June 30, 2023				\$	<u>(209,120,329)</u>

See accompanying notes to basic financial statements.

Fund Financial Statements

The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)

Balance Sheet

Governmental Funds

June 30, 2023

	General	Special Revenue	Nutrition Services	Capital Projects	Permanent	Total Governmental Funds
Assets:						
Equity in cash with the City of Richmond, Virginia	\$ 59,963,156	-	-	-	-	59,963,156
Cash on hand or in banks	858,679	1,264,811	-	-	-	2,123,490
Investments	191,417	-	-	-	1,520,446	1,711,863
Accounts receivable	446,288	872,658	-	-	-	1,318,946
Due from other governments	-	32,166,772	2,576,990	895,184	-	35,638,946
Due from other funds	109,021	600,821	127,729	798,749	-	1,636,320
Prepaid items	25,400	-	-	-	-	25,400
Inventory of materials and supplies	264	-	516,406	-	-	516,670
Total assets	\$ 61,594,225	34,905,062	3,221,125	1,693,933	1,520,446	102,934,791
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 4,474,082	5,691,224	168,211	55,749	-	10,389,266
Accrued liabilities	25,664,643	3,466,755	339,039	-	-	29,470,437
Due to custodial fund	1,814,506	-	-	-	-	1,814,506
Due to external parties	-	255,634	-	-	-	255,634
Accrued healthcare claims	5,083,848	-	-	-	-	5,083,848
Due to other funds	1,527,299	-	-	-	109,021	1,636,320
Unearned revenues	449,238	19,843,189	516,808	-	-	20,809,235
Advances from the City of Richmond, Virginia	500	-	-	-	-	500
Total liabilities	39,014,116	29,256,802	1,024,058	55,749	109,021	69,459,746
Fund balance:						
Nonspendable:						
Inventories	264	-	516,406	-	-	516,670
Prepaid insurance	25,400	-	-	-	-	25,400
Permanent fund purposes	-	-	-	-	1,411,425	1,411,425
Restricted	6,207,384	16,734,727	1,680,661	1,638,184	-	26,260,956
Assigned	5,133,245	-	-	-	-	5,133,245
Unassigned	11,213,816	(11,086,467)	-	-	-	127,349
Total fund balances	22,580,109	5,648,260	2,197,067	1,638,184	1,411,425	33,475,045
Total liabilities and fund balances	\$ 61,594,225	\$ 34,905,062	\$ 3,221,125	\$ 1,693,933	\$ 1,520,446	\$ 102,934,791

See accompanying notes to basic financial statements.

**The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Reconciliation of the Governmental Funds' Balance Sheet to the
Statement of Net Position**

June 30, 2023

Total fund balances - governmental funds (Exhibit C)		\$ 33,475,045
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Tangible capital assets used in Governmental Funds (note 5) are not financial resources and, therefore, are not reported as assets in the Governmental Funds' Balance Sheet. The cost of the assets, which consist of vehicles and equipment is \$90,045,888 and the accumulated depreciation is \$61,543,685		28,502,203
Intangible capital assets:		
Software and licenses assets used in Governmental Funds (note 5) are not financial resources and, therefore, are not reported as assets in the Governmental Funds' Balance Sheet. The cost of software and licenses assets, which consists of curriculum and financial systems technology software contracts, is \$4,513,335 and the accumulated amortization is \$2,255,293		2,258,042
Right to use assets used in Governmental Funds (note 5) are not financial resources and, therefore, are not reported as assets in the Governmental Funds' Balance Sheet. The cost of the right to use assets, which consists of modular classroom trailers and copier equipment, is \$2,514,050 and the accumulated amortization is \$2,365,674		148,376
Net Pension Asset		900,420
Deferred outflow items:		
Deferrals related to OPEB	10,940,388	
Deferrals related to Pensions	<u>82,892,519</u>	
		93,832,907
The portion of noncurrent liabilities due in more than one year applicable to the School Board's Governmental Funds (note 7) are not due and payable in the current period and, accordingly, are not reported as liabilities in the Governmental Funds' Balance Sheet. At year-end, those liabilities consisted of:		
Workers' compensation liability	(518,136)	
Compensated absences	(15,572,845)	
Net Pension liabilities	(207,934,897)	
Net OPEB liabilities	(40,691,605)	
Total OPEB liability	(24,718,799)	
Lease liabilities	(1,080,496)	
Subscription liabilities	<u>(798,742)</u>	
		(291,315,520)
Deferred inflow items:		
Deferrals related to OPEB	(19,506,223)	
Deferrals related to Pensions	<u>(57,415,579)</u>	
		<u>(76,921,802)</u>
Total net position - governmental activities (Exhibit A)		<u>\$ (209,120,329)</u>

**The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)**

**Statement of Revenues, Expenditures and
Changes in Fund Balances**

Governmental Funds

For The Fiscal Year Ended June 30, 2023

	General	Special Revenue	Nutrition Services	Capital Projects	Permanent	Total Governmental Funds
Revenues:						
Intergovernmental:						
City of Richmond, Virginia	\$ 200,307,625	3,715	-	2,600,000	-	202,911,340
Commonwealth of Virginia	151,837,547	9,087,111	223,210	-	-	161,147,868
Federal government	550,669	90,102,011	17,664,454	-	-	108,317,134
Donations and gifts	-	967,872	-	-	-	967,872
Charges for goods and services:						
Tuition and fees	77,789	557,010	-	-	-	634,799
Food sales	-	-	147,805	-	-	147,805
Investment income, net:						
Net increase in fair value of investments	(43,584)	-	-	-	49,629	6,045
Interest and dividend income	-	-	-	-	46,443	46,443
Miscellaneous	1,364,740	12,209,999	1,424	-	-	13,576,163
Total revenues	354,094,786	112,927,718	18,036,893	2,600,000	96,072	487,755,469
Expenditures:						
Current operating:						
Instruction	257,405,941	83,439,435	-	-	17,031	340,862,407
Support services:						
Administration	11,989,456	5,053,352	-	-	16,492	17,059,300
Attendance and health	13,596,082	3,870,163	-	-	-	17,466,245
Nutrition services	57,976	13	17,093,532	-	-	17,151,521
Pupil transportation	26,962,912	7,747,486	-	-	-	34,710,398
Operations and maintenance	34,835,002	2,791,607	-	-	-	37,626,609
Facilities services	604,876	8,118,175	-	8,690,534	-	17,413,585
Total support services	88,046,304	27,580,796	17,093,532	8,690,534	16,492	141,427,658
Total current operating	345,452,245	111,020,231	17,093,532	8,690,534	33,523	482,290,065
Capital outlay	2,580,116	-	-	-	-	2,580,116
Debt service:						
Lease and Subscription principal	4,215,987	-	-	-	-	4,215,987
Lease and Subscription interest	112,113	-	-	-	-	112,113
Total expenditures	352,360,461	111,020,231	17,093,532	8,690,534	33,523	489,198,281
Excess (deficiency) of revenues over (under) expenditures	1,734,325	1,907,487	943,361	(6,090,534)	62,549	(1,442,812)
Other financing sources (uses):						
Transfers in (note 4)	3,741,248	2,587,785	550	-	-	6,329,583
Transfers out (note 4)	(6,329,583)	-	-	-	-	(6,329,583)
Lease and Subscription liabilities issued	6,133,652	-	-	-	-	6,133,652
Total Other financing sources (uses), net	3,545,317	2,587,785	550	-	-	6,133,652
Net change in fund balances	5,279,642	4,495,272	943,911	(6,090,534)	62,549	4,690,840
Fund balances - July 1, 2022	17,300,467	1,152,988	1,253,156	7,728,718	1,348,876	28,784,205
Fund balances - June 30, 2023	\$ 22,580,109	\$ 5,648,260	\$ 2,197,067	\$ 1,638,184	\$ 1,411,425	33,475,045

See accompanying notes to basic financial statements.

The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Reconciliation of the Governmental Funds' Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities
For The Fiscal Year Ended June 30, 2023

Net change in fund balances - total governmental funds (Exhibit E) \$ 4,690,840

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Tangible capital asset acquisitions are reported in Governmental Funds as expenditures.

However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense:

Capital outlay	\$ 9,347,050	
Depreciation expense	<u>(8,851,387)</u>	495,663

Intangible asset outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of right to use assets is allocated over their estimated useful lives as amortization expense:

Software and licenses	\$ 4,513,335	
Right to use assets	637,793	
Amortization expense	<u>(3,439,375)</u>	1,711,753

In the government-wide Statement of Activities, operating expenses are measured by the total amounts incurred during the year. In the Governmental Funds; however, expenditures are measured by the amount of financial resources used during the year. The differences between the applicable expenses incurred and the related amounts of financial resources used during the fiscal year were as follows:

<u>Applicable expenses</u>	<u>Amounts Incurred (Over) Under Financial Resources Used</u>	
Workers' compensation	\$ 94,430	
Compensated absences	484,492	
Net OPEB Liabilities	231,699	
Total OPEB Liability	(2,559,344)	
Lease Liabilities	758,605	
Subscription Liabilities	(798,742)	
Net Pension Liability	(42,199,307)	
Amortization of deferred pension expense	69,538,343	
Amortization of deferred OPEB expense	<u>4,509,394</u>	
 Net amount incurred under financial resources used		 <u>30,059,570</u>

Net reconciling items 32,266,986

Change in net position of governmental activities (Exhibit B) \$ 36,957,826

See accompanying notes to basic financial statements.

**The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)**

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2023

	Employee Early Retirement Incentive Plan	Custodial Fund
Assets:		
Investments - money market fund	\$ 466,710	\$ -
Total cash and investments	466,710	-
Accounts receivable	2,549	-
Due from General Fund	-	1,814,506
Total assets	469,259	1,814,506
Liabilities:		
Accounts payable	-	38,652
Accrued liabilities	-	559,425
Total liabilities	-	598,077
Net position:		
Restricted for Fiscal Agent organizations	-	1,216,429
Held in trust for employee pension benefits	469,259	-
Total net position	\$ 469,259	\$ 1,216,429

See accompanying notes to basic financial statements.

**The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Statement of Changes in Fiduciary Net Position**

Fiduciary Funds

For The Fiscal Year Ended June 30, 2023

	Employee Early Retirement Incentive Plan	Custodial Fund
Additions:		
Contributions	\$ 500,000	\$ 9,674,277
Investment Income:		
Dividends	7,954	-
Total investment income	7,954	-
Total additions	507,954	9,674,277
Deductions:		
Benefits	407,572	-
Payments for other organizations	-	9,847,664
Total deductions	407,572	9,847,664
Change in net position	100,382	(173,387)
Net position - July 1, 2022	368,877	1,389,816
Net position - June 30, 2023	\$ 469,259	\$ 1,216,429

See accompanying notes to basic financial statements.

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)
Notes to the Basic Financial Statements
June 30, 2023

1) Summary of Significant Accounting Policies

The School Board of the City of Richmond, Virginia (the School Board) was established in 1868 to provide educational opportunities to the residents of the City of Richmond, Virginia (the City). The accounting policies of the School Board conform to accounting principles generally accepted in the United States of America (the GAAP) as applicable to governmental units as promulgated by the Governmental Accounting Standards Board (the GASB). The following is a summary of the more significant policies:

(a) Financial Reporting Model

GAAP establishes accounting and financial reporting standards for general purpose external financial reporting by state and local governments.

Government-wide Financial Statements – The Government-wide financial statements are prepared using full accrual accounting for all of the government’s activities and consist of a Statement of Net Position and a Statement of Activities, as described below. The Government-wide financial statements display information about the School Board as a whole, except for its *fiduciary activities* (the resources of which are not available to finance School Board programs), and distinguish between governmental and business-type activities, if any. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* generally are financed through intergovernmental revenues. *Business-type activities* are financed in part by fees charged to external parties. The School Board does not have any business-type activities.

Statement of Position – The Statement of Net Position reports the financial position of the School Board as a whole. In addition to reporting current assets and liabilities, the Statement of Net Position includes both noncurrent assets and noncurrent liabilities of the School Board (such as vehicles and other equipment and long-term liabilities for various employee benefits). The net position of the School Board is reported in three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. The School Board generally first uses restricted resources for expenses incurred for which both restricted and unrestricted net position are available. The School Board may defer the use of restricted net position based on a review of the specific transaction.

Statement of Activities – The Statement of Activities is presented in a format that reports expenses by function, reduced by program revenues directly generated by each function, resulting in a measurement of “net expense or revenue” for each of the School Board’s functions.

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) City appropriations, grants and contributions that are restricted to meet the operational or capital requirements of a particular

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)
Notes to the Basic Financial Statements
June 30, 2023

program. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Revenues that are not classified as program revenues, including intergovernmental aid not restricted to specific purposes, are presented as *general revenues*. The Statement of Activities reports all of the revenues and costs of providing services each year, including depreciation expense on the School Board's vehicles and equipment.

Fund Financial Statements – The *Fund* financial statements organize and report the financial transactions and balances of the School Board on the basis of fund categories. Separate statements for each of the School Board's two fund categories – *Governmental* (including *General*, *Special Revenue*, *Capital Projects*, *School Nutrition* and *Permanent* funds) and *Fiduciary* are presented. The emphasis of Governmental Fund financial statements is on *major* funds, each of which is required to be displayed in a separate column. All reported governmental funds of the School Board are considered major funds.

Reconciliation of Government-wide and Fund Financial Statements – As further discussed in note 1(e), since the Governmental Funds' financial statements are presented on a different measurement focus and basis of accounting than the Government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the Governmental Funds' Balance Sheet and total governmental activities' net position as shown on the Government-wide Statement of Net Position is presented in Exhibit D. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances and the change in net position of governmental activities as shown on the Government-wide Statement of Activities is presented in Exhibit F.

(b) Financial Reporting Entity

The School Board is a *component unit* of the City because the School Board is fiscally dependent on the City and 41.2 percent of the School Board's funding is provided by annual appropriations from the City. Accordingly, the financial position and results of operations of the School Board are discretely presented in the financial statements included in the Annual Comprehensive Financial Report of the City. The School Board, however, is not financially accountable for any other entity, and thus has no component units of its own. Members of the School Board are elected and serve four-year terms. The City Council approves the School Board's operating budget in total but is prohibited from exercising any control over specific expenditures.

The School Board serves as fiscal agent for the Maggie L. Walker Governor's School for Government & International Studies (the Governor's School). Accordingly, these funds are reported as a custodial fund. The School Board also makes certain contributions or payments to this organization.

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)
Notes to the Basic Financial Statements
June 30, 2023

Jointly Governed Organizations

The Governor's School operates as an educational consortium and provides specialized and gifted training for students of participating cities and counties from central and southern Virginia. The Governor's School is governed by a separate board that includes one member from each of the participating localities. The School Board is not financially accountable for the Governor's School and has no continuing financial interest in the Governor's School. The School Board made tuition payments approximating \$1,852,994 to the Governor's School for the school year 2022-2023. Complete financial statements for the Governor's School may be obtained from the Governor's School's administrative office at 1000 North Lombardy Street, Richmond, Virginia, 23220.

(c) **Basis of Presentation**

The financial information about the School Board as a whole, except for its fiduciary activities, is reported in the Government-wide financial statements. Additionally, the Fund financial statements organize and report the financial transactions and balances of the School Board on the basis of fund types. The following is a brief description of the major funds reported by the School Board in each of its fund types in the Fund financial statements.

Governmental Funds – Governmental funds are those through which most functions of the School Board are financed. The School Board considers all its reported governmental funds to be major and reports the following funds:

General Fund – The General Fund is the School Board's primary operating fund. It is used to account for all financial resources, except those required to be included in another fund.

Special Revenue Fund – The Special Revenue funds are by definition used to account for proceeds of private grants and state and federal grant revenue sources, other than major capital projects, and School Activity Funds that are restricted to expenditures for specified purposes. The *Special Revenue fund* records transactions related to contributions and grant resources derived from specific revenue sources and for specified purposes, that have limitations on spending imposed by contributors, grantors, or other governments and that are not specifically reported in another fund.

Nutrition Services Fund - accounts for the operations of cafeterias at each school. The *nutrition services fund* accounts for sales proceeds from the school cafeterias, which includes state grants and federal reimbursement from participation in the National School Lunch Program.

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)
Notes to the Basic Financial Statements
June 30, 2023

Capital Projects Fund – The Capital Projects fund is used to account for financial resources to be used for the acquisition, construction or maintenance of major capital facilities, other than those financed by the General Fund. The net position restricted for capital projects in the Government-wide Statement of Net Position consist of amounts restricted by City ordinance for capital projects, while the capital projects fund balance in the governmental funds' Balance Sheet also include amounts transferred from the General Fund and designated for capital projects.

Permanent Fund – The permanent fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School Board's programs. These resources support instructional purposes at specific schools, the Richmond Humanities Center, and the School Board's vocational education program.

Fiduciary Funds - Fiduciary funds account for assets held by the School Board in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. The School Board's fiduciary funds are presented in the fund financial statements by type (pension or custodial). Since by definition these assets are being held for the benefit of a third party (private parties or pension participants) and cannot be used to address activities or obligations of the School Board, these funds are not incorporated into the Government-wide statements. The following are the School Board's fiduciary funds:

Employee Early Retirement Incentive Plan – The *Employee Early Retirement Incentive Plan* is a pension trust fund which accounts for the assets of the School Board's early retirement plan.

Custodial Fund – The custodial fund is custodial in nature with its assets and liabilities reported in the Statement of Fiduciary Net Position and its results of activities presented in the Statement of Changes in Fiduciary Net Position. The custodial fund consists of the assets, liabilities, revenues and expenses of the Governor's School, a jointly governed organization, for which the School Board serves as fiscal agent.

(d) Fund Balances

GAAP requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or pre-paid amounts) or are legally required to remain intact (such as the corpus of an endowment fund).

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Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the School Board itself, using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the School Board takes the same highest-level action to remove or change the constraint. A majority vote action is required to be taken to establish, modify, or rescind a fund balance commitment. No fund balance was committed in the current year.

Assigned fund balance – amounts the School Board intends to use for a specific purpose; intent can be expressed by the School Board itself or by an official or body to which the School Board delegates authority.

Unassigned fund balance – amounts that are available for any purpose. These amounts are reported only in the General Fund. Negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The School Board has classified fund balances based on the following hierarchy: nonspendable, restricted, assigned and unassigned.

The School Board considers restricted amounts to have been spent when expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. The School Board has not established a policy for use of unrestricted fund balance amounts.

Management considers committed amounts would be reduced first and then continuing in descending order using unassigned resources last.

(e) Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a financial statement or to a fund is determined by its measurement focus.

Government-wide and Fiduciary Fund Financial Statements – The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting. Accordingly, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place (except for the plan liabilities of pension trust funds, which are recognized when due and payable in accordance with the terms of the plan). *Nonexchange transactions*, in which the School Board receives value without directly giving equal value in exchange, include appropriations from the City, state sales taxes, grants, entitlements, and donations. Revenue from state sales taxes is recognized on the accrual basis in accordance

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with GAAP. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements, including time requirements, if any, have been satisfied and if received within one year.

Revenues from City appropriations are recognized in the fiscal year the appropriations become legally effective.

The Employee Early Retirement Incentive Plan, is not a part of the Government-wide financial statements, uses the full accrual basis of accounting. The Custodial Fund, also not a part of the Government-wide financial statements, uses the full accrual basis of accounting and do not measure the results of operations.

Governmental Funds' Financial Statements – Governmental funds are reported on the *flow of current financial resources measurement focus* and the *modified accrual* basis of accounting, wherein the focus is on the determination of, and changes in, financial position and only current assets and current liabilities are included on the Balance Sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual – that is, in the fiscal year in which they become both measurable and available to finance expenditures of the fiscal period. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the School Board; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. Approximately forty-four percent of the School Board's revenue is from City appropriations, approximately thirty-eight percent is from the Commonwealth of Virginia, approximately seventeen percent is from federal operating grants and the remaining one percent is from donations, tuition and fees. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Revenues from each specific type of nonexchange transaction are recorded as described above and when available. The School Board considers all revenues reported in the Governmental funds to be available if the revenues are collected within sixty days after year-end, except for revenues from reimbursement-based grants, which are generally considered available if received within one year after the fiscal year-end. Revenue from the City for capital projects is recognized in the period to which the City appropriation applies. Expenditures are recognized in the accounting period when the related fund liabilities are incurred, if measurable, with the exception of governmental fund liabilities for sick and vacation pay, postretirement health care and dental benefits, and self-insurance claims, which are recognized as described in notes 1(n), (o) and (p), respectively. The current portion of the lease liability is considered paid from expendable available financial resources and therefore recorded as a liability of the current period.

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(f) Encumbrances

The School Board uses encumbrance accounting, which represents the estimated amount of future expenditures if all open purchase orders, unfinished contracts, or other commitments were completed. Encumbrances do not lapse. In the General Fund, encumbrances are classified as assigned fund balance to indicate that they cannot be used for any other purpose.

Encumbrances in the Special Revenue and Nutrition Services funds are included as part of the restricted fund balance. Encumbrances in the Capital Project funds are classified as assigned in fund balance at year-end.

(g) Cash

Equity in cash with the City represents the School Board's share of the cash and investment pool held and administered by the City. The City allocates interest to the Nutrition Services Fund based on the average monthly balance held on its behalf. Cash on hand or in banks in the General, Nutrition Services and Fiduciary Funds includes cash on hand, checking and saving accounts, certificates of deposit and liquid investments, which generally have maturities of less than three months at the time of acquisition.

(h) Investments

Investments are stated at fair value. Securities traded on a national exchange are recorded using quoted prices in active markets for those securities. Mutual fund shares are stated at fair value at year-end.

(i) Inventories and prepaid items

Inventory is stated at cost. Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The governmental funds record prepayments using the purchases method. Prepayments are recorded as expenditures when paid and at fiscal year-end an adjustment is made to reflect the correct expenditure and prepaid asset balance.

(j) Capital Assets, Net – Government-wide Financial Statements

The School Board capitalizes vehicles and equipment (capital assets) having a minimum useful life greater than one year and a cost of \$5,000 or more. Those assets, which have been acquired for general governmental purposes, are accounted for and reported in the Government-wide financial statements. Capital assets are stated at historical cost. Contributed capital assets are stated at their acquisition value on the date received.

The School Board has no infrastructure capital assets. In addition, the City retains legal title to the land and buildings occupied by the schools and provides such assets, at no cost, to the

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School Board for its use; consequently, these capital assets (numbering 54 school buildings and facilities with a net book value approximating \$289.8 million) are not included in the School Board's Government-wide financial statements. In addition, all long-term debt related to the acquisition of the school sites and buildings are a liability of the City and, accordingly, are not reflected in the financial statements of the School Board. Accumulated depreciation is reported as a reduction of capital assets in the Government-wide financial statements. Depreciation is computed using the straight-line method based upon estimated useful lives ranging from five years for office equipment and ten years for buses to thirty years for certain electrical equipment.

The School Board has recorded right to use assets in accordance with GAAP. The right to use assets are initially measured at an amount equal to the initial measurement of the related liability plus any payments made prior to the lease or subscription term, less incentives, and plus ancillary charges necessary to place the underlying asset into service. The right to use assets are amortized on a straight-line basis over the life of the related lease or subscription.

(k) Interfund Activity

The General Fund receives most cash receipts and makes most cash disbursements on behalf of all School Board funds. Accordingly, the timing differences between the payment of expenditures and the receipt of cash to cover them, and vice-versa, result in interfund receivable and payable balances, all of which are typically expected to be liquidated within the coming fiscal year in the due course of receiving and disbursing cash for grant, capital project and operational purposes.

Transfers to and from other funds are reported as other financing uses in the funds making the transfers and as other financing sources in the funds receiving the transfers. All such payments were routine in nature and consistent with the activities of the fund making the transfers, and include transfers to meet grant-matching requirements and for other management purposes (see notes 3 and 4).

(l) Accrued Liabilities

Accrued liabilities consist of accrued salaries and wages and related payroll taxes, accrued sick and vacation payouts and estimated incurred but not reported medical and workers' compensation claim liabilities.

(m) Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources, which represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School Board reports deferred outflows of resources related to pensions and obligations for other postemployment benefits in the government-wide Statement of Net Position resulting from, contributions made subsequent to the measurement date, changes

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in actuarial assumptions from investment returns that are higher than projected earnings, changes in economic experience and changes in proportionate share. Investment returns higher than projected earnings are also deferred and recognized over a period no greater than five years. All other deferred outflows of resources, except contributions made subsequent to the measurement date, are amortized over a period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB benefits through the plans (active employees and inactive employees) determined as of the beginning of the measurement period.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources representing an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the government-wide Statement of Net Position represent amounts related to pensions and obligations for other postemployment benefits from investment returns that are lower than projected earnings, changes in proportionate share of contributions, changes in economic experience and changes in actuarial assumptions. All other deferred inflows of resources are recognized over a period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB benefits through the plans (active employees and inactive employees) determined as of the beginning of the measurement period.

(n) **Unearned Revenues**

The unearned revenues on the Balance Sheet and Statement of Net Position represent amounts received in advance of meeting grantor eligibility requirements (e.g., unexpended grant proceeds, unused commodities at year-end).

(o) **Vacation and Sick Pay**

Employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon leaving School Board employment, may be compensated for qualifying hours earned at their then-current rates of pay for accrued vacation leave. Employees may accumulate an unlimited amount of earned but unused sick leave benefit, which is forfeited upon separation from service, except when separation is caused by retirement. Unused sick pay earned is paid at rates established by administrative policy (the sick leave rate).

The current pay rates and the sick leave rate, including certain additional salary-related fringe benefits, are used in the vacation and sick leave accruals, respectively.

In the Government-wide financial statements, the amounts of vacation and sick pay recognized as expense are the total amounts earned during the fiscal year and the liabilities at year end include the amounts currently due, which are based on employee resignations

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and retirements on or prior to year-end, and noncurrent amounts, which will be paid upon future resignations and retirements or used as paid time off.

In the Governmental Funds' financial statements, vacation and sick pay liabilities are normally paid from expendable available financial resources and the expenditures and liabilities are recognized only when payments are due and payable upon employee resignations and retirements. Accordingly, the year-end liabilities are limited to the amounts currently due to employees who have resigned or retired at, or prior to fiscal year end.

(p) Postemployment Health and Dental Care Benefits

School Board obligations for postemployment benefits are recorded on a pay-as-you-go basis; accordingly, the aggregate amount of obligations to pay such future benefits, which could be substantial, is not funded. The School Board records its proportionate share liability of health and life insurance postemployment defined benefits provided through the Virginia Retirement System multi-employer, cost-sharing plans (see note 13).

(q) Self-insurance Claims

The School Board is self-insured for its medical claims, workers' compensation and unemployment compensation. All known outstanding claims have been recorded consistent with the various funds' accounting policies. The School Board uses information provided by third-party insurance administrators to determine the self-insurance liability for Incurred but Not Reported (IBNR) medical and workers' compensation claims. The liabilities for IBNR medical and workers' compensation claims included in the Government-wide financial statements consist of the total actuarially determined estimated liability amounts. In the governmental funds' financial statements, the amount of the estimated IBNR workers' compensation and health care claims liabilities are limited to the amounts expected to be paid from expendable available financial resources. Claims are reported in the governmental funds only if they come due each period.

2) Cash in Banks, Equity in Cash, and Investments

(a) Cash in Banks

At June 30, 2023, the carrying amount and the financial institutions' balances of the School Board's deposits with financial institutions applicable to governmental activities was \$2,123,490.

The entire financial institutions' balances were protected by federal depository insurance or collateral held under the provisions of the Virginia Security for Public Deposits Act (the Act); Section 2.1-359 et seq. This Act requires financial institutions holding public deposits in excess of amounts covered by federal insurance to pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. The State

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Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by financial institutions.

(b) Equity in Cash with the City of Richmond

The majority of the School Board's cash is pooled with the City's cash and investment pool and is reported as Equity in Cash with the City of Richmond, which totaled \$59,963,156 at June 30, 2023. Accordingly, information to categorize the School Board's equity in cash with the City, by level of risk assumed, is not available for disclosure. The City issues a publicly available Annual Comprehensive Financial Report, which includes a disclosure of all City investments by risk category and discloses that all City bank deposits are protected by federal depository insurance or collateral held under the Virginia Security for Public Deposits Act.

(c) Investments

The School Board's investment policies are governed by statutes of the Commonwealth of Virginia. Permissible investments primarily include obligations of the United States, the Commonwealth of Virginia and other States, agencies and instrumentalities of those governments, and certain mutual funds.

It is the City's policy to pool for investing purposes all available deposits of the City and its component units that are not otherwise required to be kept separate. The City's investment policy, therefore, applies to the activities of the City's reporting entity, including the School Board with regards to investing the financial assets of its pooled investments.

As of June 30, 2023, the School Board had the following investments held separately from all other School Board deposits held with financial institutions:

(1) Investments related to General Fund and Permanent Fund:

Investment Type	
Money Market Investments	\$ 224,087
Mutual Funds	1,296,359
Common Stock	191,417
Total	<u>\$ 1,711,863</u>

Investments related to Permanent Funds include \$224,087 in money market funds and \$1,296,359 in mutual funds. Investments related to the General Fund include \$191,417 in common stocks.

(2) As of June 30, 2023, the Employee Early Retirement Incentive Plan had investments in the Heritage Money Market Fund Portfolio, totaling \$466,710.

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The *Code of Virginia* (Code) also authorizes the Early Retirement Incentive Plan for Employees of Richmond Public Schools (The Plan – see note 11(c)) to place investments in common stocks, corporate debt and other securities.

The Heritage Money Market Fund’s portfolio consists of certificates of deposits, asset backed commercial paper, financial company commercial paper, variable rate demand notes, other notes, government agency repurchase agreements, other commercial paper and U.S. treasuries.

The Plan is indirectly exposed to interest rate and credit risks associated with its ownership interest in the Portfolio.

The School Board does not have a formal policy for custodial credit risk for its investments.

Interest rate risk

Interest rate risk represents the risk the School Board is exposed to as a result of changes in interest rates for debt securities. The School Board does not have a formal policy for interest rate risk.

Investments in money market funds are subject to income risk, which is the possibility that the Fund’s yield will decline due to falling interest rates.

Custodial credit risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School Board will not be able to recover the value of its investments that are in the possession of outside parties. There is no custodial credit risk associated with the money market fund. The School Board does not have a formal policy for custodial credit risk.

Concentration of credit risk and credit quality

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan’s investment in a single issuer. The Plan prohibits the purchase of securities of any issuer (other than U.S. Treasury or U.S. Government Agency obligations) in excess of 5 percent of the portfolio at the time of purchase. The Plan does not have exposure to concentration of credit risk.

As of June 30, 2023, the School Board had investments of \$469,259, in a collateralized bank deposit account.

Fair Value of Investments

The School Board categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value

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measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1:

Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

Level 2:

Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3:

Unobservable inputs for an asset or liability. The following table presents the fair value of measurements of investments held separately from all other School Board deposits held with financial institutions measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurement falls at June 30, 2023:

	Balance June 30, 2023	Fair Value Measurement Using Level 1
Investments by fair value levels		
Common Stocks	\$ 191,417	\$ 191,417
Mutual Funds	1,296,359	1,296,359
Total	<u>\$1,487,776</u>	<u>\$ 1,487,776</u>

3) Due From/To Other Governments

On the Balance Sheet, amounts due from other governments include appropriations due from the Commonwealth of Virginia, capital appropriations receivable from the City, amounts due under Federal and state grants, and appropriations due from other local government agencies. A capital appropriation receivable from the City is recorded in the period to which the appropriation applies has begun.

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The following is a summary of amounts due from other governments at June 30, 2023:

	Federal	State	City	Other	Total
Governmental Funds:					
Special Revenue Fund	\$ 30,311,617	\$ 1,855,155	\$ -	\$ -	\$ 32,166,772
Nutrition Services Fund	2,576,990	-	-	-	2,576,990
Capital Projects Fund	-	-	895,184	-	895,184
Total	\$ 32,888,607	\$ 1,855,155	\$ 895,184	\$ -	\$ 35,638,946

At June 30, 2023, the School Board's General Fund had \$1,814,506 due to Fiduciary Funds and \$500 of advances from the City.

4) Interfund Balances and Transfers

In the Fund financial statements, interfund receivable and payable balances as of June 30, 2023 were:

TO FUND	FROM FUND	
	Interfund Receivables	Interfund Payables
General	\$ 109,021	\$ 1,527,299
Special Revenue	600,821	-
Nutrition Services	127,729	-
Capital Projects	798,749	-
Permanent	-	109,021
Total	\$ 1,636,320	\$ 1,636,320

The balance of \$109,021 due to the General Fund from the Permanent Fund resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) when payments between funds are performed.

Transfers are used to (1) move revenue from the funds that the State statute or the Schools budget requires to collect them to the fund that the State statute or Schools' budget requires to expend them and/or (2) move receipts collected to finance various programs accounted for in other funds in accordance with budgetary obligations and/or requests dictated by the City's Mayor and City Council.

Interfund transfer balances in the General Fund for the year ended June 30, 2023 were as follows:

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Transfers In	Transfers Out (General Fund)
General Fund	\$ 3,741,248
Special Revenue Fund	2,587,785
Nutrition Services	550
Total	<u>\$ 6,329,583</u>

5) Capital Assets

Changes in capital assets during the fiscal year ended June 30, 2023 are summarized below:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets being depreciated:				
Vehicles	\$ 27,071,555	\$ 7,467,470	\$ -	\$ 34,539,025
Other equipment	47,595,854	1,879,580	170,197	49,305,237
Right to use buildings	46,757	-	-	46,757
Right to use equipment	1,829,500	637,793	-	2,467,293
Right to use subscription based information technology	-	4,513,335	-	4,513,335
Energy and water equipment	6,201,626	-	-	6,201,626
Total being depreciated	<u>82,745,292</u>	<u>14,498,178</u>	<u>170,197</u>	<u>97,073,273</u>
Less: Accumulated depreciation and amortization				
Vehicles	18,844,907	1,580,253	-	20,425,160
Other equipment	31,292,052	7,044,006	170,197	38,165,861
Right to use buildings	20,781	20,741	-	41,522
Right to use equipment	1,160,811	1,163,341	-	2,324,152
Right to use subscription based information technology	-	2,255,293	-	2,255,293
Energy and water equipment	2,725,536	227,128	-	2,952,664
Total accumulated depreciation	<u>54,044,087</u>	<u>12,290,762</u>	<u>170,197</u>	<u>66,164,652</u>
Capital assets, net	<u>\$ 28,701,205</u>	<u>\$ 2,207,416</u>	<u>\$ -</u>	<u>\$ 30,908,621</u>

Depreciation and amortization expense was charged to functions as follows:

Instruction	\$ 6,094,617
Support Services:	
Administration	27,522
Pupil Transportation	1,433,432
Operations and Maintenance	3,898,984
Nutrition Services	155,027
Technology	545,360
Facilities acquisition and improvements	135,820
Total	<u>\$ 12,290,762</u>

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6) Noncurrent Liabilities

(a) Financed Purchase Leases

The School Board performed an energy audit to determine potential energy savings from energy performance contracts. The audit concluded such contracts would reduce the energy and operating costs of RPS, while improving energy and water systems. The project consisted of the purchase and installation of energy and water savings equipment at ten school buildings.

The School Board acquired certain equipment through a lease-purchase transaction which is recognized as a finance purchase for financial reporting purposes. The School Board entered into the agreement in July 2009. The total amount financed was \$6,201,626 with an interest rate of 5.14%.

The future payments as of June 30, 2023 are as follows:

Fiscal Year	Principal	Interest
2024	\$ 731,916	\$ 73,719
2025	949,614	31,291
2026	82,692	355
Total	<u>\$ 1,764,222</u>	<u>\$ 105,365</u>

(b) Right to Use Leases

The School Board has entered into agreements to lease equipment and modular classroom trailers. The lease agreements qualify as other than short-term leases under GAAP and, therefore, have been recorded at the present value of the future lease payments as of the date of their inception.

The future lease payments as of June 30, 2023 are as follows:

Fiscal Year	Principal	Interest
2024	\$ 93,510	\$ 10,886
2025	30,227	6,462
2026	17,963	5,317
Total	<u>\$ 141,700</u>	<u>\$ 22,665</u>

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(c) Subscription Liabilities

The School Board has entered into agreements to use another party's information technology software for instruction and curriculum administration, enterprise resource planning, and personnel and student management. The software and license agreements are recognized as subscription assets and a related subscription liability, and amortized over the contract period on a straight line basis.

The future subscription payments as of June 30, 2023 are as follows:

Fiscal Year	Principal	Interest
2024	\$ 2,295,020	\$ 101,896
2025	719,296	44,347
2026	79,446	4,861
Total	<u>\$ 3,093,762</u>	<u>\$ 151,104</u>

(d) Changes in Noncurrent Liabilities

Changes in the total noncurrent liabilities during the fiscal year ended June 30, 2023 are summarized below:

	Amounts Payable at July 1, 2022	Increases	Decreases	Amounts Payable at June 30, 2023	Due Within One Year	Due in More Than One Year
Workers' compensation liability	\$ 1,940,702	2,203	(266,677)	1,676,228	1,158,092	518,136
Compensated absence liability	16,612,282	1,156,221	(1,501,105)	16,267,398	694,553	15,572,845
Net pension liability	170,028,998	38,391,523	(485,624)	207,934,897	-	207,934,897
Net OPEB liability - VRS	40,923,304	516,611	(748,310)	40,691,605	-	40,691,605
Total OPEB liability	22,159,455	2,559,344	-	24,718,799	-	24,718,799
Financed purchase leases	2,426,673	-	(662,451)	1,764,222	731,916	1,032,306
Right to use leases	655,346	637,793	(1,151,439)	141,700	93,510	48,190
Subscription liability	-	5,495,859	(2,402,097)	3,093,762	2,295,020	798,742
Total	<u>\$ 254,746,760</u>	<u>48,759,554</u>	<u>(7,217,703)</u>	<u>296,288,611</u>	<u>4,973,091</u>	<u>291,315,520</u>

The above noncurrent liability amounts due in more than one year will be funded in future years by the General Fund, primarily through City appropriations, and are not reported as liabilities on the Governmental Funds' Balance Sheet (Exhibit C). These liabilities are reported as an obligation on the Government-wide Statement of Net Position (Exhibit A).

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7) Fund Balances

The fund balances in the Governmental Funds' Balance Sheet have been classified to reflect the following:

(a) Nonspendable

Nonspendable General Fund balance for prepaid insurance of \$25,400 represents (1) \$25,000 held as a required deposit for the short-term disability insurance program (2) \$400 prepaid summer school expenditures, and (3) \$264 inventories of materials and supplies.

Nonspendable Nutrition Services balance for inventories of \$516,406 represents the portion of fund balance for food inventory, which is not otherwise available for appropriation and expenditures.

Nonspendable fund balance for Permanent Funds of \$1,411,425 represents amounts legally restricted to the extent only earning, and not principal, may be used for purposes supporting School Board programs.

(b) Restricted

The portion of fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Restricted fund balance of \$6,207,384 in the General Fund to pay for goods and services not received prior to the end of the fiscal year and \$16,734,727 in Special Revenue Funds for proceeds of specific revenue sources that are restricted to expenditures for specific purposes, other than debt service and capital projects, under various federal and state reimbursement-based grants. Restricted fund balance for the Nutrition Service Fund of \$1,680,661 is restricted to expenditures for the specific purpose of operating the National School Lunch Program and cafeteria operations. Restricted fund balance for the Capital Projects Fund of \$1,638,184 is restricted for the purpose of expenditures to complete approved school renovation and facility improvement projects.

(c) Assigned:

The School Board has delegated the responsibility to assign funds to the Superintendent. The assigned fund balance totals of \$5,133,245 consisting of the following:

- \$2,104,236 of General Fund's fund balance relates to self-insured workers' compensation and unemployment insurances.
- \$2,837,592 of General Fund's fund balance relates to indirect cost recovery utilized for the administration and management of federal grant programs.

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- \$191,417 of General Fund's fund balance for investments held in common stock.

(d) Unassigned

The unassigned General Fund's fund balance totals \$11,213,816. These funds will be utilized by the School Board during future budget development.

The negative unassigned fund balance of \$(11,086,467) in the Special Revenue fund is equal to contractual obligations related to specific purposes.

8) Health Care Plan

On July 1, 2010, RPS began to self-insure health care for all eligible employees and retirees by contracting with providers for administrative services only. Services under these contracts include claims adjudication, disease management, lifestyle programs and wellness initiatives.

The Talent Office manages the plan, ensures statutory compliance. In accordance with the Affordable Care Act (ACA), any employee who works an average of thirty (30) or more hours within a designated "measurement period" will be eligible to enroll in the School-sponsored health plan. CIGNA Healthcare is contracted as the third-party administrator for the medical plans.

RPS offers three medical plan options: Premier, Classic and Choice Fund. In-network services for the Premier Plan are covered at 90% with a \$20 office visit co-pay for Primary Care Physicians, and a \$40 office visit co-pay for Specialists. In-network services for the Classic Plan are covered at 80% with a \$25 office visit co-pay for Primary Care Physicians, and a \$50 office visit co-pay for Specialists. In network services for the Choice Fund Plan are covered at 80% with Primary Care and Specialists office visits after the plan deductible is met.

Employees who elect the Choice Fund Plan are automatically enrolled in a Health Savings Account. Beginning January 2016, RPS made a one-time employer contribution of \$1,250 for family coverage and \$750 for single coverage. The amounts are prorated for new hires hired after the annual enrollment date. Out-of-network providers are covered at 50%. Wellness checkups and services for all plans are covered at 100%. Prescription drug coverage is included with the three medical plans utilizing a three tier co-pay structure and optional mail-order for maintenance medications.

RPS purchases specific stop-loss insurance from Connecticut General Life Insurance Company (CIGNA) limiting claims against the self-insurance program to \$300,000 per occurrence for individual claim. A liability of \$4.5 million has been recorded to the General Fund based on an estimate from RPS's outside actuary, USI.

9) Defined Benefit Pension Plans

The School Board participates in the Virginia Retirement System (VRS), which provides retirement benefits to substantially all employees, with the exception of certain nonexempt employees who have elected instead to participate in the Richmond Retirement System (RRS). In addition, the

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School Board maintains a single-employer, defined benefit pension plan, the Early Retirement Incentive Plan for Employees of Richmond Public Schools (the Plan), to supplement retirement benefits under VRS or RRS for qualifying employees who elect early retirement under the Plan.

Detailed descriptions of each plan follow:

(a) **Virginia Retirement System – Teachers’ Pool and Political Subdivision**

(i) **Description of the Virginia Retirement System**

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

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

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria:

- Plan 1 - Members hired before July 1, 2010, and who were vested as of January 1, 2013, and they have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty members 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 service credit. Non-hazardous duty members 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 service.

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- Plan 2- Members hired or rehired on or after July 1, 2010 to December 31, 2013, and they have not taken a refund, and Plan 1 members who were not vested as of as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty members 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 members may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service.
- Hybrid Retirement Plan - Non-hazardous duty members hired or rehired on or after January 1, 2014 are covered under the Hybrid plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window held January 1-April 30, 2014. The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Members covered by this hybrid plan are eligible for an unreduced retirement benefit, under the defined benefit component, when they reach the normal social security retirement age and have at least five years of creditable service or when their age and service equal 90. Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service. Members are eligible to receive distributions upon leaving employment, subject to restrictions, under the defined contribution component.

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit.

Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.7%.

Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Under the Hybrid Plan, defined benefit component, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier is 1.00%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for those plans.

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Retirees are eligible for annual cost-of-living adjustment (COLA) effective July 1 after one full calendar year from the retirement date. Under Plan 1, the maximum COLA is 5.00%; under Plan 2, the maximum COLA is 3.00%. COLA is not applicable under the Hybrid Plan. During years of no inflation or deflation, the COLA is zero. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees covered by the benefit terms of the VRS Political Subdivision plan are as follows:

Members under the Hybrid Plan, including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless the School Board provided an employer-paid comparable program. Hybrid members, including Plan 1 and Plan 2 opt-ins covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

VRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500 or from the VRS' website: <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>

(ii) 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. The School Board's contractually required employer contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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.

VRS Teachers' Pool

For professional employees participating in the VRS cost-sharing multiple-employer plan for both the defined benefit and defined contribution plans, the School Board's actual contributions to the VRS Teachers' Pool were \$32,866,846 and \$33,876,218 for the years ended June 30, 2023 and June 30, 2022, respectively.

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VRS Political Subdivision

For non-professional employees participating in the VRS agent multiple-employer plans for both the defined benefit and defined contribution plans, the School Board's contributions were \$665,254 and \$627,053 for the years ended June 30, 2023 and June 30, 2022, respectively. The School Board's contribution rate applicable to nonprofessional employees for the fiscal year ended June 30, 2023 was 9.0% of covered employee compensation.

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

VRS Teachers' Pool

At June 30, 2023, the School Board reported a Net Pension Liability of \$206,894,986 for its proportionate share of the Net Pension Liability. The School Board's proportion of the Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actual valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. At the June 30, 2022 measurement date, the School Board's proportion was 2.17313% as compared to 2.17057% at June 30, 2021.

For the year ended June 30, 2023, the School Board recognized pension expense of \$14,750,724. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ 26,974,773
Changes in proportionate share of contributions	24,803,683	9,438,888
Changes of assumptions	19,506,030	-
Difference between expected and actual economic experience	-	14,266,227
Contributions subsequent to the measurement date	32,866,846	-
Total	<u>\$ 77,176,559</u>	<u>\$ 50,679,888</u>

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Years Ending June 30	Deferred Outflows/(Inflows) of Resources
2024	\$ (2,457,755)
2025	(5,496,256)
2026	(10,760,724)
2027	12,344,560
Thereafter	-
	<u>\$ (6,370,175)</u>

The following represents the School Board's proportionate share of the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate of 1.0% lower or 1.0% higher than the current rate:

	1% decrease (5.75%)	Current rate (6.75%)	1% increase (7.75%)
School Board's proportionate share of the Net Pension Liability	\$ 369,530,283	\$ 206,894,986	\$ 74,474,090

VRS Political Subdivision

At June 30, 2023, the School Board reported a Net Pension Asset of \$(900,420) for non-professional employees. The Total Pension Liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

For the year ended June 30, 2023, the School Board recognized pension expense of \$(76,275). Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	\$ 4,630,450	\$ 6,596,287
Difference between expected and actual experience	182,100	139,404
Change of assumptions	222,190	-
Contributions subsequent to the measurement date	665,254	-
Total	<u>\$ 5,699,994</u>	<u>\$ 6,735,691</u>

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Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Deferred Outflows/(Inflows) of Resources
2024	\$ (519,393)
2025	(756,274)
2026	(1,312,024)
2027	886,740
Thereafter	-
	<u>\$ (1,700,951)</u>

The following represents the School Board's net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate of 1.0% lower or 1.0% higher than the current rate:

	1% decrease (5.75%)	Current rate (6.75%)	1% increase (7.75%)
Net Pension Liability (Asset) \$	6,340,801	\$ (900,420)	\$ (6,911,654)

(iv) **Actuarial Assumptions**

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

VRS Teachers' Pool and VRS Political Subdivision

Inflation	2.50%
Salary increases, including inflation	
Teachers	3.50% - 5.95%
Political Subdivision	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality rates:	

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Pre-Retirement	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
Post-Retirement	Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
Post-Disablement	Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 100% of rates for males and females

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the changes in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumption as a result of the experience study and VRS Board actions are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Long-Term Expected Rate of Return

The long-term expected rate of return on pension 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 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

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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	Aritmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation, at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, 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

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applied to all periods of projected benefit payments to determine the total pension liability.

(v) **Changes in Net Pension Liabilities (Asset)**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
Balance at June 30, 2021	\$ 61,277,062	\$ 66,470,890	\$ (5,193,828)
Changes:			
Service Cost	924,519	-	924,519
Interest	4,072,963	-	4,072,963
Differences between expected and actual experience	332,596	-	332,596
Contributions - employer	-	619,324	(619,324)
Contributions - employee	-	542,133	(542,133)
Net investment income	-	(36,341)	36,341
Benefit payments, including refunds of employee contributions	(3,722,789)	(3,722,789)	-
Administrative expense	-	(41,828)	41,828
Other changes	-	(46,618)	46,618
Net changes	<u>1,607,289</u>	<u>(2,686,119)</u>	<u>4,293,408</u>
Balance at June 30, 2022 measurement date	<u>\$ 62,884,351</u>	<u>\$ 63,784,771</u>	<u>\$ (900,420)</u>

(b) **Richmond Retirement System**

(i) **Plan Description**

The School Board ended contributions to the Richmond Retirement System, a cost-sharing multiple-employer public employee retirement system, as of June 30, 2019. The RRS is a defined benefit plan that covers substantially all City employees (police, fire and general employees, including certain School Board employees not covered by the VRS) and provides retirement benefits as well as disability benefits. The RRS plan is administered by the Richmond Retirement System Board of Trustees.

The City Council is responsible for establishing benefit provisions and funding requirements. Benefits vest after five years of service, and the City pays the entire cost of the plan. The School Board reimburses the City for contributions made on its behalf.

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Membership in RRS consisted of the following as of June 30, 2023:

Retirees currently receiving benefits	291
Active employees eligible for benefits	-
Total	<u>291</u>

Retirement benefits are determined as a percentage of the average of the five highest years' salaries. Normal retirement age is 65. The plan provides for early retirement at age 55 for School Board employees. The RRS issues a publicly available ACFR that includes financial statements and required supplementary information. A copy of that report may be obtained by writing the Richmond Retirement System at P.O. Box 10252, Richmond, Virginia, 23240.

(ii) **Contributions**

The funding policy of the RRS provides that contributions be made by the employer, annually, an amount as determined by the actuary, expressed as a percentage of payroll, equal to the sum of the "normal contribution" and the "actuarial determined contribution". These contributions are designed to accumulate sufficient assets to pay benefits when due. The required contributions are determined using the projected unit credit actuarial cost method. Unfunded actuarial accrued liabilities are being amortized over a period not to exceed 30 years.

The School Board's contributions to the RRS ended as of the fiscal year ended June 30, 2019.

Pension Liabilities and Pension Expense

At June 30, 2023, the School Board does not recognize any net pension liability for RRS and had no proportionate share in the overall net pension liability as of June 30, 2023.

(c) **Early Retirement Plan**

(i) **Plan Description**

The Plan is a legally separate single-employer defined benefit pension plan established in fiscal year 1995 under Section 51.1-800 of the *Code of Virginia* (1950), as amended, to provide early retirement benefits for eligible School Board employees. The School Board is the sole participating employer in the Plan, functions as the Plan administrator, and has authority to establish and amend its contribution requirements and benefit provisions. The Plan does not issue a stand-alone financial report.

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The School Board has an actuarial valuation of the Plan prepared biennially using the individual entry age normal actuarial cost method. The actuarial value of the Plan's assets was determined using a market value method.

Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 2.0 percent per year compounded annually and (b) projected salary increases of 4.0 percent per year.

Membership in the Plan consisted of the following as of June 30, 2022 the most recent biennial actuarial valuation:

Active employees eligible for benefits	47
Retirees currently receiving benefits	92
Deferred vested employees not yet receiving benefits	<u>12</u>
Total	<u>151</u>

The Plan provides early retirement benefits only. Participants in the Plan became eligible for benefits when they met basic requirements and provided services immediately following their early retirement date in accordance with one of the three service options described as follows: Basic requirements prescribe that employees must (1) be an eligible retiree under either VRS or RRS, (2) be between 55 and 62 years of age, (3) have completed 10 years of service with RPS, at least 5 of which must immediately precede the date of retirement, and (4) meet other plan provisions.

Monthly benefits are paid based on one of the following service options as elected by the participant:

- Option A – The participant must provide services for 1 full academic year (175 days) and will receive 25 percent of final annual compensation each year for 7 years.
- Option B – The participant must provide services for 1 full academic year (175 days) and will receive 35 percent of final annual compensation each year for 5 years.
- Option C – The participant must provide services for 1/2 an academic year (105 days) and will receive 35 percent of final annual compensation each year for 3 years.

The Plan does not provide for postretirement benefit increases. During the required service period, benefits are paid by the School Board based on services rendered. Thereafter, vested benefits are paid by the pension trustee out of plan assets. All benefits vest after completion of the required service option. School Board contributions are

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recognized by the Plan when received. Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan. Investments are valued as discussed in note 1(h).

Effective July 1, 2005, the above benefit structure of the Early Retirement Incentive Plan was frozen. RPS employees eligible to retire under the Early Retirement Incentive Program as of June 30, 2005 who had submitted an application by March 31, 2005 were also entitled to receive the benefits under the Plan as described above.

Some employees who have substantial service with RPS may be entitled to a transition benefit as described below:

Transition Benefit:

Employees who had at least 20 years of VRS eligible service (including the last 10) consecutive years with RPS as of June 30, 2005 who did not elect to retire prior to March 31, 2005 were eligible for a transition benefit under the Plan upon their retirement after age 50 as follows:

- (a) 30 years of service: 50% of final pay in the last 12 months paid evenly (12.5% annually) over the first 4 years of retirement.
- (b) 20 to 29 years of service: 30% of the final pay in the last 12 months paid evenly (7.5% annually) over the first 4 years of retirement.
- (c) Less than 20 years of service: no transition benefit. Final pay shall be limited to the maximum pay of the highest teacher scale with master's degree plus 30 credit hours beyond master's degree (10 month contract employee).

(ii) Contributions

The entire cost of Plan benefits is borne by the School Board. The School Board's policy is to make irrevocable Plan contributions based on actuarially determined amounts sufficient to provide the required Plan benefits. Over time, the School Board's contributions to the Plan should approximate the cumulative annual required contributions (ARC's) determined by biennial actuarial valuations. However, the actual contributions made may differ from the annual required contributions. Substantially all investment and administrative costs of the Plan are borne by the General Fund. The School Board's contribution to the Early Retirement Plan for the fiscal year ended June 30, 2023 was \$500,000.

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(iii) **Rate of Return**

For the year ended June 30, 2023, the annual money-weighted rate of return based on cash flows on pension plan investments, net of investment expense, was 2.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(iv) **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions**

Pension liabilities: The School Board reported a Net Pension Liability of \$1,039,911 based on the June 30, 2023 actuarial valuation with a measurement and reporting date of June 30, 2023.

Pension expense: For the year ended June 30, 2023, the School Board recognized pension expense of \$31,363.

Deferred outflows of resources related to pensions: Were reported from the following sources:

	Deferred Outflows of Resources
Net differences between projected and actual earnings on pension plan investments	\$ 15,966
Total	\$ 15,966

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

Years Ending June 30	Deferred Outflows of Resources
2024	\$ 9,433
2025	4,596
2026	1,869
2027	68
Thereafter	-
	\$ 15,966

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Changes in Net Pension Liability

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Change in total pension liability:			
Balance at June 30, 2022	\$ 1,894,412	\$ 368,877	\$ 1,525,535
Service cost	17,781	-	17,781
Interest cost on TPL	34,168	-	34,168
Experience losses	12,316	-	12,316
Change in assumptions	(41,935)	-	(41,935)
Net investment income	-	7,954	(7,954)
Employer contribution	-	500,000	(500,000)
Benefit payments	(407,572)	(407,572)	-
Net changes	(385,242)	100,382	(485,624)
Balance at June 30, 2023	<u>\$ 1,509,170</u>	<u>\$ 469,259</u>	<u>\$ 1,039,911</u>

(v) **Actuarial Methods and Significant Assumptions**

Significant actuarial assumptions used in the valuation include:

Actuarial valuation method	Individual Entry Age Normal method
Rate of return on the investment	3.00% per year compounded annually
Salary increases	4.00% per year
Mortality rates	Pre-Retirement: RP-2014 Employee Mortality Table projected with Scale BB to 2020. Future mortality improvement is projected to be fully generational with Scale BB. Post-Retirement: RP2014 Combined Mortality Table projected with Scale BB to 2022. Future mortality improvement is projected to be fully generational with Scale BB.

The following changes were made to the plan provisions, actuarial assumptions, or actuarial methods since the prior valuation:

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- The assumed long-term rate of return changed from 2.0% to 3.0%.

(vi) **Sensitivity of Net Pension Liability to Changes in the Discount Rate**

The following represents the net pension liability calculated using the state discount rate, as well as what the pension liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

	1% decrease (2.0%)	Current rate (3.0%)	1% increase (4.0%)
Net Pension Liability	\$ 1,069,530	\$ 1,039,911	\$ 1,010,851

(vii) **Fiduciary Net Position**

As of June 30, 2023, the Plan fiduciary net position of \$469,259 as a percentage of total pension liability is 31.09%.

Total Pension Liability	\$ 1,509,170
Plan Fiduciary Net Position	<u>(469,259)</u>
Net Pension Liability	<u><u>\$ 1,039,911</u></u>

10) Defined Contribution Plan

Effective August 1, 2005, employees may participate in a 403(b) matching plan. The 403(b) matching plan covers all employees who serve in a contractual annual salary position with RPS. Employees are entitled to defer from 1% to 50% of eligible pay (base salary plus contractual supplements) but not in excess of Internal Revenue Code annual deferral limits. The RPS contribution provides a match of employee voluntary deferrals equal to 20% of the salary deferral up to 3% of pay. RPS contributions are posted on participant accounts monthly. The School Board made contributions of \$385,173 during the fiscal year ended June 30, 2023.

11) Postemployment Health Benefit Plans

The School Board provides certain postemployment medical and dental benefits to eligible retired employees, their spouses and widows up to the age of 65 through the School Board's group health insurance plan, which covers both active and retired employees. A retiree, eligible for postretirement medical coverage, is defined as a full-time employee who retires

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directly from the Schools, and is eligible to receive an early, regular retirement, or disability benefit from the VRS. In addition, they must immediately begin receiving a retirement annuity from VRS.

The School Board also participates in the VRS Employee Teacher Health Insurance Credit (HIC) Program and the VRS Group Life Insurance (GLI) Program for teachers and political subdivisions.

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

Detailed descriptions of each plan follow:

(a) **School Board Medical and Dental Plan**

(i) **Plan Description**

The School Board's health plan (Health Plan) is a single-employer defined benefit plan, and substantially all of the employees may become eligible for those benefits if they retire

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while working for the School Board. The School Board establishes and amends benefits and obligations of the plan.

Covered participants of the Health Plan consisted of the following at June 30, 2023:

Number of Participants:	
Actives (with medical coverage)	2,954
Retirees (with medical coverage)	68
Disabled's (with medical coverage)	<u>4</u>
Total	<u><u>3,026</u></u>

(ii) **Funding Policy**

No assets are accumulated in a trust that meet the criteria in GAAP. Currently, the School Board pays for and reports retiree medical benefits on a “pay as you go” basis, which is the practice of paying for these benefits as they become due each year.

(iii) **Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to School Board Health Plan OPEB**

The School Board’s total OPEB liability (TOL) of \$24,718,799 was based on the June 30, 2022 actuarial valuation measurement date rolled forward to June 30, 2023. For the year ended June 30, 2023, the School Board recognized Health Plan OPEB expense of \$(136,408).

Deferred outflows of resources and deferred inflows of resources related to the Health Plan were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Economic experience	\$ -	5,732,284
Change of assumptions	<u>270,384</u>	<u>8,074,482</u>
Total	<u><u>\$ 270,384</u></u>	<u><u>\$ 13,806,766</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the School Board Health Plan will be recognized in the Health Plan’s expense in future reporting periods as follows:

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Years Ending June 30:	Deferred (Inflows) of Resources
2024	\$ (3,362,494)
2025	(3,362,494)
2026	(3,362,492)
2027	(3,448,902)
Thereafter	-
	<u>\$ (13,536,382)</u>

(iv) **Actuarial assumptions and other inputs**

The TOL as of the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and inputs, applied to all periods included in the measurement, unless other specified:

Actuarial valuation method	Entry Age Normal
Discount rate	4.09%
Healthcare cost trend rates	6.00 % for 2022, graded down to 5.50% over 2 years
	5.0% per year administrative fees
	10.0% per year stop loss expenses
Retirees' share of benefit-related	100.0% of total medical, dental, and vision costs
Mortality rates	Pre-Retirement: Pub-2010 Headcount-Weighted Teachers Employee Rates projected generationally; 110% of rates for males; with 75% of improvement scale MP 2022.
	Post-Retirement: Pub-2010 Headcount-Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females; with 75% of improvement scale MP2022
	Post-Disablement: Pub-2010 Headcount-Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females with 75% of improvement scale MP2022.

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There were no changes were made to the plan provisions, actuarial assumptions, or actuarial methods since the prior valuation.

(v) **Sensitivity of the TOL to changes in the discount rate**

The following presents the School Board's TOL calculated using the stated discount rate, as well as what TOL would be if it were calculated using a discount rate of 1.0% lower or 1.0% higher than the current rate:

	1% Decrease 3.09%	Current rate 4.09%	1% Increase 5.09%
Total OPEB liability	\$ 27,152,954	\$ 24,718,799	\$ 22,531,126

(vi) **Sensitivity of the TOL to changes in the healthcare cost trend rates**

The following presents the School Board's TOL calculated using the stated discount rate, as well as what the TOL would be if it were calculated using a healthcare cost trend of 1.0% lower or 1.0% higher than the current rate:

	1% Decrease 4.75%	Current Rate 5.75%	1% Increase 6.75%
Total OPEB liability	\$ 21,572,960	\$ 24,718,799	\$ 28,454,602

(vii) **Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at June 30, 2022	\$ 22,159,455
Changes:	
Service cost	2,254,812
Interest	971,274
Benefit Payments	(666,742)
Net changes	<u>2,559,344</u>
Balance at June 30, 2023	<u>\$ 24,718,799</u>

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(b) VRS Health Insurance Credit Program

(i) Plan Description

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

(ii) Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% 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, 2021. 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 Board to the VRS Teacher HIC Program were \$2,669,266 and \$2,553,538 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the Nonprofessional Employee HIC Program were \$102,834 and \$97,026 for the years ended June 30, 2022 and June 30, 2021 respectively.

(iii) OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Employee HIC Program OPEB

At June 30, 2023, the School Board reported a liability of \$27,352,870 for its proportionate share of the VRS Employee HIC Program Net OPEB Liability. The School Board reported a liability of \$1,324,502 for general employees. The Net VRS HIC Program OPEB Liability was measured as of June 30, 2022 and the total VRS HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The School Board's proportionate of the Net VRS Teacher Employee HIC

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Program OPEB Liability was based on the School Board's actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion of the VRS Teacher Employee HIC Program was 2.189900% as compared to 2.189300% at June 30, 2021.

For the year ended June 30, 2023, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of \$2,432,640. Since there was a change in proportionate share between the June 30, 2021 and June 30, 2022 measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion. The School Board recognized VRS general employee HIC Program OPEB expense of \$124,929 for the year ended June 30, 2023.

At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,114,946
Net difference between projected and actual earnings of Teacher HIC OPEB plan investments	-	27,455
Change of assumptions	799,117	69,850
Changes in proportionate share	3,052,446	1,410,379
Contributions subsequent to the measurement date	2,669,266	-
Total	<u>\$ 6,520,829</u>	<u>\$ 2,622,630</u>

Deferred outflows of resources resulting from \$2,669,266 in contributions made subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC Program OPEB Liability in the Fiscal Year ending June 30, 2024.

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:

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Years ending June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ 163,174
2025	207,091
2026	229,269
2027	270,389
2028	360,804
Thereafter	(1,794)
	<u>\$ 1,228,933</u>

At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to the VRS general employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 32,877
Net difference between projected and actual earnings of HIC OPEB plan investments	3,921	-
Change of assumptions	125,323	-
Total	<u>\$ 129,244</u>	<u>\$ 32,877</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the general employee HIC OPEB will be recognized in the Nonprofessional Employee HIC OPEB expense in future reporting periods as follows:

Years ending June 30:	Deferred Outflows of Resources
2024	\$ 32,904
2025	32,904
2026	26,389
2027	4,170
2028	-
Thereafter	-
	<u>\$ 96,367</u>

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(iv) **Actuarial Assumptions**

The total Employee HIC OPEB liability for the VRS HIC Program was based on an actuarial valuation as of June 30, 2021, 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, 2022:

Inflation	2.50%
Salary increases, including inflation	
Teachers	3.50% - 5.95%
Political Subdivision	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality rates:	
Pre-Retirement	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
Post-Retirement	Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
Post-Disablement	Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 100% of rates for males and females

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the changes in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumption as a result of the experience study and VRS Board actions are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all

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Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

(v) **Net Employee HIC OPEB Liability**

The net OPEB liability (NOL) for the HIC Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the Measurement Date of June 30, 2022, NOL amounts for the HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher HIC OPEB Liability	\$ 1,470,891
Plan Fiduciary Net Position	221,845
Teacher Employee net HIC OPEB Liability	<u>\$ 1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	15.08%

The total 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 HIC OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

(vi) **Long-term Expected Rate of Return**

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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:

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<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Aritmetic Long-term Expected Real Rate of Return</u>	<u>Weighted Average Long-term Expected Real Rate of Return</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
Inflation			<u>2.50%</u>
*Expected arithmetic nominal return			<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation, at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

(vii) Discount Rate

The discount rate used to measure the total HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by each school division for the VRS 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, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the 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 HIC OPEB liability.

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(viii) **Changes in Net HIC OPEB Liability**

VRS Nonprofessional Employee HIC Program	Total HIC OPEB Liability	Plan Fiduciary Net Pension	Net HIC OPEB Liability
Balance at June 30, 2021	\$ 1,332,821	\$ 108,120	\$ 1,224,701
Changes for the year:			
Service cost	12,766	-	12,766
Interest	89,642	-	89,642
Differences between expected and actual experience	(43,552)	-	(43,552)
Changes in assumptions or other inputs	143,068	-	143,068
Contributions - Employer	-	102,834	(102,834)
Net investment income	-	(1,484)	1,484
Benefit Payments	(35,105)	(35,105)	-
Administrative expense	-	(320)	320
Other changes	-	1,093	(1,093)
Net changes	166,819	67,018	99,801
Balance at June 30, 2022	\$ 1,499,640	\$ 175,138	\$ 1,324,502

(ix) **Sensitivity of the School Board's Proportionate Share of the Employee HIC Net OPEB Liability to Changes in the Discount Rate**

The following presents the School Board's proportionate share of the VRS Employee HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the School Board's proportionate share of the net HIC OPEB liability would be if were calculated using a discount rate of 1.0% lower or 1.0% higher than the current rate:

	1% Decrease (5.75%)	Current rate (6.75%)	1% Increase (7.75%)
School Board's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 30,826,998	\$ 27,352,870	\$ 24,407,939
VRS Nonprofessional Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,459,847	\$ 1,324,502	\$ 1,207,864

Detailed information about the VRS Employee HIC Program is available in the separately issued VRS ACFR that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500, or from the VRS' website: <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>

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(c) **VRS GLI Program**

(i) **Plan Description**

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is 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 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.

(ii) **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 1.34% of covered employee compensation. The employee component was .80% and the employer component was .54%. 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, 2023 was .54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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. School Board contributions for professionals and nonprofessionals to the GLI Program were \$1,193,136 and \$1,148,364 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the School Board reported a liability of \$12,014,233 for its proportionate share of the VRS GLI Program Net OPEB Liability, comprised of \$11,345,117 for teachers and \$669,116 for general employees. The Net VRS GLI Program OPEB Liability was measured as of June 30, 2022 and the total VRS GLI Program OPEB liability used to

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calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportionate of the Net GLI OPEB Liability was based on the school division's actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion of the VRS GLI Program for teachers was .942210% as compared to .941310% at June 30, 2021; and for general employees was .055570% as compared to .05480% at June 30, 2021.

For the year ended June 30, 2023, the School Board recognized GLI OPEB expense of \$535,619. Since there was a change in proportionate share between June 30, 2021 and June 30, 2022, a portion of the GLI Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to the VRS GLI Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings of the GLI OPEB plan investments	\$ -	750,713
Economic experience	951,376	481,982
Change of assumptions	448,112	1,170,235
Changes in proportionate share	1,427,307	641,020
Contributions subsequent to the measurement date	1,193,136	-
Total	<u>\$ 4,019,931</u>	<u>3,043,950</u>

Deferred outflows of resources resulting from \$1,193,136 in contributions made subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. 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:

Years ending June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ (29,475)
2025	(29,488)
2026	(453,445)
2027	381,150
2028	(85,897)
Thereafter	-
	<u>\$ (217,155)</u>

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(iv) **Actuarial Assumptions**

The total GLI OPEB liability for the VRS GLI Program was based on an actuarial valuation as of June 30, 2021, 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, 2022:

Inflation	2.50%
Salary increases, including inflation	
Teachers	3.50% - 5.95%
Political Subdivision	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality rates:	
Pre-Retirement	Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
Post-Retirement	Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
Post-Disablement	Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 100% of rates for males and females

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the changes in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumption as a result of the experience study and VRS Board actions are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all

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Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

(v) Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the Measurement Date of June 30, 2022, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>2,467,989</u>
Employer's Net GLI OPEB Liability	<u><u>\$ 1,204,096</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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 GAAP in the System's notes to the financial statements and required supplementary information.

(vi) Long-term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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:

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Asset Class (Strategy)	Target Allocation	Aritmetic Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
Inflation			<u>2.50%</u>
*Expected arithmetic nominal return			<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. 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 6.94%, including expected inflation of 2.50%.

On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation, at that time, providing a median return of 7.11%, including expected inflation of 2.50%

(vii) Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, 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, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
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(viii) Sensitivity of the School Board's Proportionate Share of the GLI Net OPEB Liability to Changes in the Discount Rate

The following presents the School Board's proportionate share of the VRS GLI Program net GLI OPEB liability using the discount rate of 6.75%, as well as what the School Board's proportionate share of the net GLI OPEB liability would be if were calculated using a discount rate of 1.0% lower or 1.0% higher than the current rate:

	1% Decrease (5.75%)	Current rate (6.75%)	1% Increase (7.75%)
School Board's proportionate share of the VRS Teacher Employee GLI Program Net GLI OPEB Liability	\$ 16,508,473	\$ 11,345,117	\$ 7,172,419
VRS Nonprofessional Employee GLI Program Net GLI OPEB Liability	\$ 973,643	\$ 669,116	\$ 423,017

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2022 ACFR, which may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

12) Commitments and Contingencies

(a) Litigation

At any point in time, various claims and lawsuits are pending against the School Board. In the opinion of outside legal counsel, resolution of these cases would not involve a material liability.

(b) Federal Award Programs

The School Board participates in a number of federal award programs. The School Board is subject to audit annually in accordance with the provisions of the Uniform Grant Guidance Subpart F. These programs are also potentially subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agencies in the event that any expenditure was to be disallowed under terms of the grants. Based on prior experience, the School Board's management believes such disallowances, if any, will be immaterial.

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(c) **Contractual Commitments**

At June 30, 2022, the School Board had contractual commitments of \$7,728,718 in the Capital Projects Fund for various capital projects, all of which are included in the Capital Projects Fund's assigned fund balance.

13) Related-Party Transactions

The School Board operates by authority of the charter of the City. In connection therewith, the City provides annual appropriations to the School Board for operating the school system, retains title to all land and buildings of the School Board and is obligated for all bonded indebtedness relating to the School Board. The City is also the custodian of the majority of the School Board's cash and investments. See note 3 for a summary of various amounts due from the City at June 30, 2023. In addition, certain School Board employees participate in the Richmond Retirement System (see note 11(b)).

The City provides various services to the School Board based on fee schedules or time and expenses. During fiscal year 2023, the City provided \$2,994,630 in water and gas utilities for all Richmond Public Schools. In addition, the City provided \$279,157 for the Emergency Childcare Initiative, \$52,685 for communications equipment, \$40,316 in printing services, and \$2,495 for elevator inspection services. The City also provides administrative office space in City Hall to the School Board for which the School Board is not charged.

14) Risk Management

The School Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Board reports all of its risk management activities in its General Fund and pays all claims for retained risks from General Fund resources.

The School Board maintains a comprehensive property and casualty policy, a commercial general liability policy, a comprehensive liability vehicle policy, and coverage for School Board errors and omissions, workers' compensation and employer's liability, and certain other risks with commercial insurance companies. The General Fund retains the risk up to \$350,000 for each workers' compensation claim and \$100,000 for each property damage claim, and retains the full risk for unemployment compensation and health care benefits.

All workers' compensation claims are paid through third-party administrators from General Fund resources. For all retained risks, claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

These losses include an estimate of claims that have been incurred but not reported. There have been no significant reductions in insurance coverage in comparison to coverage in the prior year

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and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

At June 30, 2023, the amount of claim liabilities was \$1,676,228 consisting of known and estimated incurred but not reported workers' compensation liabilities. This liability is the School Board's best estimate based on available information. Changes in the reported liability since June 30, 2022 are as follows:

	Fiscal Year Liability	Claims and Changes in Estimates	Payments on Claims	Liability at Fiscal Year-End
2021-2022	\$ 2,157,178	\$ 29,911	\$ 246,387	\$ 1,940,702
2022-2023	1,940,702	2,203	266,677	1,676,228

15) Subsequent Events

The School Board has evaluated subsequent events through October 31, 2023 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

16) New Pronouncements

In fiscal 2023, the School Board implemented GASB statement No. 96, *Subscription-Based Information Technology Arrangements* (SIBTAs). This Statement established standards for measuring and recognizing a right to use subscription asset as an intangible asset and a corresponding liability. GASB 96 is effective for fiscal years starting after June 15, 2023. The standard was implemented and did not have a material impact.



Required Supplementary Information (unaudited)

The Required Supplementary Information subsection includes

- Budgetary comparison schedule for the General Operating Fund, which accounts for all revenues and expenditures of Richmond Public Schools that are not required to be accounted for in other funds
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Changes in Total Other Postemployment Employee Benefits Liability and Related Ratios
- The notes to the required supplementary information

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Budgetary Comparison Schedule (Unaudited)

General Fund

For The Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Budgetary fund balances:				
Prior year fund balance assigned for encumbrances and other subsequently added to original budget	\$ 685,884	8,261,068	8,261,068	-
Total budgetary fund balances available				
for expenditure	685,884	8,261,068	8,261,068	-
Revenue sources:				
Intergovernmental:				
City of Richmond - appropriation	200,307,625	200,307,625	200,307,625	-
Commonwealth of Virginia:				
Department of Education:				
Employee benefits	11,246,373	11,246,373	11,389,563	143,190
Standards of Quality:				
Basic aid	49,916,182	49,916,182	47,970,342	(1,945,840)
Textbooks	1,270,303	1,270,303	1,286,476	16,173
Education of the gifted	537,369	537,369	544,211	6,842
Vocational education	556,561	556,561	563,647	7,086
Special education	6,007,022	6,007,022	6,083,504	76,482
Remedial education	4,471,681	4,471,681	4,528,615	56,934
Incentive:				
Add'l Assistance Retire, Inflation & Preschool	3,890,821	3,890,821	3,926,009	35,188
Early Reading Specialist Initiatives	413,507	413,507	639,057	225,550
Math/Reading Instructional Specialist	571,513	571,513	571,513	-
Rebenchmarking Hold Harmless	4,729,951	4,729,951	4,729,951	-
Supplemental GF Payments	1,907,474	1,907,474	1,907,474	-
Categorical:				
Special education - homebound payments	66,539	66,539	12,719	(53,820)
Lottery:				
At risk	14,896,074	14,896,074	15,085,982	189,908
Foster children education	427,656	427,656	375,303	(52,353)
K-3 class size reduction	5,664,367	5,664,367	5,328,032	(336,335)
SOL algebra readiness	396,538	396,538	373,894	(22,644)
Virginia preschool initiative	4,275,629	4,275,629	3,380,380	(895,249)
Cultural transition - English as a second language	2,390,280	2,390,280	2,765,356	375,076
State sales tax	31,864,525	31,864,525	34,342,631	2,478,106
Other State Agencies	5,126,633	5,126,633	5,197,521	70,888
Total Commonwealth of Virginia	150,626,998	150,626,998	151,002,180	375,182
Federal government:				
Impact aid Public Law 103-382	180,000	180,000	94,055	(85,945)
Army Reserve	480,000	480,000	456,614	(23,386)
Total federal government	660,000	660,000	550,669	(109,331)
Total intergovernmental revenues	351,594,623	351,594,623	351,860,474	265,851
Miscellaneous revenues	1,924,400	1,924,400	1,024,252	(900,148)
Total revenues	353,519,023	353,519,023	352,884,726	(634,297)
Total amounts available for expenditure	\$ 354,204,907	361,780,091	361,145,794	(634,297)

See accompanying note to Budgetary Comparison Schedule and Report of Independent Auditor

(Continued)

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
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Budgetary Comparison Schedule (Unaudited)

General Fund

For The Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Personnel services - salaries and wages	\$ 206,264,456	205,381,169	200,675,849	4,705,320
Employee benefits	91,846,518	89,694,274	83,273,259	6,421,015
Purchased services:				
Service contracts	4,409,107	4,985,649	4,460,972	524,677
Professional services	2,301,500	2,580,793	2,906,698	(325,905)
Tuition	7,838,831	8,191,377	7,178,482	1,012,895
Temporary services	185,000	147,581	125,112	22,469
Nonprofessional services	3,350,670	3,655,862	3,265,541	390,321
Repairs and maintenance	1,739,200	3,293,601	2,820,606	472,995
Total purchased services	19,824,308	22,854,863	20,757,411	2,097,452
Other charges:				
Advertising	61,600	99,138	77,884	21,254
Student transportation	6,730,785	9,680,898	9,947,938	(267,040)
Insurance	1,369,350	1,253,847	1,248,328	5,519
Utilities	7,401,666	9,056,333	9,587,507	(531,174)
Communications	1,169,880	962,985	854,017	108,968
Rentals	780,200	786,020	620,296	165,724
Total other charges	17,513,481	21,839,221	22,335,970	(496,749)
Materials and supplies:				
Supplies	6,442,967	8,137,822	6,472,439	1,665,383
Printing and binding	95,475	96,123	61,850	34,273
Books and periodicals	303,420	328,417	263,687	64,730
Textbooks	1,140,250	1,017,182	911,621	105,561
Other	65,795	73,002	68,807	4,195
Total materials and supplies	8,047,907	9,652,546	7,778,404	1,874,142
Other operating expenditures:				
Staff development	525,100	620,443	439,259	181,184
Dues and fees	152,550	150,708	138,595	12,113
Travel	238,603	172,619	140,312	32,307
Commencement	116,290	120,908	71,186	49,722
Awards	46,510	51,413	26,528	24,885
Other	1,026,190	1,449,706	1,941,439	(491,733)
Total other operating expenditures	2,105,243	2,565,797	2,757,319	(191,522)
Capital outlay:				
Equipment additions	553,405	1,623,855	1,459,763	164,092
Equipment replacement	135,500	277,351	302,685	(25,334)
Total capital outlay	688,905	1,901,206	1,762,448	138,758
Total expenditures	\$ 346,290,818	353,889,076	339,340,660	14,548,416

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
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June 30, 2023

Budgetary Comparison Schedule (Unaudited)
General Fund
For The Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive
				(Negative)
Other financing uses:				
Payments for Debt Service	\$ 708,761	710,097	774,564	(64,467)
Transfers out to Other Funds	7,205,328	7,180,918	6,329,583	851,335
Total other financing uses	7,914,089	7,891,015	7,104,147	786,868
Total expenditures and other financing uses	354,204,907	361,780,091	346,444,807	15,335,284
Amounts available for expenditure over expenditures, other				
financing uses and encumbrances - budgetary basis	\$ -	-	14,700,987	14,700,987

See accompanying note to Budgetary Comparison Schedule and Report of Independent Auditor

(Continued)

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of The City of Richmond, Virginia)
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Budgetary Comparison Schedule (Unaudited)

General Fund

For The Fiscal Year Ended June 30, 2023

Amounts available for expenditure over expenditures, other financing uses and encumbrances - budgetary basis (Exhibit I)	\$ <u>14,700,987</u>
Reconciliation of amounts available for expenditure over expenditures, other financing uses and encumbrances - budgetary basis, to net change in fund balance - General Fund (Exhibit E):	
The amount of prior year assigned fund balance budgeted for expenditure in the current year is a budgetary resource above, but is not a current year revenue for financial reporting purposes	-
Changes in fund balance assigned for encumbrances:	
The amount of the prior year fund balance reserved for encumbrances, which was added to the current year's original budget (a "budgetary fund balance"), is a budgetary resource, above, but is not a current year revenue for financial reporting purposes:	
Prior year General Fund fund balance reserved for encumbrances, added to original budget	(8,261,068)
Encumbrances at June 30, 2020 for supplies and equipment ordered but not received as of June 30, 2020 are reported in the fiscal year the order is placed and are included in actual expenditures (budgetary basis), but are not current year expenditures for financial reporting purposes:	
Current year General Fund fund balance reserved for encumbrances, included in budgetary basis expenditures	<u>5,318,441</u>
Net change in General Fund fund balance reserved for encumbrances	<u>(2,942,627)</u>
Net reconciling items - legally adopted General Fund budget	<u>(2,942,627)</u>
Net change in fund balance - legally adopted General Fund budget	11,758,360
Revenues and other financing sources less than expenditures and other financing uses for General Fund activities not included in the General Fund's legally adopted budget, as amended	<u>(6,478,718)</u>
Net change in fund balance - General Fund (Exhibit E)	<u>5,279,642</u>
General Fund fund balance - July 1, 2022 (Exhibit E)	<u>17,300,467</u>
General Fund fund balance - June 30, 2023 (Exhibit E)	\$ <u><u>22,580,109</u></u>

See accompanying note to Budgetary Comparison Schedule and Report of Independent Auditor

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of The City of Richmond, Virginia)
June 30, 2023

Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2023

(A) Budgetary Accounting and Reporting

In accordance with accounting principles generally accepted in the United States of America (GAAP), the preceding Budgetary Comparison Schedule (the Schedule), which presents the School Board's original and final fiscal year 2023 legally adopted budgets and actual revenues and expenditures on a budgetary basis, is presented as required supplementary information to the basic financial statements. The data in the Schedule is presented on a basis consistent with the format, terminology and classifications of the School Board's legally adopted budget. Accordingly, the original budgeted amounts are presented as contained in the budget document first legally adopted by the School Board and City Council before the beginning of the fiscal year.

The final budgeted amounts include prior year encumbrances totaling \$8,261,068. Additionally, the final budget amounts include all other adjustments to the fiscal year 2023 budget as subsequently adopted by the School Board within the limitations described in the following paragraph. The budget and Schedule are principally prepared on the modified accrual basis of accounting, except that the expenditures in the "Actual Amounts" column of the Schedule are stated on the School Board's budgetary basis, which includes in actual expenditures the encumbrances established in fiscal year 2021 that remain outstanding at June 30, 2022. The Schedule also presents a reconciliation of the following (1) the amounts available for expenditure over expenditures, other financing uses and encumbrances – budgetary basis, and (2) the net change in fund balance of the General Fund, as presented on Exhibit E in accordance with GAAP.

The School Board's budget is controlled at certain legal as well as administrative levels. The legal level is placed at the fund level of the School Board's legally adopted budget, and the administrative controls are placed at the area level (e.g., elementary education, secondary education, instruction and accountability, operations, financial services, etc.). Management may amend the approved budget at the administrative control level (i.e., between areas) within the legally adopted budget. Revisions, other than federal and state revenues received in excess of budgeted amounts, which alter the total expenditures of the School Board's legally adopted operating budget, must be approved by the City Council and the School Board.

The School Board did not receive any supplemental appropriations during fiscal year 2023. Revenues and expenditures in the Schedule do not reflect \$29,765,889 in debt service expenditures paid by the City during fiscal year 2023 on City debt incurred for construction and renovation of School Board occupied buildings. See page 17 in the accompanying Management's Discussion and Analysis section of this report for a brief discussion of significant budget amendments made to the fiscal year 2023 budget.

The School Board follows these procedures, which comply with legal requirements, in establishing the budgetary data reflected in the Budgetary Comparison Schedule:

- On or before April 7, the School Board submits to the City Council a proposed operating budget for the General Fund (excluding certain activities) for the forthcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to May 31, the budget is legally enacted through passage of an ordinance by the City Council

The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Required Supplementary Information (Unaudited)
Virginia Retirement System - Teachers' Pool Defined Benefit Pension

Schedule of School Board's Proportionate Share of the Net Pension Liability

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employer's Proportion of the Net Pension Liability	1.98763%	2.08976%	2.05445%	1.99429%	2.04398%	2.03985%	1.87153%	2.17057%	2.17313%
Employer's Proportionate Share of the Net Pension Liability	\$ 240,200,000	\$ 263,025,000	\$ 287,913,000	\$ 245,257,000	\$ 240,372,000	\$ 268,455,852	\$ 272,356,764	\$ 168,503,463	\$ 206,894,986
Employer's Covered Payroll	145,411,575	154,302,499	156,534,418	157,824,657	165,997,769	171,700,103	164,842,257	193,494,970	203,718,872
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	165.19%	170.46%	183.93%	155.40%	144.80%	156.35%	165.22%	87.08%	101.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%	70.88%	68.28%	72.92%	74.81%	73.51%	71.47%	85.46%	82.61%

Note: Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of School Board Contributions

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contribution	\$ 22,213,653	\$ 21,698,577	\$ 22,625,071	\$ 26,416,038	\$ 26,088,980	\$ 24,729,472	\$ 30,686,766	\$ 33,876,218	\$ 32,866,846
Contribution in Relation to Contractually Required Contribution	22,213,653	21,698,577	22,625,071	26,416,038	26,088,980	24,729,472	30,686,766	33,876,218	32,866,846
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered Payroll	\$ 154,302,499	\$ 156,534,418	\$ 157,824,657	\$ 165,997,769	\$ 171,700,103	\$ 164,842,257	\$ 193,494,970	\$ 203,718,872	\$ 209,043,383
Contribution as a Percentage of Covered Payroll	14.40%	13.86%	14.34%	15.91%	15.19%	15.00%	15.86%	16.63%	15.72%

Notes to Schedule:

Contractually determined contributions are developed using the entry age normal cost method for both normal costs and amortization of the unfunded actuarial accrued liability. There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost
Amortization method	Level percent closed
Amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation rate	2.50%
Projected salary increases	3.5% - 5.95% per annum, compounded annually
Investment rate of return	6.75% - net pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)

Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020

Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for

Plan 2/Hybrid; changed final retirement age from 75 to 80 for all

Adjusted rates to better fit experience at each year age and

service through 9 years of service

Adjusted rates to better match experience

No change

Decrease rate from 7.00% to 6.75%

Retirement Rates

Withdrawal Rates

Disability Rates

Salary Scale

Discount Rate

Note: Schedules are intended to show information for 10 years. Additional years will be included as they become available.

The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Required Supplementary Information (Unaudited)
Virginia Retirement System - Agent Multiple - Employer Defined Benefit Pension

Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Pension Liability									
Service Cost	\$ 1,175,744	\$ 1,123,622	\$ 1,072,503	\$ 984,675	\$ 924,704	\$ 931,985	\$ 932,848	\$ 897,308	\$ 924,519
Interest	3,220,446	3,386,810	3,471,546	3,599,682	3,631,149	3,669,149	3,725,943	3,879,584	4,072,963
Changes of assumptions	-	-	-	(69,026)	-	1,451,246	-	1,809,256	-
Differences between expected and actual experience	-	(1,015,494)	(109,269)	(1,314,051)	(1,091,421)	(165,162)	873,991	(1,135,152)	332,596
Benefit payments, including refunds of employee contributions	(2,024,298)	(2,014,839)	(2,554,008)	(2,654,524)	(2,848,964)	(2,994,203)	(3,214,729)	(3,298,511)	(3,722,789)
Net Change in total pension liability	2,371,892	1,480,099	1,880,772	546,756	615,468	2,893,015	2,318,053	2,152,485	1,607,289
Plan total pension liability - beginning	47,018,522	49,390,414	50,870,513	52,751,285	53,298,041	53,913,509	56,806,524	59,124,577	61,277,062
Plan total pension liability - ending	<u>\$49,390,414</u>	<u>\$50,870,513</u>	<u>\$52,751,285</u>	<u>\$53,298,041</u>	<u>\$53,913,509</u>	<u>\$56,806,524</u>	<u>\$59,124,577</u>	<u>\$61,277,062</u>	<u>\$ 62,884,351</u>
Plan Fiduciary Net Position									
Contributions - employer	\$ 962,453	\$ 938,862	\$ 901,358	\$ 654,603	\$ 652,943	\$ 513,648	\$ 483,847	\$ 581,708	\$ 619,324
Contributions - employee	519,729	515,006	492,294	481,420	484,459	489,204	475,570	510,132	542,133
Net investment income	6,397,547	2,122,831	814,849	5,737,284	3,788,890	3,529,958	1,045,249	14,574,865	(36,341)
Benefit payments, including refunds of employee contributions	(2,024,298)	(2,014,839)	(2,554,008)	(2,654,524)	(2,848,964)	(2,994,203)	(3,214,729)	(3,298,511)	(3,722,789)
Administrative expense	(34,623)	(29,190)	(30,179)	(33,920)	(33,435)	(36,226)	(36,861)	(37,466)	(41,828)
Other changes	337	(447)	(350)	(5,074)	(3,349)	(2,214)	(1,222)	(69,115)	(46,618)
Net change in Plan fiduciary net position	5,821,145	1,532,223	(376,036)	4,179,789	2,040,544	1,500,167	(1,248,146)	12,261,613	(2,686,119)
Plan fiduciary net position - beginning	40,759,591	46,580,736	48,112,959	47,736,923	51,916,712	53,957,256	55,457,423	54,209,277	66,470,890
Plan fiduciary net position - ending	<u>\$46,580,736</u>	<u>\$48,112,959</u>	<u>\$47,736,923</u>	<u>\$51,916,712</u>	<u>\$53,957,256</u>	<u>\$55,457,423</u>	<u>\$54,209,277</u>	<u>\$66,470,890</u>	<u>\$ 63,784,771</u>
Plan Net Pension Liability (Asset) - ending	<u>\$ 2,809,678</u>	<u>\$ 2,757,554</u>	<u>\$ 5,014,362</u>	<u>\$ 1,381,329</u>	<u>\$ (43,747)</u>	<u>\$ 1,349,101</u>	<u>\$ 4,915,300</u>	<u>\$ (5,193,828)</u>	<u>\$ (900,420)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.31%	94.58%	90.49%	97.41%	100.08%	97.63%	91.69%	108.48%	101.43%
Covered Payroll	10,439,997	\$10,371,830	\$10,006,621	\$ 9,665,197	\$10,289,245	\$10,363,973	\$10,366,932	\$11,302,888	\$ 12,087,529
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	26.91%	26.59%	50.11%	14.29%	-0.43%	13.02%	47.41%	-45.95%	-7.45%

Notes to Schedule:

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Required Supplementary Information (Unaudited)
Virginia Retirement System - Agent Multiple-Employer Defined Benefit Pension

	Schedule of School Board Contributions								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contribution	\$ 933,943	\$ 895,436	\$ 630,513	\$ 659,089	\$ 507,841	\$ 502,798	\$ 592,854	\$ 627,053	\$ 665,254
Contribution in Relation to Contractually Required Contribution	933,943	895,436	630,513	659,089	507,841	502,798	592,854	627,053	665,254
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered Payroll	\$ 10,371,830	\$ 10,006,621	\$ 9,665,197	\$ 10,289,245	\$ 10,363,973	\$ 10,366,932	\$ 11,302,888	\$ 12,087,529	\$ 14,112,995
Contribution as a Percentage of Covered Payroll	9.00%	9.00%	7.00%	6.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age normal cost method for both normal costs and amortization of the unfunded actuarial accrued liability. There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent closed
Amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation rate	2.50%
Projected salary increases	3.5% - 5.35% per annum, compounded annually
Investment rate of return	6.75% per annum, compounded annually

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Note: Schedules are intended to show information for 10 years. Additional years will be included as they become available.

The School Board of The City of Richmond, Virginia
(A Component Unit of The City of Richmond, Virginia)
Required Supplementary Information (Unaudited)
Early Retirement Incentive Plan For Employees of Richmond Public Schools

Schedule of Changes in Net Pension Liability and Related Ratios

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Service Cost	\$ 159,179	\$ 103,547	\$ 93,753	\$ 83,958	\$ 69,158	\$ 54,357	\$ 39,651	\$ 32,477	\$ 25,129	\$ 17,781
Interest	227,498	249,514	217,870	164,265	138,494	121,548	74,326	37,417	31,378	34,168
Differences between expected and actual experience	1,484,614	-	(689,366)	-	110,861	-	(35,631)	28,494	3,153	12,316
Changes in assumptions	-	-	-	-	13,671	-	42,303	46,072	25,250	(41,935)
Benefit payments, including refunds of employee contributions	(1,127,237)	(1,246,022)	(1,248,767)	(1,039,304)	(900,129)	(703,012)	(618,918)	(565,086)	(514,436)	(407,572)
Net Change in total pension liability	744,054	(892,961)	(1,626,510)	(791,081)	(567,945)	(527,107)	(498,269)	(420,626)	(429,526)	(385,242)
Plan total pension liability - beginning	6,904,383	7,648,437	6,755,476	5,128,966	4,337,885	3,769,940	3,242,833	2,744,564	2,323,938	1,894,412
Plan total pension liability - ending	\$ 7,648,437	\$ 6,755,476	\$ 5,128,966	\$ 4,337,885	\$ 3,769,940	\$ 3,242,833	\$ 2,744,564	\$ 2,323,938	\$ 1,894,412	\$ 1,509,170
Plan fiduciary net position										
Contribution - employer	\$ -	\$ 1,000,000	\$ 1,100,000	\$ 1,202,536	\$ 1,200,000	\$ 1,000,000	\$ -	\$ 500,000	\$ -	\$ 500,000
Net investment income	2,195	292	8,773	7,819	5,752	9,533	7,070	93	398	7,954
Benefit payments, including refunds of employee contributions	(1,127,237)	(1,246,022)	(1,248,767)	(1,039,304)	(900,129)	(703,012)	(618,918)	(565,086)	(514,436)	(407,572)
Administrative expense	(1,302)	-	-	-	-	-	-	-	-	-
Net change in Plan fiduciary net position	\$ (1,126,344)	\$ (245,730)	\$ (139,994)	\$ 171,051	\$ 305,623	\$ 306,521	\$ (611,848)	\$ (64,993)	\$ (514,038)	\$ 100,382
Plan fiduciary net position - beginning	2,288,629	1,162,285	916,555	776,561	947,612	1,253,235	1,559,756	947,908	882,915	368,877
Plan fiduciary net position - ending	\$ 1,162,285	\$ 916,555	\$ 776,561	\$ 947,612	\$ 1,253,235	\$ 1,559,756	\$ 947,908	\$ 882,915	\$ 368,877	\$ 469,259
Plan net pension liability - ending	\$ 6,486,152	\$ 5,838,921	\$ 4,352,405	\$ 3,390,273	\$ 2,516,705	\$ 1,683,077	\$ 1,796,656	\$ 1,441,023	\$ 1,525,535	\$ 1,039,911
Plan fiduciary net position as a percentage of the total pension liability	15.20%	13.57%	15.14%	21.85%	33.24%	48.10%	34.54%	37.99%	19.47%	31.09%
Covered employee payroll	\$ 13,900,000	\$ 13,900,000	\$ 12,200,000	\$ 12,200,000	\$ 7,827,462	\$ 7,827,462	\$ 5,778,668	\$ 5,778,668	\$ 3,303,853	\$ 3,303,853
Plan net position liability as a percentage of covered payroll	46.66%	42.01%	35.68%	27.79%	32.15%	21.50%	31.09%	24.94%	46.17%	31.48%

Notes to Schedule:

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Annual money-weighted rate of return

Note: Schedules are intended to show information for 10 years. Additional years will be included as they become available.

The School Board of The City of Richmond, Virginia
(A Component Unit of The City of Richmond, Virginia)
Required Supplementary Information (Unaudited)
Early Retirement Incentive Plan For Employees of Richmond Public Schools

	<u>Schedule of School Board Contributions</u>									
	2014	2015	2016	2017	2018	2019 *	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 1,397,361	\$ 1,841,364	\$ 1,600,000	\$ 1,192,570	\$ 932,769	\$ 695,495	\$ 466,175	\$ 487,662	\$ 388,275	\$ 403,157
Contributions in Relation to Contractually Required Contribution	-	1,000,000	1,100,000	1,202,536	1,200,000	1,000,000	-	500,000	-	500,000
Contribution Deficiency (Excess)	\$ 1,397,361	\$ 841,364	\$ 500,000	\$ (9,966)	\$ (267,231)	\$ (304,505)	\$ 466,175	\$ (12,338)	\$ 388,275	\$ (96,843)
Covered Employee Payroll	\$ 13,900,000	\$ 13,900,000	\$ 12,200,000	\$ 12,200,000	\$ 7,827,462	\$ 7,827,462	\$ 5,778,668	\$ 5,778,668	\$ 3,303,853	\$ 3,303,853
Contributions as a Percentage of Covered Payroll	10.05%	13.25%	13.11%	9.78%	11.92%	12.78%	0.00%	8.65%	0.00%	15.13%

Notes to Schedule:
 Actuarially determined contributions are developed using the entry age normal cost method for both normal costs and amortization of the unfunded actuarial accrued liability. There have been no significant changes to the benefit provisions since the prior actuarial valuation.

*Prior to 2019, the contributions as a percentage of covered-payroll were calculated based on the actuarially determined contribution. Starting in 2019, it was calculated using the actual contributions made.

The following changes were made to the actuarial assumptions since July 1, 2022 (the prior valuation):

Assumed long-term rate of return

Changed from 2.0% to 3.0%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level Dollar
Amortization period	5 years
Asset valuation method	market value method
Projected salary increases	4.0% per annum, compounded annually
Investment rate of return	2.0% per annum, compounded annually
Mortality- Pre Retirement	RP-2014 Employee Mortality Table projected with Scale BB to 2022. Future mortality improvement is projected to be fully generational with Scale BB
Mortality- Post Retirement	RP-2014 Employee Mortality Table projected with Scale BB to 2022. Future mortality improvement is projected to be fully generational with Scale BB

Note: Schedules are intended to show information for 10 years. Additional years will be included as they become available.

The School Board of The City of Richmond, Virginia
(A Component Unit of The City of Richmond, Virginia)
Required Supplementary Information (Unaudited)
Other Postemployment Health Benefits

Schedule of Changes in Total OPEB Liability and Related Ratios

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB Liability						
Service Cost	\$ 3,226,190	\$ 3,387,500	\$ 4,260,272	\$ 4,430,683	\$ 4,548,539	\$ 2,254,812
Interest	721,357	823,011	847,150	980,023	1,110,351	971,274
Differences between expected and actual experience	-	-	(26,031)	-	(8,581,693)	-
Changes in assumptions	-	-	630,896	-	(12,111,724)	-
Benefit payments	(664,435)	(697,657)	(853,349)	(887,483)	(629,002)	(666,742)
Net Change in total OPEB Liability	3,283,112	3,512,854	4,858,938	4,523,223	(15,663,529)	2,559,344
Plan total OPEB liability - beginning	21,644,857	24,927,969	28,440,823	33,299,761	37,822,984	22,159,455
Plan total OPEB liability - ending	<u>\$ 24,927,969</u>	<u>\$ 28,440,823</u>	<u>\$ 33,299,761</u>	<u>\$ 37,822,984</u>	<u>\$ 22,159,455</u>	<u>\$ 24,718,799</u>
Covered employee payroll	\$ 176,287,014	\$ 182,064,076	\$ 152,387,285	\$ 158,482,776	\$ 169,396,549	\$ 173,631,463
Total OPEB liability as a percentage of covered payroll	14.14%	15.62%	21.85%	23.87%	13.08%	14.24%

Schedule of School Board Contributions

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially Determined Contribution	\$ 4,704,928	\$ 5,149,522	\$ 6,299,276	\$ 6,917,607	\$ 7,503,783	\$ 4,266,271
Contribution in Relation to Actuarially Required Contribution	664,435	697,657	853,349	887,483	629,002	666,742
Contribution Deficiency	<u>\$ 4,040,493</u>	<u>\$ 4,451,865</u>	<u>\$ 5,445,927</u>	<u>\$ 6,030,124</u>	<u>\$ 6,874,781</u>	<u>\$ 3,599,529</u>
Covered employee payroll	\$ 176,287,014	\$ 182,064,076	\$ 152,387,285	\$ 158,482,776	\$ 169,396,549	\$ 173,631,463
Total Contributions as a Percentage of Covered Payroll	0.38%	0.38%	0.56%	0.56%	0.37%	0.38%

The actuarial assumptions used in the June 30, 2022, valuation were based on the June 30, 2022 actuarial valuation with a measurement date of June 30, 2022. Changes to the actuarial assumptions since the last actuarial valuation are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to match the 2021 Virginia Retirement System Assumptions
Retirement Rates	Updated to match the 2021 Virginia Retirement System Assumptions
Withdrawal Rates	Updated to match the 2021 Virginia Retirement System Assumptions
Disability Rates	Updated to match the 2021 Virginia Retirement System Assumptions
Discount Rate	Discount rate increased from 2.66% to 4.09%
Medical Trend	Updated to follow the Getzen model after a two year transisiton starting at 6.00% and grading down to 5.50%

Note: Schedules are intended to show information for 10 years. Additional years will be included as they become available.
No assets are accumulated in a trust that meets the requirements under GAAP to be considered an irrevocable trust.

The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Required Supplementary Information (Unaudited)
Virginia Retirement System - Teacher Employee Health Insurance Credit Program

Schedule of School Board's Proportionate Share of the Net HIC OPEB Liability

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Employer's Proportion of the Net HIC OPEB Liability	2.00564%	2.05190%	2.04928%	1.88523%	2.18930%	2.18990%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 25,444,000	\$ 26,052,441	\$ 26,827,068	\$ 24,593,137	\$ 28,101,180	\$ 27,352,870
Employer's Covered Payroll	165,997,769	176,287,014	182,064,076	175,209,189	193,494,970	203,718,872
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll	15.33%	14.78%	14.73%	14.04%	14.52%	13.43%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	7.04%	8.08%	8.97%	9.95%	13.15%	13.43%

Note: Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of School Board Contributions

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually Required Contribution	\$ 1,756,965	\$ 1,923,687	\$ 2,043,645	\$ 2,123,679	\$ 2,443,893	\$ 2,553,538	\$ 2,669,266
Contribution in Relation to Contractually Required Contribution	<u>1,756,965</u>	<u>1,923,687</u>	<u>2,043,645</u>	<u>2,123,679</u>	<u>2,443,893</u>	<u>2,553,538</u>	<u>2,669,266</u>
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered Payroll	\$ 165,997,769	\$ 176,287,014	\$ 182,064,076	\$ 175,209,189	\$ 193,494,970	\$ 203,718,872	\$ 209,043,383
Contribution as a Percentage of Covered Payroll	1.06%	1.09%	1.12%	1.21%	1.26%	1.25%	1.28%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age normal cost method for both normal costs and amortization of the unfunded actuarial accrued liability. There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost
Inflation rate	2.50%
Projected salary increases	3.5% - 5.95% per annum, compounded annually
Investment rate of return	6.75% - net pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Note: Schedules are intended to show information for 10 years. Additional years will be included as they become available.

The School Board of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Required Supplementary Information (Unaudited)
Virginia Retirement System - Group Life Insurance Program

Schedule of School Board's Proportionate Share of the Net GLI OPEB Liability - Teachers

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Employer's Proportion of the Net GLI OPEB Liability	0.86623%	0.88397%	0.88247%	0.80919%	0.94131%	94.22100%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 13,035,000	\$ 13,425,000	\$ 14,360,136	\$ 13,504,057	\$ 10,959,403	\$ 11,345,117
Employer's Covered Payroll	165,997,769	176,287,014	171,700,103	164,842,257	193,494,970	203,718,872
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	7.85%	7.62%	8.36%	8.19%	5.66%	5.57%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%

Schedule of School Board's Proportionate Share of the Net GLI OPEB Liability - General Employees

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Employer's Proportion of the Net GLI OPEB Liability	0.05414%	0.05461%	0.05364%	0.05064%	0.05480%	0.05557%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 815,000	\$ 829,000	\$ 872,866	\$ 845,098	\$ 638,020	\$ 669,116
Employer's Covered Payroll	9,665,197	10,289,245	10,363,973	10,366,932	11,302,888	12,087,529
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll	8.43%	8.06%	8.42%	8.15%	5.64%	5.54%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	52.64%	52.64%

Note: Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of School Board Contributions

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually Required Contribution	\$ 882,783	\$ 934,402	\$ 946,223	\$ 979,020	\$ 1,097,734	\$ 1,148,364	\$ 1,193,136
Contribution in Relation to Contractually Required Contribution	<u>882,783</u>	<u>934,402</u>	<u>946,223</u>	<u>979,020</u>	<u>1,097,734</u>	<u>1,148,364</u>	<u>1,193,136</u>
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered Payroll	\$ 9,665,197	\$ 10,289,245	\$ 10,363,973	\$ 10,366,932	\$ 11,302,888	\$ 12,087,529	\$ 14,112,995
Contribution as a Percentage of Covered Payroll	9.13%	9.08%	9.13%	9.44%	9.71%	9.50%	8.45%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age normal cost method for both normal costs and amortization of the unfunded actuarial accrued liability. There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost
Inflation rate	2.50%
Projected salary increases	
Teachers-	3.5% - 5.95% per annum, compounded annually
Locality - General employees	3.5% - 5.35% per annum, compounded annually
Investment rate of return	6.75%-net pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Note: Schedules are intended to show information for 10 years. Additional years will be included as they become available.



Statistical Section (unaudited)

Financial Trends of the School Board of the City of Richmond, Virginia

Tables 1 – 6

These tables contain trend information on the School Board’s financial performance and how the financial health of the School Board has changed over time

Demographic Information of the School Board of the City of Richmond, Virginia

Tables 7-15

These tables offer demographic and economic indicators of the environment within which the School Board’s financial activities take place



Table 1

**THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)**

General Fund Expenditures by Function (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Instruction</u>	<u>Administration</u>	<u>Attendance and Health</u>	<u>Pupil Transportation</u>
2014	\$ 191,475,518	7,321,981.00	6,147,526.00	12,297,290.00
2015	204,674,172	7,035,457	8,031,105	11,999,751
2016	207,000,623	6,881,216	8,618,021	13,042,019
2017	212,982,638	8,094,545	8,901,457	14,065,274
2018	227,395,507	8,602,114	9,343,539	13,901,503
2019	234,604,825	9,624,343	9,859,460	14,385,405
2020	235,873,920	9,548,359	10,397,103	15,690,062
2021	251,906,437	10,774,645	12,694,806	10,293,038
2022	254,320,311	11,367,900	13,384,260	19,695,367
2023	257,405,941	11,989,456	13,596,082	26,962,912

Source: Department Finance-Annual Comprehensive Financial Report

**THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)**

General Fund Expenditures by Function (Unaudited)

Last Ten Fiscal Years			
Nutrition Services	Operations and Maintenance	Facilities Services	Total Operating Expenditures
-	27,408,239	94,105	244,744,659
-	28,395,502	346,098	260,482,085
38,397	26,564,369	323,510	262,429,758
65,750	27,519,894	331,719	271,961,277
70,062	27,614,280	146,538	287,073,543
68,962	28,667,996	26,826	297,237,817
223,886	27,778,552	130,181	299,642,063
178,489	28,820,939	479,177	315,147,531
98,291	33,053,238	713,360	332,632,727
57,976	34,835,002	604,876	345,452,245

Table 2

**THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)**

General Fund Revenues by Sources (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30	City of Richmond	Commonwealth of Virginia	Federal Government	Other	Total
2014	\$ 129,972,012	112,997,327	775,154	1,511,554	245,256,047
2015	137,219,584	123,309,547	762,284	1,234,890	262,526,305
2016	145,999,656	123,266,394	653,832	2,515,045	272,434,927
2017	151,521,909	128,864,668	612,190	2,925,720	283,924,487
2018	158,975,683	132,022,970	469,730	2,924,053	294,392,436
2019	156,721,265	129,091,995	501,022	1,871,053	288,185,335
2020	175,193,144	131,022,468	500,363	2,338,119	309,054,094
2021	180,719,490	142,963,878	1,234,948	2,032,939	326,951,255
2022	185,307,625	151,158,341	559,736	3,764,456	340,790,158
2023	200,307,625	151,837,547	550,669	1,398,945	354,094,786

Source: Department Finance-Comprehensive Annual Financial Report

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

NET POSITION OF GOVERNMENTAL ACTIVITIES (unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Current, other assets and deferred outflows	\$ 66,029,831	\$ 94,133,386	\$ 120,113,784	\$ 144,821,329	\$ 132,537,121	\$ 118,588,914	\$ 155,736,909	\$ 173,952,243	\$ 193,979,410	\$ 196,031,798
Software and licenses assets, net	-	-	-	-	-	-	-	-	-	2,258,042
Right to use assets, net	-	-	-	-	-	-	-	-	694,665	148,376
Capital assets, net	12,061,538	17,900,970	17,784,205	17,621,119	18,841,221	17,627,911	17,826,470	21,803,847	28,006,540	28,502,203
Total assets and deferred outflows	78,091,369	112,034,356	137,897,989	162,442,448	151,378,342	136,216,825	173,563,379	195,756,090	222,680,615	226,940,419
Long-term liabilities	44,545,513	299,417,562	322,389,011	351,814,284	330,188,103	326,517,821	362,429,260	372,926,764	246,426,933	291,315,520
Other liabilities and deferred inflows	48,284,858	95,720,679	86,854,394	78,438,709	102,087,706	93,201,214	89,509,727	104,192,995	225,177,750	144,745,228
Total liabilities and deferred inflows	92,830,371	395,138,241	409,243,405	430,252,993	432,275,809	419,719,035	451,938,987	477,119,759	471,604,683	436,060,748
Net Position										
Net investment in capital assets	6,564,752	6,185,885	7,340,267	8,506,298	13,697,500	13,118,462	14,706,078	18,683,455	25,579,867	25,908,937
Restricted	5,466,168	7,466,678	7,556,462	6,216,180	10,371,005	10,365,712	20,226,391	13,417,004	10,230,582	10,894,936
Unrestricted	(26,769,922)	(296,756,448)	(286,242,145)	(282,533,023)	(304,965,972)	(306,986,384)	(313,308,077)	(313,464,128)	(284,734,517)	(245,924,202)
Total net position	\$ (14,739,002)	\$ (283,103,885)	\$ (271,345,416)	\$ (267,810,545)	\$ (280,897,467)	\$ (283,502,210)	\$ (278,375,608)	\$ (281,363,669)	\$ (248,924,068)	\$ (209,120,329)

Source: Department Finance-Annual Comprehensive Financial Report

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

Changes in Net Position (unaudited)

Last Ten Fiscal Years

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental Activities:										
Instruction	\$ 241,275,324	\$ 248,355,694	\$ 252,484,468	\$ 270,858,988	\$ 273,780,265	\$ 274,808,115	\$ 295,277,542	\$ 320,808,394	\$ 334,156,409	\$ 320,467,541
Support Services:										
Administration	7,286,658	7,100,438	7,056,032	8,233,311	8,727,557	9,983,574	9,921,185	11,240,924	11,730,891	9,837,631
Attendance and Health	6,838,649	8,813,459	9,266,650	9,575,303	9,811,064	10,321,994	10,890,219	14,280,035	17,204,953	17,448,630
Nutrition Services	12,187,901	13,938,935	15,583,098	17,019,464	17,444,128	18,372,198	17,843,670	12,944,839	18,724,265	17,110,791
Pupil Transportation	13,085,753	13,183,819	15,553,132	15,399,783	14,977,506	15,478,318	16,790,476	11,236,485	20,479,533	28,601,898
Operations and Maintenance	27,641,438	28,886,797	27,597,089	28,362,353	28,902,254	29,317,595	27,090,542	31,081,575	36,774,203	38,458,864
Facilities services	2,239,173	4,690,014	7,461,333	10,880,133	8,136,218	5,699,291	11,317,890	19,737,940	8,972,296	17,481,249
Total Support Services	69,279,272	76,613,462	82,517,334	89,470,347	87,998,727	89,172,970	93,853,982	100,521,798	113,886,141	128,939,063
Interest on long-term debt	304,556	296,374	293,133	309,684	224,036	238,239	209,220	179,020	145,663	112,113
Total School Board	\$ 310,859,152	\$ 325,265,530	\$ 335,294,935	\$ 360,639,019	\$ 362,003,028	\$ 364,219,324	\$ 389,340,744	\$ 421,509,212	\$ 448,188,213	\$ 449,518,717
Program Revenues										
Governmental Activities:										
Charges for services:										
Instruction	\$ 969,978	\$ 1,130,571	\$ 1,018,931	\$ 1,617,774	\$ 1,659,775	\$ 719,312	\$ 1,171,852	\$ 739,929	\$ 2,158,680	\$ 388,865
Support Services	1,538,989	838,434	923,464	861,295	797,242	659,822	308,455	86,787	81,521	377,567
Operating Grants and Contributions	101,575,153	107,632,147	114,437,351	122,267,343	126,650,477	115,168,411	118,001,571	140,086,556	200,214,919	176,755,234
Capital Grants and Contributions	771,000	7,050,000	8,326,632	9,000,000	6,165,326	6,131,000	19,100,000	4,100,000	2,200,000	8,813,971
Total School Board	104,855,120	116,651,152	124,706,378	133,746,412	135,272,820	122,678,545	138,581,878	145,013,272	204,655,120	186,335,637
Total Net Expense	\$ (206,004,032)	\$ (208,614,378)	\$ (210,588,557)	\$ (226,892,607)	\$ (226,730,208)	\$ (241,540,779)	\$ (250,758,866)	\$ (276,495,940)	\$ (243,533,093)	\$ (263,183,080)
General Revenues										
Intergovernmental aid not restricted to specific purposes:										
City of Richmond, Virginia	\$ 129,972,012	\$ 137,219,584	\$ 145,999,656	\$ 151,521,909	\$ 158,976,674	\$ 156,721,509	\$ 175,193,144	\$ 180,719,490	\$ 185,307,625	\$ 200,307,625
Commonwealth of Virginia	71,249,521	76,291,517	75,676,771	78,423,498	81,182,372	81,911,829	80,230,781	89,791,850	89,058,171	92,876,407
Other	923,476	396,866	670,599	482,071	427,439	302,698	461,543	1,414,029	1,606,898	6,956,874
Total General Revenues	202,145,009	213,907,967	222,347,026	230,427,478	240,586,485	238,936,036	255,885,468	271,925,369	275,972,694	300,140,906
Change in Net Position	\$ (3,859,023)	\$ 5,293,589	\$ 11,758,469	\$ 3,534,871	\$ 13,856,277	\$ (2,604,743)	\$ 5,126,602	\$ (4,570,571)	\$ 32,439,601	\$ 36,957,826

Source: Department Finance-Annual Comprehensive Financial Report

Table 5

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

FUND BALANCES OF GOVERNMENTAL FUNDS (unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Non-Spendable	\$ 322,440	\$ 581,221	\$ 234,365	\$ 288,132	\$ 322,120	\$ 25,400	\$ 153,108	\$ 260,111	\$ 260,665	\$ 25,664
Committed	-	-	-	6,043,982	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	8,961,996	6,207,384
Assigned	4,167,911	4,324,569	7,513,080	16,526,024	18,037,409	4,924,195	8,179,431	12,942,247	1,898,561	5,133,245
Unassigned	6,470,566	4,993,322	8,343,982	1,570,616	417,008	974,584	1,834,471	685,884	3,370,189	11,213,816
Total General Fund	10,960,917	9,899,112	16,091,427	24,428,754	18,776,537	5,924,179	10,167,010	13,888,242	14,491,411	22,580,109
All Other Governmental Funds										
Non-Spendable	1,135,900	1,194,119	1,213,295	1,563,321	1,495,454	1,625,998	1,828,045	1,548,015	1,462,029	1,927,831
Restricted	3,082,024	5,076,314	5,108,338	3,710,789	5,733,428	5,261,447	5,875,389	19,861,711	14,137,081	20,053,572
Assigned	4,330,268	6,348,369	6,445,142	5,040,229	9,147,854	9,092,890	18,921,633	10,423,227	7,728,718	-
Unassigned	(1,764,136)	(2,876,732)	(3,548,456)	(1,390,854)	(2,286,768)	(2,185,191)	(4,336,500)	(18,347,207)	(11,844,090)	(11,086,467)
Total All Other Governmental Funds	6,784,056	9,742,070	9,218,319	8,923,485	14,089,968	13,795,144	22,288,567	13,485,746	11,483,738	10,894,936
Total Fund Balances	\$ 17,744,973	\$ 19,641,182	\$ 25,309,746	\$ 33,352,239	\$ 32,866,505	\$ 19,719,323	\$ 32,455,577	\$ 27,373,988	\$ 25,975,149	\$ 33,475,045

Note: The change in classification of fund balance amounts in 2011 is the result of the implementation of GASB statement 54. Further discussion and detail can be viewed in Notes to Financial Statements.

Source: Department Finance-Annual Comprehensive Financial Report

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (unaudited)
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Intergovernmental	\$ 303,250,480	\$ 327,923,549	\$ 343,606,068	\$ 360,203,846	\$ 372,407,572	\$ 359,600,446	\$ 390,650,463	\$ 413,814,736	\$ 478,047,311	\$ 472,376,342
Donations and special gifts	512,600	372,075	955,472	1,086,786	579,695	349,666	1,939,583	905,189	686,258	967,872
Charges for goods and services	2,555,772	2,065,644	1,981,205	1,681,872	1,154,742	1,249,226	1,192,867	373,651	620,763	782,604
Investment income	122,218	5,300	17,693	121,873	369,894	163,875	7,731	388,603	(170,486)	52,488
Other	1,396,041	899,470	2,138,992	2,515,170	2,758,366	1,671,510	2,279,258	2,927,661	6,187,676	13,576,163
Total Revenues	307,837,111	331,266,038	348,699,430	365,609,547	377,270,269	363,034,723	396,069,502	418,409,840	485,371,522	487,755,469
Expenditures										
Instruction	241,002,535	252,095,683	259,646,218	267,031,185	286,085,137	286,263,966	285,535,897	313,025,425	355,658,197	340,862,407
Support services	66,743,743	70,897,040	73,494,685	78,492,157	78,977,771	82,859,465	85,378,803	95,658,436	127,463,726	132,737,124
Capital outlay	2,569,215	11,657,340	8,229,859	10,404,913	8,497,959	6,185,964	11,545,482	15,486,245	655,346	8,176,888
Debt service:										
Interest	304,556	368,809	388,955	309,684	224,036	238,238	209,220	179,020	145,663	112,113
Principal	320,997	907,763	1,271,149	1,329,115	4,700,534	634,272	664,246	724,812	1,914,630	1,813,890
Total Expenditures	310,941,046	335,926,635	343,030,866	357,567,054	378,485,437	376,181,905	383,333,648	425,073,938	485,837,562	483,702,422
Excess (deficiency) of revenues over (under) expenditures	(3,103,935)	(4,660,597)	5,668,564	8,042,493	(1,215,168)	(13,147,182)	12,736,254	(6,664,098)	(466,040)	4,053,047
Other Financing sources (uses)										
Transfers in	1,579,288	2,492,818	6,266,477	6,428,569	17,164,570	8,143,379	8,278,412	10,898,767	9,443,137	6,329,583
Transfers out	(1,579,288)	(2,492,818)	(6,266,477)	(6,428,569)	(17,164,570)	(8,143,379)	(8,278,412)	(10,898,767)	(9,443,137)	(6,329,583)
Capital lease	-	6,556,806	-	-	729,434	-	-	-	1,876,257	637,793
Total other financing sources (uses), net	-	6,556,806	-	-	729,434	-	-	-	1,876,257	637,793
Net change in fund balances	\$ (3,103,935)	\$ 1,896,209	\$ 5,668,564	\$ 8,042,493	\$ (485,734)	\$ (13,147,182)	\$ 12,736,254	\$ (6,664,098)	\$ 1,410,217	\$ 4,690,840

Source: Department Finance-Annual Comprehensive Financial Report

**THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)**

Annual Per Pupil Cost (Unaudited)

Last Ten Fiscal Years

Fiscal / School Year	Per Pupil Cost
2013-2014	\$ 12,945
2014-2015	12,731
2015-2016	13,413
2016-2017	13,843
2017-2018	13,567
2018-2019	14,633
2019-2020	14,359
2020-2021	14,403
2021-2022	21,267
2022-2023	22,934 ⁽¹⁾

⁽¹⁾ As projected on Table 15 of the FY23 Annual School Report

Source: Virginia Department of Education, Annual School Report, Table #15

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

Attendance/Membership Statistics (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30	Year End Average Daily Attendance *	Year End Average Daily Membership *	Average Daily Attendance as a Percent of Average Daily Membership
2014	20,525	21,911	93.7%
2015	20,432	21,935	93.1%
2016	20,221	21,837	92.6%
2017	21,368	22,927	93.2%
2018	21,504	23,048	93.3%
2019	21,633	22,866	94.6%
2020	20,148	23,348	86.3%
2021	19,067	20,339	93.7%
2022	18,419	20,155	91.4%
2023**	18,441	20,102	91.7%

*Average Daily Attendance and Average Daily Membership is for all students Pre-K - 12

** As reported on the 2022-2023 End-of-Year Financial Verification Report; excluding enrollment in Virtual Program

Source: Virginia Department of Education Annual School Report Table # 8

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

Free and Reduced Lunch Data (unaudited)

Last Ten Fiscal Years							
Fiscal / School Year	SNP Membership	Number Free	Percent Free	Number Reduced	Percent Reduced	Number Free / Reduced	Percent Free / Reduced
2013 - 2014	23,367	16,506	70.6%	845	3.6%	17,351	74.3%
2014 - 2015	23,079	22,527	97.6%	-	0.0%	22,527	97.6%
2015 - 2016	23,222	22,664	97.6%	-	0.0%	22,664	97.6%
2016 - 2017	22,903	22,849	99.8%	-	0.0%	22,849	99.8%
2017 - 2018	22,798	22,798	100.0%	-	0.0%	22,798	100.0%
2018 - 2019	22,516	22,516	100.0%	-	0.0%	22,516	100.0%
2019 - 2020	22,086	22,086	100.0%	-	0.0%	22,086	100.0%
2020 - 2021*	-	-	-	-	-	-	-
2021 - 2022*	-	-	-	-	-	-	-
2022 - 2023	20,636	20,636	100.0%	-	0.0%	20,636	100.0%

Source: Virginia Department of Education-School Nutrition Programs(SNP); Free and Reduced Price Lunch Eligibility Report

*Data is not available.

Pursuant to the authority in Section 2202(a) of the Families First Coronavirus Response Act (P.L. 116-127), the U.S. Department of Agriculture cancelled certain administrative data reporting requirements for state agencies and LEAs operating the NSLP in the 2020-2021 school year.

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

Full-Time Equivalent Employees by Function (unaudited)
Last Ten Fiscal Years

Function	Fiscal Year									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023*</u>
Instruction ⁽¹⁾	2,814.0	2,976.0	3,123.0	3,203.0	2,923.0	2,785.7	2,781.5	2,927.0	2,947.3	2,985.1
Support Services:										
Administration, Attendance & Health	181.0	212.0	215.0	235.0	236.0	227.8	227.8	229.0	248.0	234.0
Nutrition Services	145.0	143.0	151.0	150.0	151.0	141.0	141.0	141.0	141.0	141.0
Pupil Transportation	271.0	267.0	223.0	233.0	248.0	228.0	228.0	232.0	211.0	227.0
Operations & Maintenance	326.0	297.0	284.0	283.0	283.0	291.0	291.0	289.0	309.0	310.0
Facilities	5.0	3.0	3.0	2.0	1.0	1.0	1.0	1.0	4.0	6.0
Technology	48.0	47.0	45.0	47.0	40.0	50.0	50.0	42.0	43.0	40.0
Other instructional and support service personnel ⁽²⁾	272.0	197.0	193.0	193.0	210.0	226.7	230.1	284.2	417.7	356.5
Total	<u>4,062.0</u>	<u>4,142.0</u>	<u>4,237.0</u>	<u>4,346.0</u>	<u>4,092.0</u>	<u>3,951.2</u>	<u>3,950.4</u>	<u>4,145.2</u>	<u>4,321.0</u>	<u>4,299.6</u>

⁽¹⁾ Instruction includes: Principals, Assistant Principals, Teachers, Teacher Aides, Librarians and Guidance Counselors; does not include substitute teachers

⁽²⁾ Other Instructional and Support Service personnel includes: Instructional Administrative, Technical, Clerical, Instructional Support and Other Professionals

* Preliminary - Reported on the 2022-2023 Annual School Report FTE Analysis Schedule; calculation includes a full-time equivalency correlation for substitute and non-contracted (temporary) personnel expenditures.

Source: Virginia Department of Education Annual School Report Table 18

**THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)**

Teacher Data (unaudited)

Last Ten Fiscal Years

Fiscal Year	Elementary Teaching Positions (K-7)	Elementary Teachers Average Annual Salary	Secondary Teaching Positions (8-12)	Secondary Teachers Average Annual Salary	All Teaching Positions*	Average Annual Salary
2013 - 2014	1,295.5	\$ 48,750	740.5	\$ 52,593	2,036.0	\$ 50,148
2014 - 2015	1,291.1	49,292	784.9	52,546	2,076.0	50,522
2015 - 2016	1,355.5	49,099	765.4	51,201	2,120.9	49,858
2016 - 2017	1,427.7	48,270	738.1	50,644	2,165.8	49,079
2017 - 2018	1,244.0	51,104	1,028.0	56,001	2,272.0	50,306
2018 - 2019	1,125.8	52,126	1,082.0	57,121	2,207.8	51,312
2019 - 2020	1,423.7	54,353	677.3	57,216	2,101.0	52,339
2020 - 2021	1,289.6	51,790	1,054.1	55,812	2,343.7	53,385
2021 - 2022*	1,295.9	51,418	1,068.8	60,142	2,364.7	54,453
2022 - 2023	N/A	N/A	N/A	N/A	N/A	N/A

* Teaching Positions include: classroom teachers, guidance counselors, librarians and technology instructors (all funds)
Preliminary data for school year 2020-2021 is presented based on elementary (K-5) and secondary (6-12).

Source: Fiscal Years before 2017-2018 - Virginia Department of Education, Annual School Report, Table # 19

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

Pupil / Teacher Ratios (unaudited)

Last Ten Fiscal Years

Fiscal Year ⁽¹⁾	Elementary			Secondary		
	Elementary Teaching Positions*	End-of-Year Membership K-7	Pupil/Teacher Ratio K-7	Secondary Teaching Positions*	End-of-Year Membership 8-12	Pupil/Teacher Ratio 8-12
2014-2015	1,218.0	14,850	12.2	740.5	6,717	9.1
2015-2016	1,279.5	14,870	11.6	720.9	6,606	9.2
2016-2017	1,350.7	15,742	11.7	691.9	6,802	9.8
2017-2018	1,194.0	15,762	13.2	1,028.0	6,853	6.7
2018-2019	1,069.8	15,939	14.9	1,022.0	5,619	5.5
2019-2020	1,409.3	15,853	11.2	657.6	7,464	11.4
2020-2021	1,220.8	16,005	13.1	1,000.6	6,093	6.1
2021-2022	1,227.1	13,067	10.6	1,015.3	6,318	6.2
2022 - 2023	N/A	N/A	N/A	N/A	N/A	N/A

* Classroom Teachers, Homebound Teachers, Media and Technology Instructional Teachers; 2018 forward does not include Guidance Counselors and Librarians

⁽¹⁾ Source 2012-current: Virginia Department of Education, Annual School Report, Table #17a

Table 13

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

Schedule of School Building Statistics (unaudited)

"Standard Classrooms" are defined as: Regular classrooms*, Science, Science lecture, Vocational, Special Education, and Business, or any classroom without permanent equipment.						
Building Name	Year Built	Age (Years)	Last Addition or Renovation	Square Footage	Number Of Standard Classrooms	Capacity Based On Number Of Standard Classrooms
<u>Elementary Schools</u>						
Bellevue	1914	108	1983	55,623	22	440
Blackwell *	1998	24		83,251	32	800
Blackwell Primary (Round Building)	1967	55		37,512	20	500
Broad Rock	2013	9	2013	94,136	42	650
Cardinal	2021	1		118,901	45	1,000
Carver, George W.	1915	107	1992	100,000	42	840
Cary, John B.	1953	69	1990	46,711	20	400
Chimborazo	1968	54		75,370	32	640
Fairfield Court	1957	65	1990	44,398	27	540
Fisher, J. B.	1966	56	1969	44,222	16	320
Fox, William	1911	111	1922	58,260	17	340
Francis, J. L.	1968	54	1996	56,954	27	540
Ginter Park	1915	107	1981	60,371	24	480
Ginter Park Annex (Mary Scott)	1952	70	1981	47,507	19	380
Holton, Linwood *	1999	23		80,548	32	640
Marsh, Henry L.	2021	1		99,967	37	750
Maymont	1957	65		35,959	18	360
Jones, Miles J.	1999	23		80,548	32	640
Munford, Mary	1950	72	1954	64,468	24	480
Oak Grove	2013	9		91,000	42	650
Obama, Barack	1921	101	1990	44,408	25	500
Overby - Sheppard	1976	46	1996	49,300	25	500
Redd, Elizabeth	1951	71	1982	74,471	21	420
Reid, G. H.	1958	64	1969	64,964	38	760
Southampton	1959	63	1982	56,521	29	580
Summer Hill	1919	103	1986	37,282	19	380
Swansboro	1912	110	1982	48,183	17	340
Westover Hills	1955	67	1980	50,008	21	420
Woodville	1954	68	1985	76,928	31	620
Total					796	15,910
NOTE: Only Regular Classrooms are Counted in Elementary School Capacity						

Table 13

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

Schedule of School Building Statistics (unaudited)

"Standard Classrooms" are defined as: Regular classrooms*, Science, Science lecture, Vocational, Special Education, and Business, or any classroom without permanent equipment.

Building Name	Year Built	Age (Years)	Last Addition or Renovation	Square Footage	Number Of Standard Classrooms	Capacity Based On Number Of Standard Classrooms
<u>Middle Schools</u>						
Binford	1914	108	1926	98,013	27	540
Boushall, Thomas C.	1986	36		128,530	42	840
Henderson, Thomas H.	1972	50		188,131	44	880
Hill, Albert	1925	97		81,152	30	600
King, Martin Luther	2014	8		201,042	67	1,340
Lucille Brown	1997	25		129,775	26	520
River City	2021	1		183,759	60	1,508
Total					296	6,228
<u>High Schools</u>						
Franklin Military Academy	1928	94	1995	95,017	30	600
Huguenot	1961	61	2013	175,245	50	1,000
Jefferson, Thomas	1929	93	1970	179,993	57	1,140
Armstrong	1968	54	1990	237,532	53	1,060
Marshall, John	1959	63		230,994	46	920
Open High (Grace Arents Bldg)	1911	111	1985	18,699	8	160
Richmond Community	1977	45	1993	62,210	20	400
Wythe, George	1959	63	1989	243,114	50	1,000
Total					314	6,280
<u>Exceptional education schools</u>						
Amelia	1959	63	1991	33,908	18	360
Total					18	360
<u>Vocational and Alternative Schools</u>						
Richmond Alternative School (RAS)	1924	98	1983	80,643	33	660
RTC-North Building	1971	51		49,939	16	320
RTC-South Building	1966	56		187,425	26	520
Total					75	1,500
Grand Total of Standard Classrooms and Capacity					<u>1,499</u>	<u>30,278</u>

Table 13**20 STUDENTS PER EACH STANDARD CLASSROOM WAS USED TO CALCULATE CAPACITY.**

* Maximum capacity for three new elementary schools based on school board directives effective in 1998

This school was closed at the end of school year 2004-2005				
(Old)Armstrong	1951	1966	62	1,240
This school was closed at the end of school year 2006-2007				
Patrick Henry ⁽¹⁾	1921	1985	24	480
Whitcomb Court	1957	1962	25	500
These schools were closed at the end of school year 2007-2008				
Norrell	1964		19	380
Norrell Annex	1954	1977	8	160
REAL	1925		5	100
Thirteen Acres	1900		0	0
This school was closed at the end of school year 2008-2009				
Chandler Middle School	1925	1993	32	640
These school were closed at the end of school year 2012-2013				
Clark Springs (not surplusd)	1966	1996	20	400
Summer Hill/Ruffin Road Annex	1919	1986	19	380
This schoool was closed on 2/12/2015				
Elkhardt				

⁽¹⁾ Patrick Henry facility was re-opened in 2011 as the Patrick Henry School of Science and Arts Charter School

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of The City of Richmond, Virginia)

	School Name	School Accreditation Rating
1	Albert Hill Middle	Accredited
2	Amelia Street Special Education	Accredited with Conditions
3	Armstrong High	Accredited with Conditions
4	Barack Obama Elementary	Accredited
5	Bellevue Elementary	Accredited with Conditions
6	Binford Middle	Accredited with Conditions
7	Blackwell Elementary	Accredited with Conditions
8	Broad Rock Elementary	Accredited
9	Cardinal Elementary	Accredited
10	Chimborazo Elementary	Accredited
11	Elizabeth D. Redd Elementary	Accredited
12	Fairfield Court Elementary	Accredited
13	Franklin Military Academy	Accredited
14	G.H. Reid Elementary	Accredited with Conditions
15	George W. Carver Elementary	Accredited with Conditions
16	George Wythe High	Accredited with Conditions
17	Ginter Park Elementary	Accredited with Conditions
18	Henderson Middle	Accredited with Conditions
19	Henry March III Elementary	Accredited with Conditions
20	Huguenot High	Accredited with Conditions
21	J.B. Fisher Elementary	Accredited
22	J.L. Francis Elementary	Accredited
23	John B. Cary Elementary	Accredited
24	John Marshall High	Accredited
25	Linwood Holton Elementary	Accredited
26	Lucille M. Brown Middle	Accredited with Conditions
27	Martin Luther King Jr. Middle	Accredited with Conditions
28	Mary Munford Elementary	Accredited
29	Miles Jones Elementary	Accredited with Conditions
30	Oak Grove/Bellemeade Elementary	Accredited with Conditions
31	Open High	Accredited
32	Overby-Sheppard Elementary	Accredited with Conditions
33	Patrick Henry School Of Science And Arts	Accredited
34	Richmond Alternative Education	Accredited with Conditions
35	Richmond Career Education and Employment (Charter School)	Accredited
36	Richmond Community High	Accredited
37	River City Middle	Accredited with Conditions
38	Southampton Elementary	Accredited
39	Swansboro Elementary	Accredited with Conditions
40	Thomas C. Boushall Middle	Accredited with Conditions
41	Thomas Jefferson High	Accredited with Conditions
42	Westover Hills Elementary	Accredited with Conditions
43	William Fox Elementary	Accredited
44	Woodville Elementary	Accredited with Conditions

Source:

http://www.doe.virginia.gov/statistics_reports/accreditation_federal_reports/accreditation/index.shtml

THE SCHOOL BOARD OF THE CITY OF RICHMOND, VIRGINIA
(A Component Unit of the City of Richmond, Virginia)

Ratios of Debt Outstanding ⁽¹⁾

Last Three Fiscal Years

Governmental Activities ⁽²⁾		Per Capita		Percent of	Debt Per	
Fiscal Year	Capital Leases ⁽¹⁾	Personal Income ⁽³⁾	Personal Income	Population ⁽³⁾	Capita	Capita
2021	\$ 3,120,392	N/A	N/A	N/A		N/A
2022	2,426,673	N/A	N/A	N/A		N/A
2023	1,764,222	N/A	N/A	N/A		N/A

(1) See Note 6 in the notes to the financial statements for additional details on the Capital Leases.

(2) The Code of Virginia (Code) prohibits the School Board from issuing general obligation debt.

As a result, the City issues general obligation bonds for the School Board and reports in its statements, the general obligation debt related to the School Board. The code does not impose a legal limit on the amount of long-term indebtedness that the City of Richmond can incur or have outstanding; however, the City Council has imposed limits. The School Board's capital leases are not applicable to the City's self-imposed debt limits.

(3) See Table 27 for demographic and economic statistics of the City of Richmond. Calculations are based on available data provided by the City of Richmond.

Source: Department Finance-Annual Comprehensive Financial Report

ACKNOWLEDGEMENTS

This Annual Comprehensive Financial Report (ACFR) was prepared by:

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**A Publication of Richmond Public Schools
Richmond, Virginia**

In accordance with federal laws, the laws of the Commonwealth of Virginia and the policies of the School Board of the City of Richmond, the Richmond Public Schools does not discriminate on the basis of sex, race, color, age, religion, disabilities or national origin in the provision of employment and services. The Richmond Public Schools operates equal opportunity and affirmative action programs for students and staff. The Richmond Public Schools is an equal opportunity/affirmative action employer. The School Board also supports equal opportunities and treatment of all individuals regardless of sexual orientation. The Section 504 Coordinator is Ms. Renesha Parks, Director of Exceptional Education, 301 North Ninth Street, Richmond, Virginia 23219, (804) 780-7911. The ADA Coordinator is Mr. Timothy Williams, Ombudsman Manager, 301 North Ninth Street, Richmond, Virginia 23219, (804) 780-7864. The Title IX Coordinator is Mr. Timothy Williams, 301 North Ninth Street, Richmond, Virginia 23219, (804) 780-7864. The United States Department of Education's Office of Civil Rights may also be contacted at 400 Maryland Avenue, SW, Washington, DC 20202, (202) 401-2000 or 1-800-872-5327.

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