

FINANCIAL STATEMENTS



CITY OF RADFORD, VIRGINIA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

CITY OF RADFORD, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Prepared By:
Department of Financial Services

CITY OF RADFORD, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION



March 9, 2020

The Honorable Mayor and Members of City Council and the Citizens of Radford, VA

The Comprehensive Annual Financial Report (CAFR) for the City of Radford for the fiscal year ended June 30, 2019 is hereby submitted. State statutes require that the City of Radford issue annually a report on its financial position and activity and that this report be audited by an independent firm of certified public accountants.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Radford. The data as presented is accurate in all material respects and is reported in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of the various funds and component units. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

The CAFR is presented in four sections: Introductory, Financial, Supplementary Information, and Compliance. The Introductory Section, which is not audited, includes this letter of transmittal, a list of the City's principal officials, and the organizational chart. The Financial Section includes management's discussion and analysis (MD&A), basic financial statements, and required supplementary information. The basic financial statements consist of government-wide and fund financial statements, and notes to the basic financial statements. The Other Supplementary Information section, which is not audited, includes supplementary financial statements, supporting schedules of revenues and expenditures, and other statistical information which includes selected financial and demographic information, generally presented on a multi-year basis. Most readers will find it helpful to proceed directly to the MD&A as a summary overview into the June 30, 2019 City of Radford Comprehensive Annual Financial Report.

The City of Radford is required to conduct an annual single audit in conformity with the provisions of Uniform Guidance. The Schedule of Expenditures of Federal Awards and the independent auditor's report on internal controls and compliance with applicable laws and regulations are included in the Compliance Section of the CAFR.

The financial reporting entity, includes all the funds of the primary government (i.e. the City of Radford as legally defined), as well as the Radford School Board and the Radford Economic Development Authority. The Radford School Board is presented in separate columns in the combined financial statements to emphasize that it is legally separate from the primary government and to differentiate its financial position and results of operations from the primary government. The Radford Economic Authority is treated as a component unit. Component units are legally separate entities for which the primary government is financially accountable.

Economic Condition and Outlook

Chartered in 1892 the City of Radford is located in the New River Valley of Southwestern Virginia, just off interstate 81 at exits 105 and 109. Radford encompasses a land area of 9.63 square miles and has a population of 18,044.

The City of Radford provides a range of public services that include general administration, public safety, public works, recreation, judicial functions, health and welfare activities, transit operations, and community development. The City also provides electric, water, wastewater, and solid waste collection services through self-supporting enterprise operations.

The City is home to Radford University, a State supported institution of higher education with 11,870 students, as well as approximately 1,835 faculty and staff. As the City's largest employer, Radford University has a significant positive influence on our community. Although nontaxable, the University generates an estimated \$313 million dollars annually for the region's economy per the University's 2016 Economic Impact Study. The University continues to move forward with investments in new and remodeled facilities, as well as growth in enrollment and program offerings. These investments and its overall presence, make the University an important economic engine for the City.

The City is committed to providing a community conducive to a high quality of life for its citizens and a strong workforce for its businesses. The City's close proximity to I-81, as well as its central location between northern and southern markets, places it in an ideal geographic location for economic activities. Through the years, this has enabled the City to attract such industries and research companies as Danaher, Moog Aspen Motion Technologies, Huntington Solutions, TechLab, and Alexander Industries. The City's unemployment rate is currently 3.0% and has a workforce of 8,461.

Radford, like many communities throughout the Commonwealth and the United States, have felt the effects of a sluggish economy and changing consumer trends over the past several years. State and local trends reflected weak consumer spending, slow private investment, increased cost of providing services and stagnant revenues. As a result, revenue projections and expenditures have been constantly re-evaluated to minimize the overall impact on the established budget to preserve the financial health of the City and its services. Radford has experienced economic growth over the past several quarters from private investment, gains in property values and new construction. Despite recent trends,

reorganization, conservative spending, and modest growth have minimized the impact on households and businesses, as well as maintained the low cost of services.

City leaders continued to make practical and programmed capital investments in the community's infrastructure (water, electric utilities, public parks, as well as streets and sidewalks) to keep the City strong, services reliable, aesthetics attractive, as well as support growth and private investment. Staff plans wisely on the purchase of materials to keep cost down and promote continued investment in community facilities.

Over the past year, the City has invested resources in economic recruitment, revitalization and retention efforts through its commissions and staff teams. Moderate increases in private investments are visible in housing growth, commercial revitalization and small business investment. Modest increases have occurred in the categories of general property taxes, other local taxes and utility sales. Radford population has continued to increase and the unemployment rate has declined.

Accounting System and Budgetary Controls

In developing and modifying the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (a) the safeguarding of assets against loss from unauthorized use or disposition, and (b) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that: (a) the cost of a control should not exceed the benefits likely to be derived, and (b) the evaluation of cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. The City's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

The encumbrance method of estimating purchase amounts prior to the release of purchase orders to vendors or the execution of contracts maintains budgetary control at the department level. Purchase orders greater than \$2,500 are approved by the City Finance Department. Year-end outstanding encumbrances are reported as a reservation of fund balance and re-appropriated in the succeeding year. As required by law, the City Manager submits to the City Council a recommended budget for the fiscal year beginning July 1. After an extensive budget study process and public hearing to receive citizen input, City Council makes its decision on the adopted budget and appropriate funds. The budget must be adopted and funds appropriated by July 1 of each year.

Pension Benefits

The City of Radford participates in the Virginia Retirement System (VRS), which covers all full time, salaried employees. Contributions to the VRS are determined

on an actuarial basis. The contributions required during the 2018-2019 fiscal year totaled \$1,071,871. As of the plan's most recent actuarial valuation on June 30, 2018, the City's pension obligation was not fully funded. Please see Note 8 and Exhibits 15 and 16 for additional information on the City's retirement plan.

Capital Financing and Debt Service

At June 30, 2019 the City's legal debt limit is \$81,824,837. Net direct tax supported debt totaled \$18,944,840. Additional information about the City's legal debt limit can be obtained from Table 13. Long-term liabilities, excluding compensated absences, net pension liabilities, and OPEB obligations for all funds of the primary government as of June 30, 2019 totaled \$26,604,785 of which \$5,055,384 for Enterprise Fund activity is considered self-supporting as revenues for services are anticipated to cover operating and debt service needs. See Note 7 for more information on the City's long-term borrowing.

Cash Management

The City follows the pooled cash concept, which allows for greater flexibility in managing cash flow amongst the different funds. Idle cash is invested in instruments as allowed by the Code of Virginia, Chapter 3, Title 26. Currently, idle cash is held in money market funds with SunTrust Securities Corporation. Bank interest earned during 2018-2019 totaled \$138,832.

Auditing

Each year, City Council hires an independent public accounting firm to perform an audit of the City's annual financial statements including a single audit of federal awards and an audit of compliance with state requirements. The current year independent auditor's reports are included in the Financial and Compliance Sections of the report.

Acknowledgements

We would like to express our appreciation to the "Finance Team" for their dedication in assuring the financial integrity of the City and the preparation of this report. Appreciation is also expressed to the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

David Ridpath

David Ridpath, City Manager

Chelista Linkous

Chelista Linkous, Director of Finance

CITY OF RADFORD, VIRGINIA

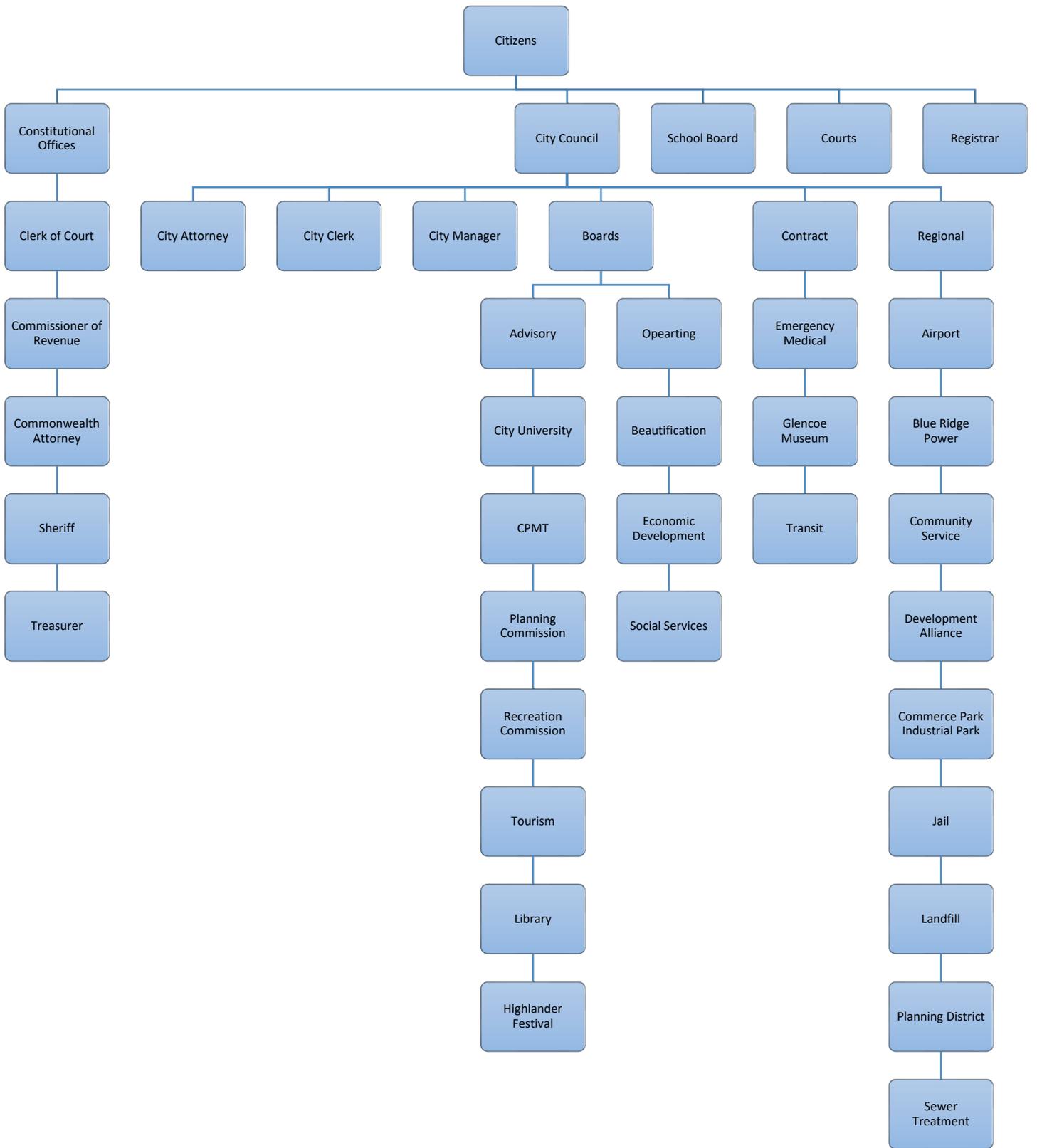
CITY COUNCIL

David Horton, Mayor
Dr. Richard Harshberger, Vice Mayor
Rob Gropman

Jessie Foster
Naomi Huntington

OTHER OFFICIALS

City Manager David Ridpath
City Clerk Jennifer Wilder
Finance Director Chelista Linkous



FINANCIAL SECTION



Independent Auditors' Report

**To the Honorable Members of
City Council of the
City of Radford, Virginia**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 26 to the financial statements, in 2019, the City adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 25 to the financial statements, in 2019, the City restated beginning balances to correctly record land. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 10-22, 106-109, and 110-123 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020, on our consideration of the City of Radford, Virginia'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 City of Radford, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Radford, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
February 18, 2020

CITY OF RADFORD, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

The following discussion and analysis of the City of Radford's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. The MD&A should be considered in conjunction with the transmittal letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

The City's net position excluding those of its component units, on the government-wide basis, totaled \$59,143,773 at June 30, 2019. Of this amount, \$2,025,322 may be used to meet ongoing obligations to citizens and creditors, and \$54,577,172 is invested in capital assets, net of related debt. Net position of \$2,541,279 is restricted.

On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$19,308,367, which totaled \$3,253,758 more than the general revenues, net of transfers, of \$16,054,609.

At June 30, 2019, the City's governmental funds balance sheet reported total ending fund balance of \$6,631,516. Of this amount, \$2,504,752 remains in the general fund of the City as unassigned, a decrease of \$488,061 from FY 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

Our discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the City as a whole using the accrual basis of accounting, which is the method used by most private-sector enterprises. All current year revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid. These statements allow readers to answer the question, "Is the City's financial position, as a whole, better or worse as a result of the year's activities?"

One of the main goals of these two statements is to report the City's net position and changes that affected net position during the fiscal year. The change in the City's net position, the differences between assets and deferred outflows and liabilities and deferred inflows, is a way to measure the City's financial health, or financial position. Increases or decreases in net position are indicators of whether the City's financial health is improving or deteriorating. Other non-financial factors, such as changes in the City's

property tax base and the condition of the City infrastructure should also be considered in assessing the overall financial health of the City.

In the Statement of Net Position and Statement of Activities, the City's fund-based activity is classified as follows:

Governmental activities – Most of the City's basic services are reported here, including general government, judicial administration, public safety, public works, health and welfare, parks and recreation, and community development departments. Property taxes, other local taxes, and federal and state grants finance most of these activities.

Business-type activities – The City's Electric Department, Water and Wastewater Department, and Solid Waste Department are reported here as the City charges a fee to customers designed to cover all or most of the cost of services it provides.

Component Unit – The City includes two discretely presented component units in this report, the School Board and Economic Development Authority of the City of Radford. Although legally separate, the component units are attached to the City through financial accountability. Complete financial statements for these component units may be obtained at the school board administrative office and the Economic Development office at the City, respectively.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements begin on page 25 and provide detailed information about the most significant funds. The City has three types of funds:

Governmental Funds - Most of the City's basic services are included in the governmental funds. Fund-based statements for these funds focus on how resources flow into and out of those funds and the balances left at year-end that are available for future spending. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term overview that helps the reader determine the financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities as reported in the government-wide and fund financial statements are reconciled in Exhibits 4 and 6 on pages 26 and 28.

Proprietary Funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds, like governmental-wide statements, utilize the accrual basis of accounting, and the statements provide both short and long-term financial information.

The City's enterprise funds, one type of proprietary fund, are the same as the government-wide business type activities. However, the fund financial statements provide more detail and additional information,

such as cash flows. The City's enterprise funds include the Electric operation, the Water and Wastewater operation, and the Solid Waste operation.

The City uses an Internal Service fund, another type of proprietary fund, to report activities that provide supplies and services by one City department to other City departments on a cost reimbursement basis. The City accounts for its garage operations in an internal service fund. Internal service fund activities are reported as governmental activities on the government-wide statements.

Fiduciary Funds – Assets held for the benefit of other governments, agencies, or individuals, not part of the City, are reported in a fiduciary fund. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. Certain federal and state revenues collected and held by the Department of Social Services for the benefit of certain individuals are accounted for in the Special Welfare Fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 33 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Radford, assets exceeded liabilities by \$59,143,773 at the close of the FY2019 fiscal year.

By far the largest portion of the City of Radford's net position (92%) reflects its investment in capital assets (land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Position:

An additional portion of the City's net position, \$2,541,279 represents resources that are subject to external restrictions on how they can be used. The remaining balance of unrestricted net position, \$2,025,322, may be used to meet that government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its business-type activities except for unrestricted net position for governmental activities.

The City's combined net position increased from \$58,484,969 to \$59,143,773 as a result of an increase in net position of Governmental-type activities in the amount of \$825,841, and a decrease of Business-type activities in the amount of \$167,037. The decrease in net position of business-type activities is attributed

to a decrease in the unrestricted portion of net position for the Electric Fund largely due to a transfer of funds to the General Fund.

The following table presents a condensed summary of net positions at June 30, 2019:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	11,948,472	11,041,386	8,674,180	9,355,585	20,622,652	20,396,971
Capital assets, net	59,503,673	60,391,204	16,273,391	17,304,412	75,777,064	77,695,616
Total assets	<u>71,452,145</u>	<u>71,432,590</u>	<u>24,947,571</u>	<u>26,659,997</u>	<u>96,399,716</u>	<u>98,092,587</u>
Deferred Outflows of Resources	<u>1,484,116</u>	<u>1,060,579</u>	<u>336,108</u>	<u>276,119</u>	<u>1,820,224</u>	<u>1,336,698</u>
Other liabilities	1,597,497	1,093,762	1,149,282	1,953,891	2,746,779	3,047,653
Long-term liabilities	26,604,785	27,186,812	5,055,384	5,548,744	31,660,169	32,735,556
Total liabilities	<u>28,202,282</u>	<u>28,280,574</u>	<u>6,204,666</u>	<u>7,502,635</u>	<u>34,406,948</u>	<u>35,783,209</u>
Deferred Inflows of Resources	<u>4,344,388</u>	<u>4,648,845</u>	<u>324,831</u>	<u>512,262</u>	<u>4,669,219</u>	<u>5,161,107</u>
Net Position:						
Invested in capital assets, net of related debt	40,956,828	40,956,860	13,620,344	14,210,111	54,577,172	55,166,971
Restricted	2,541,279	2,173,853	-	-	2,541,279	2,173,853
Unrestricted	<u>(3,108,516)</u>	<u>(3,566,963)</u>	<u>5,133,838</u>	<u>4,711,108</u>	<u>2,025,322</u>	<u>1,144,145</u>
Total net position	<u>40,389,591</u>	<u>39,563,750</u>	<u>18,754,182</u>	<u>18,921,219</u>	<u>59,143,773</u>	<u>58,484,969</u>

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Summary of Changes in Net Position:

The following table shows the revenues and expenses of the government at June 30, 2019:

	Summary of Changes in Net Position For the Fiscal Year Ended June 30, 2019					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	1,376,898	1,157,755	26,505,268	26,273,112	27,882,166	27,430,867
Operating grants and contributions	9,622,809	7,998,248	-	-	9,622,809	7,998,248
Capital grants and contributions		972,759	-	-	-	972,759
General Revenues:						
Property Taxes	8,031,543	7,901,961	-	-	8,031,543	7,901,961
Local sales and use taxes	1,037,269	933,184	-	-	1,037,269	933,184
Consumers' utility taxes	564,577	544,011	-	-	564,577	544,011
Business license taxes	442,934	465,341	-	-	442,934	465,341
Motor Vehicle Taxes	202,397	201,778	-	-	202,397	201,778
Restaurant food taxes	1,104,604	1,083,379	-	-	1,104,604	1,083,379
Other local taxes	592,519	618,111	-	-	592,519	618,111
Interest and rent income	227,707	197,990	91,888	48,216	319,595	246,206
Other income	1,032,245	925,393	-	-	1,032,245	925,393
Payments from business-type activities	1,456,547	1,449,147	-	-	1,456,547	1,449,147
Grants /contributions not restricted to specific programs	1,362,267	1,439,290	-	-	1,362,267	1,439,290
Total Revenues	27,054,316	25,888,347	26,597,156	26,321,328	53,651,472	52,209,675
Expenses						
General Government	2,727,991	2,647,063	-	-	2,727,991	2,647,063
Judicial administration	1,235,776	1,216,152	-	-	1,235,776	1,216,152
Public Safety	8,178,720	8,626,249	-	-	8,178,720	8,626,249
Public Works	3,625,343	3,082,320	-	-	3,625,343	3,082,320
Health and Welfare	3,218,783	2,842,801	-	-	3,218,783	2,842,801
Education	5,735,374	5,466,272	-	-	5,735,374	5,466,272
Parks, recreation, and cultural	2,311,832	2,334,775	-	-	2,311,832	2,334,775
Community Development	2,553,508	2,185,231	-	-	2,553,508	2,185,231
Interest on long-term debt	720,747	758,156	-	-	720,747	758,156
Electric Operation		-	16,301,951	16,109,738	16,301,951	16,109,738
Water/Wastewater Operation		-	5,020,034	4,684,317	5,020,034	4,684,317
Solid Waste Operation		-	1,362,609	1,318,872	1,362,609	1,318,872
Total Expenses	30,308,074	29,159,019	22,684,594	22,112,927	52,992,668	51,271,946
Transfers	4,079,599	5,328,156	(4,079,599)	(5,328,156)	-	-
Increase(Decrease) in Net Assets	825,841	2,057,484	(167,037)	(1,119,755)	658,804	937,729
Net Position, Beginning	39,563,750	37,506,266	18,921,219	20,040,974	58,484,969	57,547,240
Net Position, Ending	40,389,591	39,563,750	18,754,182	18,921,219	59,143,773	58,484,969

Operating grants and contributions, which is state and federal categorical aid, makes up about 35.6% of total revenue generated by governmental activities. This revenue source increased slightly during the fiscal year.

The property tax classification, which comprises approximately 29.7% of total revenue generated by governmental activities, includes real estate taxes, local portion of personal property taxes, and public service corporation taxes. Property tax rates have remained level since 2010. Personal property taxes saw modest growth of 2% as well as a 2% increase in real estate taxes,

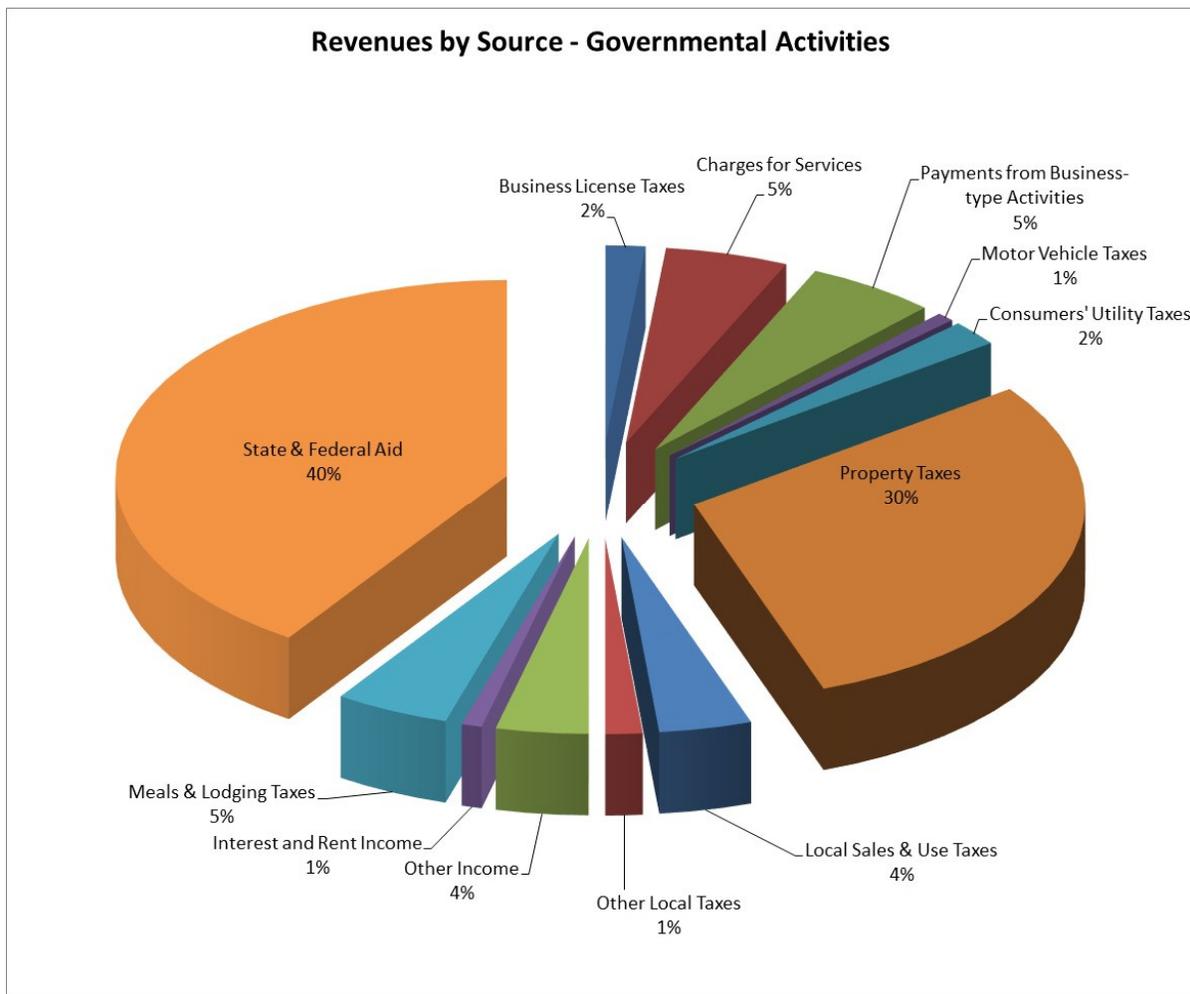
Capital grants and contributions increased significantly due to FTA and State transit capital funding increases during the current fiscal year.

Interest on bank accounts has been making a steady comeback since 2014 and has returned to pre-2010 levels as our accounts are earning a higher interest rate than previous years.

Payments from business-type activities remained about the same due to an a very small increase in the payment in lieu of tax charge during the current fiscal year.

Net transfers from other funds had a significant decrease of \$1,248,557. \$4,079,599 was transferred from the Electric Fund to Governmental Activities

Revenue generated for governmental activities are presented below by category:



Expenses for governmental activities totaled \$30,308,074 for the year, which is up 3.94% from the previous year. A 3% cost-of-living adjustment was made to salaries in FY 2019. Health insurance premiums increased 14.8%. Dental rates did not change and vision increased 1.1%. Rates from the Virginia Retirement System remained the same from FY 2018.

Public Safety expenses continue to comprise the largest portion of governmental expenses at 27%. This includes police, fire, hazmat, EMS, and jail and juvenile detention operations along with building official, code enforcement, and GIS. This category showed a 5.2% decrease over the previous fiscal year.

Funding for education is the second largest portion of expenses at 19%. The amount transferred to the School Board was \$5,424,594, which included \$680,240 in capital contributions..

Expenses for Public Works are the next largest portion, by function, of the City's governmental activities at 12%. Expenses for street paving and maintenance, as well as maintenance of general buildings and engineering are included in this category.

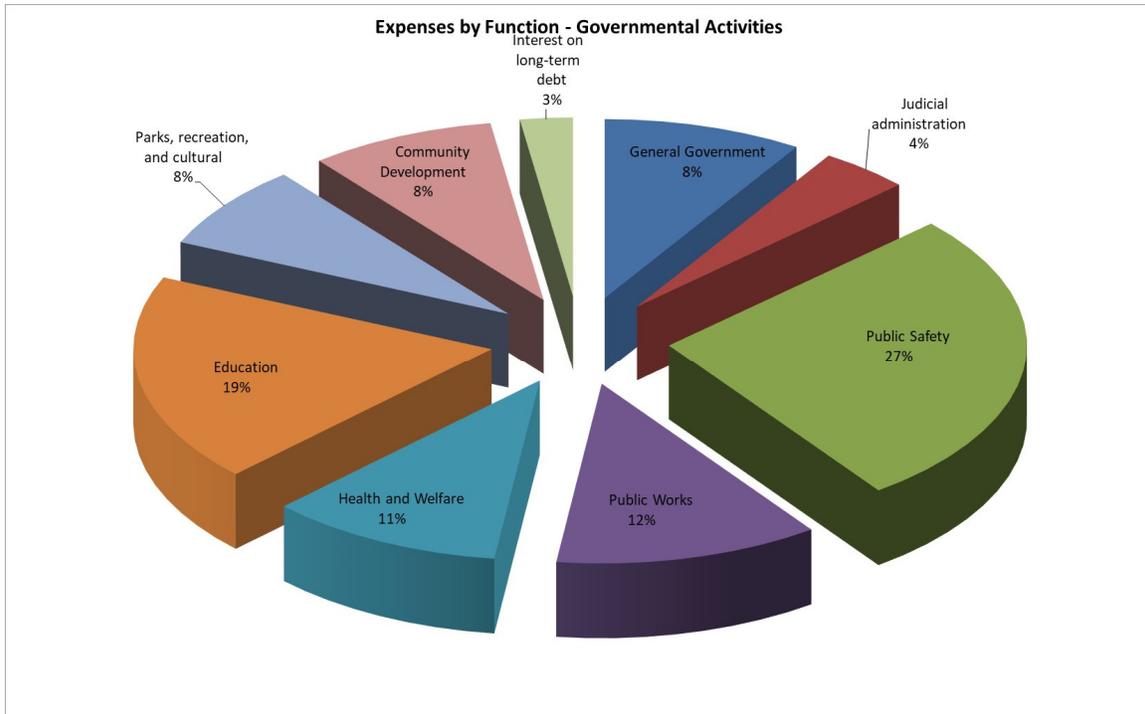
Health & Welfare expenses make up 11% of governmental expenses. The largest expense in this category is CSA and DSS. CSA costs have decreased significantly due to three reasons:

- There was a record number of children in the foster care system in the previous year
- The number of children coming into care has decreased
- DSS received an additional position that has allowed more time to focus on adoption or other permanent placement

DSS expenses were flat compared to FY 2018.

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Expenses of the governmental activities are shown below by function:



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds:

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the fiscal year ended June 30, 2019, the governmental funds reflect a total fund balance of \$6,631,516. Of this amount, \$57,548 is nonspendable as it covers prepaid expenses. \$2,541,279 is restricted by grantors, higher levels of government, or law. \$1,597,723 is committed by Council. The remainder, \$2,434,966, is unassigned and available for any purpose.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund unassigned fund balance was \$2,434,966, while the total General Fund balance was \$5,135,074. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 7.8% of the total General Fund expenditures, while total fund balance represents 20.3% of that same amount.

The City adopted a fund balance policy in 2011. It states “The City will maintain an unassigned fund balance in the general fund equal to 10% of the City’s and School Board’s operating expenditures.” It goes on to say “Should the unassigned fund balance for the general fund fall below this threshold per the audited financial statements as of June 30th of any fiscal year, Council must approve and adopt a plan to restore this balance to the target level within three years. If restoration cannot be accomplished within this timeframe without severe hardship to the City, Council will establish a different time period.” The City’s unassigned fund balance in the general fund has been below 10% since FY 2009. The margin has decreased to 7% as efforts are made to grow the reserve balances.

The fund balance of the General Fund decreased by \$13,548 during the current fiscal year. The unassigned portion increased decreased as well.

General property and other local taxes make up a large portion of General Fund revenues, totaling \$12,048,638 in fiscal year 2019. Property taxes make up 67.1% of general property and other local taxes and have increased by 4.2% from the prior year. The City increased real estate tax rates by .06 cents per \$100 in value during the fiscal year, which accounts for the majority of this tax revenue increase. Other local taxes increased approximately 2.6% due to increases in sales and use tax, business licenses, lodging tax and restaurant tax. Radford University had a significant amount of construction during the past few years that has now slowed which may decrease locally generated taxes on purchases..

The Street Maintenance Fund accounts for revenues and expenditures related to the maintenance of the City’s streets and related properties. Each year the City receives funds under the Virginia Department of Transportation Urban Street Maintenance program which are specifically restricted to be spent on streets and maintenance activities qualifying under the program. The City received \$2,475,339 during the fiscal year, an increase of almost 9.5%. This fund is reported as a major fund along with the Grants Fund and Transit Fund.

The Grants Fund accounts for federal and state grants received and expended. The entire fund balance of this fund is reserved for expenditures related to grants received. During the year, the City applied for and received grants from state and federal agencies totaling \$698,758.

The Radford Transit system is a partnership between Radford University and the City of Radford that serves the citizens of Radford, the Radford University community, and provides a connection to the surrounding areas of the New River Valley. Operated by New River Valley Community Services, the buses transport passengers to points throughout the Radford and Fairlawn areas connecting passengers with Christiansburg, Blacksburg, Pulaski County and services such as the MegaBus and Pulaski Area Transit. The system receives funding from charging fares, state and federal funding from the Department of Rail and Public Transportation and Radford University. Operating and capital expenditures totaled \$2,923,112.

Proprietary Funds:

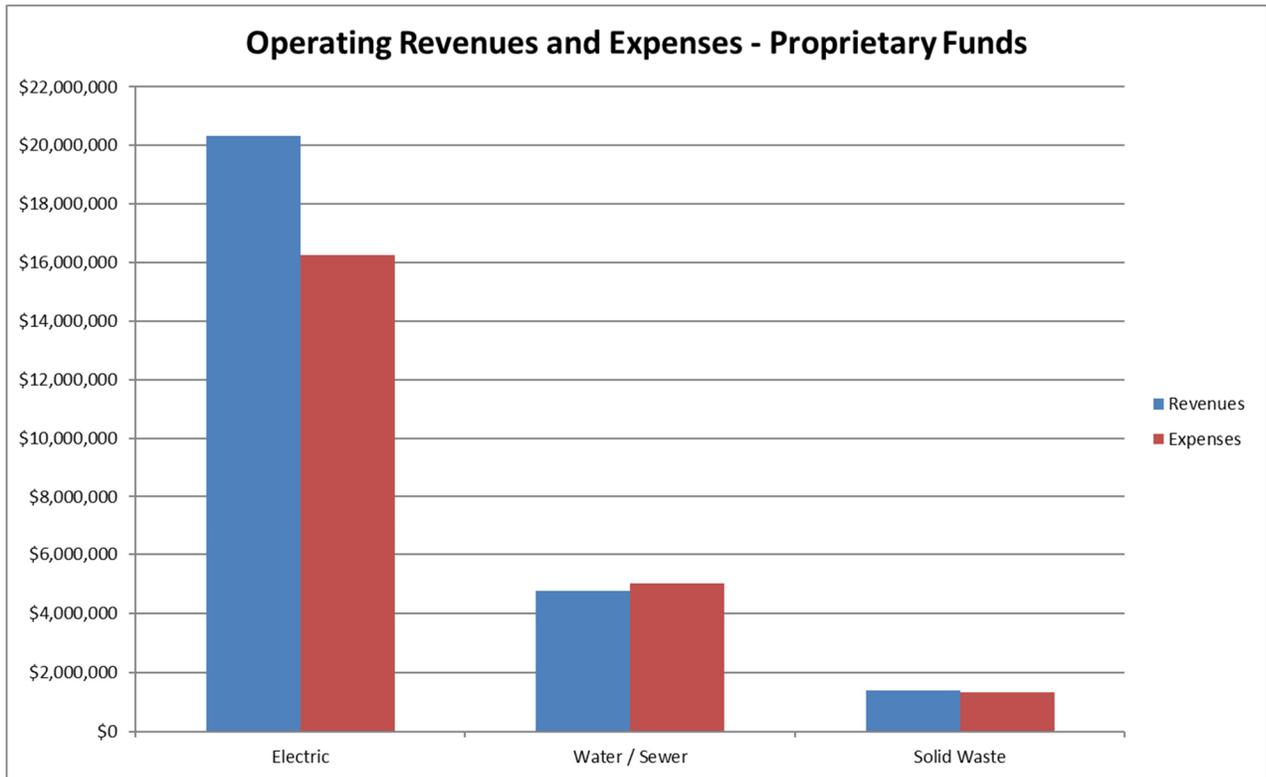
Exhibits 7, 8, and 9 provide the same type of information found in the government-wide financial statements on the City proprietary funds, but in more detail.

Unrestricted net position for the Electric Fund totaled \$4,634,776 at the end of the year, an increase of \$95,214 from the prior year or 2.04%. The net investment in capital assets decreased by \$113,417 mainly due to depreciation charges as offset by debt reduction during the fiscal year.

Unrestricted net position for the Water/Wastewater Fund amounted to \$539,580 at the end of the year, which is an increase of \$216,878. Change in net position was a decrease of (\$192,337). The net investment in capital assets decreased by \$409,215 due to depreciation being more than the reduction in bonds payable.

Unrestricted net position for the Solid Waste Fund was (\$40,518). This is less than the unrestricted net position of 2018 of (\$153,856). This is largely due to net income of \$46,203 and a reduction in the net investment in capital assets due to depreciation expense.

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GENERAL FUND BUDGETARY HIGHLIGHTS

There were thirty amendments to the original budget during the 2018-2019 fiscal year. Significant increases in appropriations for the general fund budget are highlighted below:

- \$138,884 Rescue Squad Assistance Fund
- \$129,410 Crisis Intervention Program budget

CAPITAL ASSETS

As of June 30, 2019, the City's capital assets for its governmental and business-type activities amounted to \$75,777,064 (net of accumulated depreciation). This investment includes land, buildings and improvements, machinery and equipment, infrastructure and utility plants, and construction in progress. The total net decrease (additions less retirements and depreciation) in the City's investment in capital assets for the current year was \$1,918,552.

Major capital assets events during the year included the following:

- hydroelectric turbine rehabilitation project (construction in progress)
- Police vehicle purchases (2)
- Sheriff vehicle purchase
- Transit buses
- Public Works vehicle a dump truck purchase

Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	2,836,562	2,836,562	712,498	712,498	3,549,060	3,549,060
Construction in Progress	100,173	107,835	-	2,839,708	100,173	2,947,543
Building & Improvements	27,662,335	28,492,740	320,320	260,088	27,982,655	28,752,828
Machinery & Equipment	6,117,179	5,189,538	1,519,698	1,635,560	7,636,877	6,825,098
Plant & Infrastructure	22,787,424	23,764,529	13,720,875	11,856,558	36,508,299	35,621,087
Total	<u>59,503,673</u>	<u>60,391,204</u>	<u>16,273,391</u>	<u>17,304,412</u>	<u>75,777,064</u>	<u>77,695,616</u>

The changes in each category of Capital Assets are presented in detail in Note 15 to the Basic Financial Statements.

LONG-TERM DEBT

At June 30, 2019, the City's long-term liabilities, not including compensated absences, net pension liabilities, and OPEB obligations, totaled \$21,558,376 comprised of \$18,546,845 related to governmental activities, and \$3,011,531 related to business-type activities. Total debt decreased by \$1,339,546 during the year.

The Charter of the City of Radford and Code of Virginia limits the City's net debt to 10% of the assessed valuation of real estate within the City limits. This limit applies to general obligation debt only. Long-term liabilities of business-type funds will be met by revenues generated from those funds. The City's net debt of \$18,944,840 applicable to the limit is below the legal debt limit of \$81,824,837.

The School Board Component Unit relies upon the City to provide full faith and credit for any debt obligations incurred. Therefore, the City reports School Board Component Unit long-term liabilities, other than compensated absences, as its own. At June 30, 2019, \$9,249,066 of the governmental long-term debt was attributable to the School Board Component Unit for the construction of the new Belle Heth Elementary School. In addition to bonded debt and capital lease obligations, the City's long-term obligations include compensated absences and the OPEB obligation. Additional information concerning the City's long-term liabilities is presented in Note 7 of the Basic financial statements.

OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	17,234,066	18,135,447	1,710,774	2,015,930	18,944,840	20,151,377
Revenue Bonds	-	-	700,610	739,046	700,610	739,046
Unamortized Premium	667,984	738,607	-	-	667,984	738,607
Lease Purchase	644,795	560,290	241,663	339,325	886,458	899,615
Due to Pulaski County	-	-	358,484	369,277	358,484	369,277
Total	<u>18,546,845</u>	<u>19,434,344</u>	<u>3,011,531</u>	<u>3,463,578</u>	<u>21,558,376</u>	<u>22,897,922</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Radford's financial statements are impacted by overall economic conditions. While the FY 2019 budget was impacted by sluggish spending and investment, as well as an overall slow economy, the outlook for Radford is stabilizing as the local economy recovers. The City is influenced by national and state trends, as well as private investments. Locally, the budget is impacted by the growing costs of the delivery of services, materials expenses, stagnant revenues, and the cost of employee benefits related to health insurance and retirement as well as debt service.

The City's unemployment rate is 3.0% with a workforce of 8,461. Unemployment for last year was 3.3%. This City's rate is slightly higher than the state average of 2.7%, but is lower than the national average of 3.5%. The City's largest employer, Radford University, comprises 204 acres of land and sixty-one buildings. Its 13,000 students, faculty and staff bring significant purchasing power to the community and the area helping many revenue sources associated with sales, taxes and fees. Other industrial business interests and construction are reflecting job growth and investment stability. Ongoing efforts will focus on business expansion, business recruitment, private investment and university interest.

The City's inflationary trends in the region compare favorably to national reports. General property and other local tax collections are a focal point in their significance to our budget, as well as a reflection of overall economic growth. The FY 2019 budget saw savings realized from employee vacancies, improved efficiency and economic growth.

Issues impacting the future relate to energy regulation, limited land area for growth, capital equipment needs, school system needs, as well as state and national economic and inflationary trends. FY2021 will reflect a quadrennial reassessment, growing private investment, new sales opportunities and continued population growth.

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional information should be directed to the Director of Finance, 10 Robertson Street, Radford, VA 24141, telephone (540) 731-3614. The City's website is www.radfordva.gov.

Basic Financial Statements

City of Radford, Virginia
Statement of Net Position
June 30, 2019

	Primary Government			Component Unit School Board	Component Unit EDA
	Governmental	Business-type	Total		
	Activities	Activities			
ASSETS					
Cash and cash equivalents	\$ 5,441,968	\$ 3,254,086	\$ 8,696,054	\$ 592,633	\$ 303,262
Investments	1,159,535	2,419,926	3,579,461	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,587,714	-	3,587,714	-	-
Accounts receivable	530,478	2,352,016	2,882,494	6,344	-
Due from other governmental units	1,087,655	-	1,087,655	308,498	-
Inventories	77,067	648,152	725,219	25,964	555,674
Prepaid items	64,055	-	64,055	8,062	-
Net pension asset	-	-	-	195,432	-
Capital assets (net of accumulated depreciation):					
Land	2,836,562	712,498	3,549,060	211,699	-
Buildings and improvements	27,662,335	320,320	27,982,655	6,760,149	-
Machinery and equipment	6,117,179	1,519,698	7,636,877	833,451	-
Infrastructure and utility plants	22,787,424	13,720,875	36,508,299	-	-
Construction in progress	100,173	-	100,173	400,027	-
Total assets	<u>\$ 71,452,145</u>	<u>\$ 24,947,571</u>	<u>\$ 96,399,716</u>	<u>\$ 9,342,259</u>	<u>\$ 858,936</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 1,068,054	\$ 296,438	\$ 1,364,492	\$ 1,810,379	\$ -
OPEB related items	416,062	39,670	455,732	254,048	-
Total deferred outflows of resources	<u>\$ 1,484,116</u>	<u>\$ 336,108</u>	<u>\$ 1,820,224</u>	<u>\$ 2,064,427</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 921,486	\$ 665,742	\$ 1,587,228	\$ 96,997	\$ 3,555
Accrued wages	289,180	108,377	397,557	39,250	-
Accrued health claims	-	-	-	359,471	-
Customers' deposits	-	341,786	341,786	-	-
Amount held for others	73,674	-	73,674	-	-
Accrued interest payable	281,737	33,377	315,114	-	-
Unearned revenue	31,420	-	31,420	73,654	-
Long-term liabilities:					
Due within one year	1,435,980	502,338	1,938,318	403,281	-
Due in more than one year	25,168,805	4,553,046	29,721,851	15,703,455	-
Total liabilities	<u>\$ 28,202,282</u>	<u>\$ 6,204,666</u>	<u>\$ 34,406,948</u>	<u>\$ 16,676,108</u>	<u>\$ 3,555</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	\$ 3,362,241	\$ -	\$ 3,362,241	\$ -	\$ -
Pension related items	764,146	297,469	1,061,615	1,771,518	-
OPEB related items	218,001	27,362	245,363	144,428	-
Total deferred inflows of resources	<u>\$ 4,344,388</u>	<u>\$ 324,831</u>	<u>\$ 4,669,219</u>	<u>\$ 1,915,946</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 40,956,828	\$ 13,620,344	\$ 54,577,172	\$ 8,205,326	\$ -
Restricted	2,541,279	-	2,541,279	160,428	-
Unrestricted (deficit)	(3,108,516)	5,133,838	2,025,322	(15,551,122)	855,381
Total net position	<u>\$ 40,389,591</u>	<u>\$ 18,754,182</u>	<u>\$ 59,143,773</u>	<u>\$ (7,185,368)</u>	<u>\$ 855,381</u>

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

City of Radford, Virginia
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	School Board	EDA		
PRIMARY GOVERNMENT:											
Governmental activities:											
General government administration	\$ 2,727,991	\$ 75,131	\$ 219,072	\$ -	\$ (2,433,788)	\$ -	\$ (2,433,788)	\$ -	\$ -	\$ -	\$ -
Judicial administration	1,235,776	266,680	471,955	-	(497,541)	-	(497,541)	-	-	-	-
Public safety	8,178,720	858,275	1,379,134	-	(5,941,311)	-	(5,941,311)	-	-	-	-
Public works	3,625,343	34,131	2,481,501	-	(1,109,711)	-	(1,109,711)	-	-	-	-
Health and welfare	3,218,783	-	2,722,686	-	(496,097)	-	(496,097)	-	-	-	-
Education	5,735,374	-	-	-	(5,735,374)	-	(5,735,374)	-	-	-	-
Parks, recreation, and cultural	2,311,832	142,681	146,606	-	(2,022,545)	-	(2,022,545)	-	-	-	-
Community development	2,553,508	-	2,202,255	-	(351,253)	-	(351,253)	-	-	-	-
Interest	720,747	-	-	-	(720,747)	-	(720,747)	-	-	-	-
Total governmental activities	\$ 30,308,074	\$ 1,376,898	\$ 9,622,809	\$ -	\$ (19,308,367)	\$ -	\$ (19,308,367)	\$ -	\$ -	\$ -	\$ -
Business-type activities:											
Water and sewer	\$ 5,029,437	\$ 4,763,418	\$ -	\$ -	\$ (266,019)	\$ (266,019)	\$ (266,019)	\$ -	\$ -	\$ -	\$ -
Electric	16,307,543	20,333,976	-	-	4,026,433	4,026,433	4,026,433	-	-	-	-
Solid waste	1,362,609	1,407,874	-	-	45,265	45,265	45,265	-	-	-	-
Total business-type activities	\$ 22,699,589	\$ 26,505,268	\$ -	\$ -	\$ 3,805,679	\$ 3,805,679	\$ 3,805,679	\$ -	\$ -	\$ -	\$ -
Total primary government	\$ 53,007,663	\$ 27,882,166	\$ 9,622,809	\$ -	\$ (19,308,367)	\$ 3,805,679	\$ (15,502,688)	\$ -	\$ -	\$ -	\$ -
COMPONENT UNITS:											
School Board	\$ 17,822,577	\$ 258,741	\$ 12,555,742	\$ -	\$ -	\$ -	\$ -	\$ (5,008,094)	\$ -	\$ -	\$ -
EDA	24,373	8,997	-	-	-	-	-	-	-	-	(15,376)
Total component units	\$ 17,846,950	\$ 267,738	\$ 12,555,742	\$ -	\$ -	\$ -	\$ -	\$ (5,008,094)	\$ -	\$ -	\$ (15,376)
General revenues:											
General property taxes					\$ 8,031,543	\$ -	\$ 8,031,543	\$ -	\$ -	\$ -	\$ -
Other local taxes:											
Local sales and use taxes					1,037,269	-	1,037,269	-	-	-	-
Consumers' utility taxes					564,577	-	564,577	-	-	-	-
Business license taxes					442,934	-	442,934	-	-	-	-
Motor vehicle taxes					202,397	-	202,397	-	-	-	-
Restaurant food taxes					1,104,604	-	1,104,604	-	-	-	-
Bank stock taxes					250,807	-	250,807	-	-	-	-
Hotel and motel room taxes					176,896	-	176,896	-	-	-	-
Other local taxes					164,816	-	164,816	-	-	-	-
Unrestricted revenues from the use of money and property					227,707	91,888	319,595	375	375	375	9,000
Miscellaneous					2,488,792	-	2,488,792	197,226	197,226	197,226	-
Contributions from the City of Radford					1,362,267	-	1,362,267	5,424,594	5,424,594	5,424,594	-
Grants and contributions not restricted to specific programs					-	14,995	14,995	-	-	-	-
Gain on disposal of surplus					4,079,599	(4,079,599)	-	-	-	-	-
Transfers					20,134,208	(3,972,716)	16,161,492	5,622,195	5,622,195	5,622,195	9,000
Total general revenues and transfers					\$ 825,841	\$ (167,037)	\$ 658,804	\$ 614,101	\$ 614,101	\$ 614,101	\$ (6,376)
Change in net position					\$ 39,563,750	\$ 18,921,219	\$ 58,484,969	\$ (7,799,469)	\$ (7,799,469)	\$ (7,799,469)	\$ 861,757
Net position - beginning, as restated					\$ 40,389,591	\$ 18,754,182	\$ 59,143,773	\$ (7,185,368)	\$ (7,185,368)	\$ (7,185,368)	\$ 855,381
Net position - ending					\$ 80,353,341	\$ 37,705,393	\$ 118,059,146	\$ (14,970,737)	\$ (14,970,737)	\$ (14,970,737)	\$ 861,757

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

City of Radford, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Transit</u>	<u>Grants</u>	<u>Highway Maintenance</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 3,710,127	\$ 26,853	\$ -	\$ 1,904,050	\$ 5,641,030
Investments	1,159,535	-	-	-	1,159,535
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,587,714	-	-	-	3,587,714
Accounts receivable	508,362	20,682	-	857	529,901
Due from other governmental units	622,551	1,160	296,898	167,046	1,087,655
Prepaid items	57,548	-	-	-	57,548
Total assets	<u>\$ 9,645,837</u>	<u>\$ 48,695</u>	<u>\$ 296,898</u>	<u>\$ 2,071,953</u>	<u>\$ 12,063,383</u>
LIABILITIES					
Accounts payable	\$ 316,168	116,724	\$ 3,350	\$ 477,496	\$ 913,738
Accrued wages and benefits	249,519	1,314	10,109	24,356	285,298
Accrued vacation and sick pay	120,757	443	-	8,668	129,868
Amounts held for others	73,674	-	-	-	73,674
Reconciled overdraft	-	-	275,394	-	275,394
Unearned revenue	28,170	-	3,250	-	31,420
Total liabilities	<u>\$ 788,288</u>	<u>\$ 118,481</u>	<u>\$ 292,103</u>	<u>\$ 510,520</u>	<u>\$ 1,709,392</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	\$ 3,647,493	\$ -	\$ -	\$ -	\$ 3,647,493
Unavailable revenue-ambulance billings	74,982	-	-	-	74,982
Total deferred inflows of resources	<u>\$ 3,722,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,722,475</u>
FUND BALANCES					
Nonspendable	\$ 57,548	\$ -	\$ -	\$ -	\$ 57,548
Restricted (Note 23)	975,051	-	4,795	1,561,433	2,541,279
Committed (Note 23)	1,597,723	-	-	-	1,597,723
Unassigned	2,504,752	(69,786)	-	-	2,434,966
Total fund balances	<u>\$ 5,135,074</u>	<u>\$ (69,786)</u>	<u>\$ 4,795</u>	<u>\$ 1,561,433</u>	<u>\$ 6,631,516</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,645,837</u>	<u>\$ 48,695</u>	<u>\$ 296,898</u>	<u>\$ 2,071,953</u>	<u>\$ 12,063,383</u>

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

City of Radford, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	6,631,516
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	2,836,562
Buildings and improvements (excludes \$15,321 in Internal Service Fund)		27,647,014
Infrastructure		22,787,424
Machinery and equipment (excludes \$14,942 in Internal Service Fund)		6,102,237
Construction in progress		<u>100,173</u>
		59,473,410
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue-property taxes	\$	285,252
Unavailable revenue-ambulance billings		<u>74,982</u>
		360,234
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		62,638
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items (excludes \$17,555 in Internal Services Fund)	\$	1,050,499
OPEB related items (excludes \$2,077 in Internal Services Fund)		<u>413,985</u>
		1,464,484
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds and capital leases	\$	(17,878,861)
Accrued interest payable		(281,737)
Unamortized bond premium		(667,984)
Compensated absences (net of fund liabilities of \$129,868 and excludes \$2,611 in Internal Services Fund)		(642,105)
Net OPEB liabilities (excludes \$23,028 in Internal Services Fund)		(2,375,733)
Net pension liability (excludes \$93,210 in Internal Services Fund)		<u>(4,791,385)</u>
		(26,637,805)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items (excludes \$15,496 in Internal Services Fund)	\$	(748,650)
OPEB related items (excludes \$1,765 in Internal Services Fund)		<u>(216,236)</u>
		(964,886)
Net position of governmental activities		<u>\$ 40,389,591</u>

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

City of Radford, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General</u>	<u>Transit</u>	<u>Grants</u>	<u>Highway Maintenance</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 8,104,338	\$ -	\$ -	\$ -	\$ 8,104,338
Other local taxes	3,944,300	-	-	-	3,944,300
Permits, privilege fees, and regulatory licenses	52,366	-	-	-	52,366
Fines and forfeitures	219,074	-	-	-	219,074
Revenue from the use of money and property	221,140	-	-	6,567	227,707
Charges for services	990,871	34,677	-	29,917	1,055,465
Miscellaneous	1,912,082	576,573	137	-	2,488,792
Recovered costs	22,575	-	-	-	22,575
Intergovernmental	5,763,303	2,047,676	698,758	2,475,339	10,985,076
Total revenues	<u>\$ 21,230,049</u>	<u>\$ 2,658,926</u>	<u>\$ 698,895</u>	<u>\$ 2,511,823</u>	<u>\$ 27,099,693</u>
EXPENDITURES					
General government administration	\$ 2,789,604	\$ -	\$ -	\$ -	\$ 2,789,604
Judicial administration	1,274,648	-	-	-	1,274,648
Public safety	7,799,212	-	442,635	-	8,241,847
Public works	636,685	-	5,595	2,231,962	2,874,242
Health and welfare	3,209,897	-	100,669	-	3,310,566
Education	5,457,020	-	-	-	5,457,020
Parks, recreation, and cultural	2,044,692	-	-	-	2,044,692
Community development	450,012	2,923,112	44,286	-	3,417,410
Debt service:					
Principal retirement	847,093	-	118,000	-	965,093
Interest and other fiscal charges	788,896	-	-	-	788,896
Total expenditures	<u>\$ 25,297,759</u>	<u>\$ 2,923,112</u>	<u>\$ 711,185</u>	<u>\$ 2,231,962</u>	<u>\$ 31,164,018</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,067,710)</u>	<u>\$ (264,186)</u>	<u>\$ (12,290)</u>	<u>\$ 279,861</u>	<u>\$ (4,064,325)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 4,079,599	\$ 179,059	\$ 7,250	\$ -	\$ 4,265,908
Transfers out	(186,309)	-	-	-	(186,309)
Issuance of capital lease	148,217	-	-	-	148,217
Sale of capital assets	12,745	-	-	4,110	16,855
Total other financing sources (uses)	<u>\$ 4,054,252</u>	<u>\$ 179,059</u>	<u>\$ 7,250</u>	<u>\$ 4,110</u>	<u>\$ 4,244,671</u>
Net change in fund balances	\$ (13,458)	\$ (85,127)	\$ (5,040)	\$ 283,971	\$ 180,346
Fund balances - beginning	5,148,532	15,341	9,835	1,277,462	6,451,170
Fund balances - ending	<u>\$ 5,135,074</u>	<u>\$ (69,786)</u>	<u>\$ 4,795</u>	<u>\$ 1,561,433</u>	<u>\$ 6,631,516</u>

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

City of Radford, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds \$ 180,346

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 2,034,340	
Depreciation expense (excludes \$6,511 in Internal Service Fund)	<u>(2,872,214)</u>	(837,874)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.

Disposal of assets		(43,146)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ (72,795)	
Rescue squad charges	<u>49,993</u>	(22,802)

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

Debt issued or incurred:		
Issuance of capital lease	\$ (148,217)	
Principal repayments:		
General obligation bonds	901,381	
Capital leases	<u>63,712</u>	816,876

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

Change in compensated absences (excludes \$(3,465) of fund liabilities and excludes \$15,418 in Internal Services Fund)	\$ (16,383)	
Change in accrued interest payable	(2,474)	
Amortization of bond premium	70,623	
Change in OPEB related items	7,193	
Change in pension related items	<u>673,482</u>	732,441

Change in net position of governmental activities		<u>\$ 825,841</u>
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The notes to the financial statements are an integral part of this statement.

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

	Enterprise Funds				Internal Service Fund
	Water and Sewer Fund	Electric Fund	Solid Waste Fund	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 567,688	\$ 2,143,351	\$ 543,047	\$ 3,254,086	\$ 76,332
Investments	327,850	2,092,076	-	2,419,926	-
Accounts receivable, net of allowance for uncollectibles	422,056	1,787,804	142,156	2,352,016	577
Inventories	93,263	554,889	-	648,152	77,067
Prepaid items	-	-	-	-	6,507
Total current assets	<u>\$ 1,410,857</u>	<u>\$ 6,578,120</u>	<u>\$ 685,203</u>	<u>\$ 8,674,180</u>	<u>\$ 160,483</u>
Noncurrent assets:					
Capital assets:					
Land	\$ 188,734	\$ 523,764	\$ -	\$ 712,498	\$ -
Utility plant and lines in service	29,998,541	20,079,578	-	50,078,119	-
Buildings and improvements	129,834	446,283	-	576,117	48,326
Machinery and equipment	1,646,443	2,358,733	1,357,709	5,362,885	253,909
Accumulated depreciation	(22,057,716)	(17,373,047)	(1,025,465)	(40,456,228)	(271,972)
Total capital assets	<u>\$ 9,905,836</u>	<u>\$ 6,035,311</u>	<u>\$ 332,244</u>	<u>\$ 16,273,391</u>	<u>\$ 30,263</u>
Total noncurrent assets	<u>\$ 9,905,836</u>	<u>\$ 6,035,311</u>	<u>\$ 332,244</u>	<u>\$ 16,273,391</u>	<u>\$ 30,263</u>
Total assets	<u>\$ 11,316,693</u>	<u>\$ 12,613,431</u>	<u>\$ 1,017,447</u>	<u>\$ 24,947,571</u>	<u>\$ 190,746</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 77,863	\$ 173,868	\$ 44,707	\$ 296,438	\$ 17,555
OPEB related items	10,622	23,149	5,899	39,670	2,077
Total deferred outflows of resources	<u>\$ 88,485</u>	<u>\$ 197,017</u>	<u>\$ 50,606</u>	<u>\$ 336,108</u>	<u>\$ 19,632</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 221,027	\$ 386,498	\$ 58,217	\$ 665,742	\$ 7,748
Salaries and wages payable	32,667	61,359	14,351	108,377	3,882
Customers' deposits	39,381	302,405	-	341,786	-
Accrued interest payable	-	17,500	15,877	33,377	-
Compensated absences - current portion	38,786	108,912	13,578	161,276	1,958
Due to Pulaski County PSA - current portion	-	-	36,804	36,804	-
Capital lease - current portion	66,422	-	34,405	100,827	-
Bonds payable - current portion	88,903	114,528	-	203,431	-
Total current liabilities	<u>\$ 487,186</u>	<u>\$ 991,202</u>	<u>\$ 173,232</u>	<u>\$ 1,651,620</u>	<u>\$ 13,588</u>
Noncurrent liabilities:					
Compensated absences - net of current portion	\$ 12,929	\$ 36,304	\$ 4,526	\$ 53,759	\$ 653
Due to Pulaski County PSA - net of current portion	-	-	321,680	321,680	-
Capital lease - net of current portion	68,540	-	72,296	140,836	-
Bonds payable - net of current portion	706,953	1,501,000	-	2,207,953	-
Net OPEB liabilities	103,300	229,424	58,349	391,073	23,028
Net pension liability	375,060	847,548	215,137	1,437,745	93,210
Total noncurrent liabilities	<u>\$ 1,266,782</u>	<u>\$ 2,614,276</u>	<u>\$ 671,988</u>	<u>\$ 4,553,046</u>	<u>\$ 116,891</u>
Total liabilities	<u>\$ 1,753,968</u>	<u>\$ 3,605,478</u>	<u>\$ 845,220</u>	<u>\$ 6,204,666</u>	<u>\$ 130,479</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related items	\$ 129,469	\$ 134,286	\$ 33,714	\$ 297,469	\$ 15,496
OPEB related items	7,143	16,125	4,094	27,362	1,765
Total deferred inflows of resources	<u>\$ 136,612</u>	<u>\$ 150,411</u>	<u>\$ 37,808</u>	<u>\$ 324,831</u>	<u>\$ 17,261</u>
NET POSITION					
Net investment in capital assets	\$ 8,975,018	\$ 4,419,783	\$ 225,543	\$ 13,620,344	\$ 30,263
Unrestricted	539,580	4,634,776	(40,518)	5,133,838	32,375
Total net position	<u>\$ 9,514,598</u>	<u>\$ 9,054,559</u>	<u>\$ 185,025</u>	<u>\$ 18,754,182</u>	<u>\$ 62,638</u>

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

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

	Enterprise Funds			Total	Internal Service Funds
	Water and Sewer Fund	Electric Fund	Solid Waste Fund		
OPERATING REVENUES					
Charges for services:					
Water sales	\$ 2,318,277	\$ -	\$ -	\$ 2,318,277	\$ -
Electric sales	-	19,973,488	-	19,973,488	-
Sanitation charges	-	-	1,407,874	1,407,874	-
Internal service charges	-	-	-	-	763,510
Sewer sales	2,268,437	-	-	2,268,437	-
Tap fees	5,792	-	-	5,792	-
Connection fees	29,356	-	-	29,356	-
Availability fees	46,000	-	-	46,000	-
Penalties	92,952	219,674	-	312,626	-
Miscellaneous revenue	2,604	85,583	-	88,187	6,117
Other revenues	-	55,231	-	55,231	-
Total operating revenues	\$ 4,763,418	\$ 20,333,976	\$ 1,407,874	\$ 26,505,268	\$ 769,627
OPERATING EXPENSES					
Personnel	\$ 986,726	\$ 1,976,980	\$ 540,602	\$ 3,504,308	\$ 187,870
Professional services	116,308	107,598	4,453	228,359	5,522
Automotive expenses	59,011	63,421	173,702	296,134	400,348
Office supplies and expenses	5,511	4,871	100	10,482	584
Risk management	23,357	23,081	9,721	56,159	1,911
Postal services	110	125	-	235	-
Telecommunications	23,552	18,454	950	42,956	1,068
Conferences and education	1,504	3,859	-	5,363	1,105
Advertising	24	-	-	24	-
Dues and memberships	1,650	14,150	-	15,800	-
Heating service	12,586	-	-	12,586	1,845
Repairs and maintenance	250,555	174,212	-	424,767	100,659
Janitorial supplies	1,261	2,594	100	3,955	976
Tools	7,567	96,553	-	104,120	8,290
Lease/rentals	31,566	4,068	-	35,634	-
Agricultural supplies	121	-	-	121	-
Uniforms	7,999	18,760	1,960	28,719	800
Building expenses	3,102	-	4,543	7,645	25,200
Solid waste services	2,088	2,760	-	4,848	-
Electrical service	338,536	1,012	-	339,548	23,655
Water and waste services	2,560	693	-	3,253	462
Refuse hauling	-	-	113,562	113,562	-
Supplies	1,407	-	-	1,407	-
Purchase of electricity	-	12,365,355	-	12,365,355	-
Services from other governments	1,741,777	-	195,207	1,936,984	-
Payment in lieu of taxes	503,651	754,807	198,089	1,456,547	-
Miscellaneous	5,463	19,264	3	24,730	45
Chemicals and gases	96,219	-	-	96,219	2,776
Depreciation	796,452	611,701	100,428	1,508,581	6,511
Total operating expenses	\$ 5,020,663	\$ 16,264,318	\$ 1,343,420	\$ 22,628,401	\$ 769,627
Operating income (loss)	\$ (257,245)	\$ 4,069,658	\$ 64,454	\$ 3,876,867	\$ -
NONOPERATING REVENUES (EXPENSES)					
Interest income	\$ 64,279	\$ 26,671	\$ 938	\$ 91,888	\$ -
Gain on disposal of surplus	9,403	5,592	-	14,995	-
Interest expense	(8,774)	(43,225)	(19,189)	(71,188)	-
Total nonoperating revenues (expenses)	\$ 64,908	\$ (10,962)	\$ (18,251)	\$ 35,695	\$ -
Income (loss) before transfers	\$ (192,337)	\$ 4,058,696	\$ 46,203	\$ 3,912,562	\$ -
Transfers out	-	(4,079,599)	-	(4,079,599)	-
Change in net position	\$ (192,337)	\$ (20,903)	\$ 46,203	\$ (167,037)	\$ -
Net position - beginning	9,706,935	9,075,462	138,822	18,921,219	62,638
Net position - ending	\$ 9,514,598	\$ 9,054,559	\$ 185,025	\$ 18,754,182	\$ 62,638

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

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

	Enterprise Funds				Internal Service Funds
	Water and Sewer Fund	Electric Fund	Solid Waste Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 4,782,806	\$ 20,354,521	\$ 1,408,961	\$ 26,546,288	\$ -
Receipts from interfund services	-	-	-	-	773,471
Payments to suppliers	(3,125,530)	(14,577,551)	(665,656)	(18,368,737)	(572,209)
Payments to employees	(1,109,657)	(2,084,316)	(560,837)	(3,754,810)	(213,061)
Net cash provided by (used for) by operating activities	<u>\$ 547,619</u>	<u>\$ 3,692,654</u>	<u>\$ 182,468</u>	<u>\$ 4,422,741</u>	<u>\$ (11,799)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	\$ -	\$ (4,079,599)	\$ -	\$ (4,079,599)	\$ -
Net cash provided by (used for) by noncapital financing activities	<u>\$ -</u>	<u>\$ (4,079,599)</u>	<u>\$ -</u>	<u>\$ (4,079,599)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	\$ (116,123)	\$ (363,495)	\$ -	\$ (479,618)	\$ -
Proceeds from the sale of assets	9,403	7,650	-	17,053	-
Principal payments to Pulaski County PSA	-	-	(10,793)	(10,793)	-
Principal payments on bonds	(206,745)	(136,847)	-	(343,592)	-
Principal payments on capital lease	(64,369)	-	(33,293)	(97,662)	-
Interest expense	(8,774)	(44,245)	(4,676)	(57,695)	-
Net cash provided by (used for) by capital and related financing activities	<u>\$ (386,608)</u>	<u>\$ (536,937)</u>	<u>\$ (48,762)</u>	<u>\$ (972,307)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	\$ 64,279	\$ 26,671	\$ 938	\$ 91,888	\$ -
Net cash provided by (used for) by investing activities	<u>\$ 64,279</u>	<u>\$ 26,671</u>	<u>\$ 938</u>	<u>\$ 91,888</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 225,290	\$ (897,211)	\$ 134,644	\$ (537,277)	\$ (11,799)
Cash and cash equivalents - beginning	670,248	5,132,638	408,403	6,211,289	88,131
Cash and cash equivalents - ending	<u>\$ 895,538</u>	<u>\$ 4,235,427</u>	<u>\$ 543,047</u>	<u>\$ 5,674,012</u>	<u>\$ 76,332</u>
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:					
Operating income (loss)	\$ (257,245)	\$ 4,069,658	\$ 64,454	\$ 3,876,867	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	\$ 796,452	\$ 611,701	\$ 100,428	\$ 1,508,581	\$ 6,511
(Increase) decrease in accounts receivable	21,361	57,190	1,087	79,638	3,844
(Increase) decrease in inventories	3,893	23,812	-	27,705	(5,238)
(Increase) decrease in prepaid items	10,276	18,294	8,215	36,785	4,095
(Increase) decrease in deferred outflows of resources	(19,394)	(28,156)	(12,439)	(59,989)	2,615
Increase (decrease) in customer deposits	(1,973)	(36,645)	-	(38,618)	-
Increase (decrease) in operating payables	97,786	(944,020)	28,519	(817,715)	4,180
Increase (decrease) in salaries and wages payable	13,845	19,113	5,273	38,231	(1,407)
Increase (decrease) in compensated absences	2,224	(8,570)	7,228	882	(15,418)
Increase (decrease) in net pension liability	(41,762)	3,913	4,940	(32,909)	195
Increase (decrease) in net OPEB liabilities	(29,850)	12,191	8,373	(9,286)	854
Increase (decrease) in deferred inflows of resources	(47,994)	(105,827)	(33,610)	(187,431)	(12,030)
Total adjustments	<u>\$ 804,864</u>	<u>\$ (377,004)</u>	<u>\$ 118,014</u>	<u>\$ 545,874</u>	<u>\$ (11,799)</u>
Net cash provided by (used for) by operating activities	<u>\$ 547,619</u>	<u>\$ 3,692,654</u>	<u>\$ 182,468</u>	<u>\$ 4,422,741</u>	<u>\$ (11,799)</u>

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

City of Radford, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 119,131
Total assets	\$ 119,131
 LIABILITIES	
Amounts held for social services clients	\$ 1,254
Amounts held for Highlander Festival	48,042
Amounts held for CSA program	63,076
Amounts held for employees - Cafeteria Plan Fund	6,759
Total liabilities	\$ 119,131

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

CITY OF RADFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

The City of Radford, Virginia (the City) is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the City's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City.

The Radford City School Board operates the elementary and secondary public schools in the City. School Board members are popularly elected. The School Board is fiscally dependent upon the City because the City approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. A separate report is issued for the School Board and can be obtained from the School Board office.

The Economic Development Authority is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by encouraging enterprises to locate and remain in Virginia. The Authority is governed by seven directors appointed by the Council of Radford City, Virginia. A separate report is issued for the Authority and can be obtained at the City offices.

Related Organizations - The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations - The City jointly governs the Pepper's Ferry Regional Wastewater Treatment Authority with the Board of Supervisors for the Counties of Pulaski and Montgomery and the Town Councils of the Towns of Dublin and Pulaski. The Authority was created to operate a wastewater equalization, pumping, treatment, and disposal system for its members. The City appoints two members to the Authority's board of directors. During the current fiscal year, the City paid \$1,741,777 to the Pepper's Ferry Regional Wastewater Treatment Authority.

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

A. Financial Reporting Entity (Continued)

The City is also a member of the New River Resource Authority, which it jointly governs with the County of Pulaski, the Town of Pulaski, the Town of Dublin, and Counties of Montgomery and Giles. The City appoints two members to the Authority's seven-member board of directors. The City paid \$180,408 in tipping fees to the New River Resource Authority during the current fiscal year.

The Counties of Bland, Carroll, Floyd, Giles, Grayson, Pulaski, and Wythe and the City of Radford created the New River Regional Jail Authority to operate a regional jail located in Dublin, Virginia. The primary source of funding for the Authority is a service charge based on the number of inmates from each jurisdiction. The City has no equity interest in the Authority but has offered a moral obligation for 6.6% of the Authority's debt payments. During the current fiscal year, the City paid \$772,695 to the New River Regional Jail Authority for incarceration services.

Virginia's First Regional Industrial Facility Authority is a legal authority established under laws of Virginia by 15 local governments for the purpose of providing regional large-scale industrial facilities. The City has opted to participate in the initial phase of the New River Valley Commerce Park Project at a cost equal to a share of the annual debt service. During the current fiscal year, the City paid \$28,258 for its equity share of the project.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

B. Government-wide and fund financial statements (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

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

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

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

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

The *transit fund* accounts for and reports financial resources that are restricted to expenditure for the benefit of the City's transit system. This fund is considered a major special revenue fund.

The *grants fund* accounts for and reports financial resources that are committed to expenditure for the purpose of grants received by the City. This fund is considered a major special revenue fund.

The *highway maintenance fund* accounts for and reports financial resources that are committed to expenditure for the purpose of constructing and maintaining the City's streets. This fund is considered a major special revenue fund.

The *capital projects fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. This fund did not have any activity for fiscal year 2019.

The government reports the following major proprietary funds:

The City operates a sewage collection and treatment system and a water distribution system. The activities of the system are accounted for in the Water and Sewer Fund.

The City provides electricity to citizens and businesses in the community. The activities of the electric department are accounted for in the Electric Fund.

The City provides solid waste collection services to citizens and businesses in the community. These activities are accounted for in the Solid Waste Fund.

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

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

Additionally, the government reports the following fund types:

Internal service funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Funds included in this category are for garage services and risk management.

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare Fund, Highlander Festival, CSA Regional Program Fund, and Cafeteria Plan Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water, sewer, and electric function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value. Investments in custody of others include unspent bond proceeds and accumulated interest that the City intends to use for the new government complex.

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property when payment is due. Real estate taxes are payable on June 5th and on December 5th. Personal property taxes are due and collectible annually on December 5th. The City bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,963,461 at June 30, 2019. The allowance consists of delinquent taxes in the amount of \$129,239, delinquent ambulance bills of \$25,631, delinquent utility tax bills of \$37,581, delinquent parking tickets of \$60,657, delinquent water and sewer bills of \$258,694, delinquent solid waste fees of \$101,730, and delinquent electric bills of \$1,349,929.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2019.

Property, plant, and equipment and infrastructure of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30
Infrastructure	30-40

8. Deferred Outflows/Inflows of Resources

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

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

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

8. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes and ambulance billings receivables are reported in the governmental funds balance sheet. These amounts are comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th; amounts prepaid on the 2nd half installments and uncollected ambulance billings due prior to June 30. Under the modified accrual basis of accounting, these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

9. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The City accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

10. Pensions

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 City's Retirement Plan and the additions to/deductions from the City's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

11. Other Postemployment Benefits (OPEB)

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

Line of Duty Act Program - The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan'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.

Health Insurance Credit Program - The City Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision HIC Program, and the additions to/deductions from the VRS Political Subdivision 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.

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

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

12. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

13. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted —consist of assets that are restricted by the City’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

14. Net Position Flow Assumption

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

15. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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

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

16. Fund balance

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

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

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

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. By April 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All of the City's funds, excluding fiduciary funds, have legally adopted budgets.

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

A. Budgetary information (Continued)

2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only City Council can revise appropriations for each fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all City units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the City's accounting system.

B. Excess of expenditures over appropriations

For the year ended June 30, 2019, the water and sewer and internal service funds' expenditures exceeded appropriations.

C. Deficit fund balance

At June 30, 2019, the transit fund reported a deficit in fund balance.

Note 3-Deposits and Investments:

Deposits

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

Note 3-Deposits and Investments: (Continued)

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Interest Rate Risk

The City has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year</u>
Local Government Investment Pool	\$ <u>3,579,461</u>	\$ <u>3,579,461</u>
Totals	\$ <u>3,579,461</u>	\$ <u>3,579,461</u>

Credit Risk of Debt Securities

The City has not adopted an investment policy for credit risk. The City’s rated debt investments as of June 30, 2019 were rated by Standard and Poor’s rating scale and the ratings are presented below.

<u>City’s Rated Debt Investments’ Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>3,579,461</u>

External Investment Pools

The value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 4-Due from Other Governmental Units:

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

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 150,264
Local communication tax	101,019
Categorical aid-other	360,143
Non-categorical aid	39,689
Categorical aid-Virginia Public Assistance	57,817
Categorical aid-Comprehensive Services Act	96,281
<u>Federal Government:</u>	
Categorical aid-Virginia Public Assistance	87,434
Categorical aid-other	<u>195,008</u>
Total	<u>\$ 1,087,655</u>

Note 5-Interfund Transfers and Balances:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 4,079,599	\$ 186,309
Grants Fund	7,250	-
Transit Fund	179,059	-
Electric Fund	-	4,079,599
Total	<u>\$ 4,265,908</u>	<u>\$ 4,265,908</u>

Note 5-Interfund Transfers and Balances: (Continued)

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

Interfund balances at year end represent amounts that have been transferred between funds in a lending or borrowing capacity and are expected to be repaid by current administration. At June 30, 2019, there were no interfund balances.

Note 6-Component-Unit Contribution and Obligations:

Component unit contributions for the year ended June 30, 2019, consisted of the following:

Component Unit:	
School Board	<u>\$ 5,424,594</u>

At year end, there were no component-unit obligations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 7- Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness (including internal service fund):

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2019.

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct Borrowings and Placements:				
General Obligation Bonds	\$ 18,135,447	\$ -	\$ (901,381)	\$ 17,234,066
Unamortized Premium	738,607	-	(70,623)	667,984
Capital Leases	560,290	148,217	(63,712)	644,795
Net OPEB Liabilities	2,183,611	646,991	(431,841)	2,398,761
Compensated Absences	770,154	582,046	(577,616)	774,584
Net Pension Liability	4,798,703	3,913,794	(3,827,902)	4,884,595
	<u>4,798,703</u>	<u>3,913,794</u>	<u>(3,827,902)</u>	<u>4,884,595</u>
 Total	 <u>\$ 27,186,812</u>	 <u>\$ 5,291,048</u>	 <u>\$ (5,873,075)</u>	 <u>\$ 26,604,785</u>

For governmental activities, compensated absences are generally liquidated in the General Fund.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Direct Borrowings and Placements:	
	General Obligation Bonds	
	Principal	Interest
2020	\$ 773,225	\$ 739,882
2021	801,088	697,915
2022	839,383	658,588
2023	873,134	614,549
2024	912,366	568,925
2025-2029	5,194,870	2,092,836
2030-2034	4,305,000	1,015,175
2035-2039	2,200,000	491,600
2040-2043	1,335,000	69,569
	<u>1,335,000</u>	<u>69,569</u>
Totals	<u>\$ 17,234,066</u>	<u>\$ 6,949,039</u>

CITY OF RADFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 7-Long-Term Obligations: (Continued)

**Primary Government - Governmental Activities Indebtedness (including internal service fund):
 (Continued)**

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
General Obligation Bonds:						
GO Bond - VPSA	4.6-5.1%	5/15/2008	2034	\$ 8,120,000	\$ 6,010,000	\$ 275,000
GO Bond - VPSA	3.6-5.35%	12/11/2008	2029	5,797,690	3,239,066	283,225
GO Bond - VRA	3.22%	12/6/2012	2043	2,885,000	2,645,000	70,000
GO Bond - VRA	3.089-5.125%	5/13/2015	2041	5,875,000	5,340,000	145,000
Subtotal General Obligation Bonds					\$ 17,234,066	\$ 773,225
Add: Bond Premium	n/a	n/a	n/a	n/a	\$ 57,120	\$ -
Bond Premium	n/a	n/a	n/a	n/a	107,822	-
Bond Premium	n/a	n/a	n/a	n/a	108,694	-
Bond Premium	n/a	n/a	n/a	n/a	394,348	-
Total Bond Premium					\$ 667,984	\$ -
Total Direct Borrowings and Placements					\$ 17,902,050	\$ 773,225
Other Obligations:						
Capital Lease	3.85%	2/12/2018	2027	560,290	496,578	54,181
Capital Lease	4.05%	3/25/2019	2024	148,217	148,217	27,636
Net OPEB Liabilities	n/a	n/a	n/a	n/a	2,398,761	-
Compensated Absences	n/a	n/a	n/a	n/a	774,584	580,938
Net Pension Liability	n/a	n/a	n/a	n/a	4,884,595	-
Total Long-term Obligations - Governmental Activities					\$ 26,604,785	\$ 1,435,980

The City's general obligation bonds are subject to the state aid intercept program. Under terms of the program, the City's State aid is redirected to bond holders to cure any event(s) of default.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 7-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Indebtedness:

The following is a summary of long-term debt transactions of the Enterprise Funds for the year ended June 30, 2019.

	<u>Balance July 1, 2018</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2019</u>
Direct Borrowings and Placements:				
Revenue Bonds	\$ 739,046	\$ -	\$ (38,436)	\$ 700,610
General Obligation Bonds	2,015,930	-	(305,156)	1,710,774
Capital Lease	339,325	-	(97,662)	241,663
Due to Pulaski County PSA	369,277	-	(10,793)	358,484
Net OPEB Liabilities	400,359	83,295	(92,581)	391,073
Compensated Absences	214,153	161,497	(160,615)	215,035
Net Pension Liability	<u>1,470,654</u>	<u>1,141,729</u>	<u>(1,174,638)</u>	<u>1,437,745</u>
 Total	 <u>\$ 5,548,744</u>	 <u>1,386,521</u>	 <u>\$ (1,879,881)</u>	 <u>\$ 5,055,384</u>

For business-type activities, compensated absences are generally liquidated in the same fund from which the respective employees are compensated.

Annual requirements to amortize long-term obligations and related interest are as follows:

Water and Sewer Fund				
Direct Borrowings and Placements:				
Year Ending June 30,	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 38,437	\$ -	\$ 50,466	\$ 282
2021	38,437	-	9,951	-
2022	38,437	-	9,951	-
2023	38,437	-	9,951	-
2024	38,437	-	9,951	-
2025-2029	162,835	-	4,976	-
2030-2034	150,258	-	-	-
2035-2039	150,258	-	-	-
2040-2041	<u>45,074</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 700,610</u>	<u>\$ -</u>	<u>\$ 95,246</u>	<u>\$ 282</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 7-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Indebtedness: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows: (Continued)

Year Ending June 30,	Electric Fund	
	Direct Borrowings and Placements	
	General Obligation Bonds	
	Principal	Interest
2020	\$ 114,528	\$ 40,868
2021	98,000	38,188
2022	101,000	35,571
2023	103,000	32,888
2024	106,000	30,140
2025-2029	575,000	106,712
2030-2033	518,000	27,720
Totals	\$ 1,615,528	\$ 312,087

Year Ending June 30,	Solid Waste Fund	
	Due to Pulaski County PSA	
	Principal	Interest
2020	\$ 36,804	\$ 28,534
2021	18,331	13,108
2022	18,280	12,339
2023	18,227	11,572
2024	18,171	10,808
2025-2029	89,911	42,687
2030-2034	87,967	24,133
2035-2039	70,793	6,443
Totals	\$ 358,484	\$ 149,624

CITY OF RADFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 7-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Water and Sewer Fund						
Direct Borrowings and Placements:						
Revenue Bonds:						
Revenue Bond-VRA	0.00%	9/29/2005	2026	\$ 167,700	\$ 54,502	\$ 8,385
Revenue Bond-VRA	0.00%	1/1/2010	2041	901,546	646,108	30,052
Total Revenue Bonds					<u>\$ 700,610</u>	<u>\$ 38,437</u>
General Obligation Bonds:						
GO Bond-VRA	0.00%	7/30/2004	2024	\$ 337,660	\$ 54,731	\$ 9,951
GO Bond	2.42%	12/18/2012	2020	2,687,077	40,515	40,515
Total General Obligation Bonds					<u>\$ 95,246</u>	<u>\$ 50,466</u>
Total Direct Borrowings and Placements					<u>\$ 795,856</u>	<u>\$ 88,903</u>
Other Obligations:						
Capital Lease	3.19%	6/15/2016	2021	\$ 325,376	\$ 134,962	\$ 66,422
Net OPEB Liabilities	n/a	n/a	n/a	n/a	103,300	-
Compensated Absences	n/a	n/a	n/a	n/a	51,715	38,786
Net Pension Liability	n/a	n/a	n/a	n/a	375,060	-
Total Other Obligations					<u>\$ 665,037</u>	<u>\$ 105,208</u>
Total Long-term Obligations-Water and Sewer Fund					<u>\$ 1,460,893</u>	<u>\$ 194,111</u>
Electric Fund						
Direct Borrowings and Placements:						
General Obligation Bonds:						
GO Bond	2.42%	12/18/2012	2020	\$ 292,065	\$ 18,528	\$ 18,528
GO Bond	2.63%	7/11/2017	2033	1,690,000	1,597,000	96,000
Total Direct Borrowings and Placements					<u>\$ 1,615,528</u>	<u>\$ 114,528</u>
Other Obligations:						
Net OPEB Liabilities	n/a	n/a	n/a	n/a	\$ 229,424	\$ -
Compensated Absences	n/a	n/a	n/a	n/a	145,216	108,912
Net Pension Liability	n/a	n/a	n/a	n/a	847,548	-
Total Other Obligations					<u>\$ 1,222,188</u>	<u>\$ 108,912</u>
Total Long-term Obligations-Electric Fund					<u>\$ 2,837,716</u>	<u>\$ 223,440</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 7-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Indebtedness: (Continued)

Details of long-term indebtedness:

Solid Waste Fund

Other Obligations:

Due to Pulaski County PSA	n/a	n/a	n/a	n/a	\$	358,484	\$	36,804
Capital Lease	3.34%	10/12/2017	2022	\$	177,963	106,701		34,405
Net OPEB Liabilities	n/a	n/a	n/a	n/a		58,349		-
Compensated Absences	n/a	n/a	n/a	n/a		18,104		13,578
Net Pension Liability	n/a	n/a	n/a	n/a		215,137		-
Total Other Obligations						<u>\$ 756,775</u>		<u>\$ 84,787</u>
Total Long-term Obligations-Solid Waste Fund						<u>\$ 756,775</u>		<u>\$ 84,787</u>
Total Long-term Obligations - Business-type Activities						<u>\$ 5,055,384</u>		<u>\$ 502,338</u>

The City's revenue and general obligation bonds are subject to the state aid intercept program. Under terms of the program, the City's State aid is redirected to bond holders to cure any event(s) of default.

Note 8-Pension Plan:

Plan Description

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

Note 8-Pension Plan: (Continued)

Benefit Structures

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 8-Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Note 8-Pension Plan: (Continued)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	176
Inactive members:	
Vested inactive members	41
Non-vested inactive members	24
Inactive members active elsewhere in VRS	<u>105</u>
Total inactive members	170
Active members	<u>219</u>
Total covered employees	<u><u>565</u></u>

Contributions

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

The City’s contractually required employer contribution rate for the year ended June 30, 2019 was 10.46% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$1,071,871 and \$1,085,616 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

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

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 8-Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 8-Pension Plan: (Continued)****Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 52,114,480	\$ 45,845,123	\$ 6,269,357
Changes for the year:			
Service cost	\$ 1,111,924	\$ -	\$ 1,111,924
Interest	3,551,884	-	3,551,884
Differences between expected and actual experience	310,563	-	310,563
Contributions - employer	-	1,085,616	(1,085,616)
Contributions - employee	-	495,989	(495,989)
Net investment income	-	3,372,254	(3,372,254)
Benefit payments, including refunds of employees contributions	(2,746,564)	(2,746,564)	-
Administrative expenses	-	(29,491)	29,491
Other changes	-	(2,980)	2,980
Net changes	\$ 2,227,807	\$ 2,174,824	\$ 52,983
Balances at June 30, 2018	\$ 54,342,287	\$ 48,019,947	\$ 6,322,340

Note 8-Pension Plan: (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
City's Net Pension Liability \$	13,458,100	6,322,340	383,467

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

For the year ended June 30, 2019, the City recognized pension expense of \$131,909. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	219,755	\$ 473,937
Change in assumptions	-	114,278
Change in proportionate shares	72,866	72,866
Net difference between projected and actual earnings on pension plan investments	-	400,534
Employer contributions subsequent to the measurement date	1,071,871	-
Total	\$ 1,364,492	\$ 1,061,615

Note 8-Pension Plan: (Continued)

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

\$1,071,871 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2020	\$	(166,456)
2021		(127,238)
2022		(434,301)
2023		(40,999)
Thereafter		-

Pension Plan Data

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

Note 9-Other Postemployment Benefits-Health Insurance:

Plan Description

In addition to the pension benefits described in Note 8, the City administers a single-employer defined benefit healthcare plan, The Radford City OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the City’s pension plans.

Benefits Provided

The Plan provides for participation by eligible retirees of the City in the health insurance programs available to City employees. The Plan will provide retiring employees the option to continue health insurance offered by the City. An eligible City retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service (prior to June 30, 2009) with the City and the employee must be eligible to retire from the City under the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the City and can be amended through City Council action. The Plan does not issue a publicly available financial report.

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

Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees	229
Total retirees	<u>8</u>
Total	<u><u>237</u></u>

Contributions

The City does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the City Council. The City made benefits payments of \$69,889 the year ended June 30, 2019.

Total OPEB Liability

The City’s total OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary Increases	2.00%
Discount Rate	3.50%

The mortality rates were calculated using the RP-2014 combined male and female fully generational table with projection scale MP2018.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate was based on the Bond Buyer’s 20 Bond Index.

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

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at June 30, 2018	\$	609,970
Changes for the year:		
Service cost		10,686
Interest		31,252
Differences between expected and actual experience		(2,691)
Changes in assumptions and other inputs		61,506
Benefit payments		(69,889)
Net changes		<u>30,864</u>
Balances at June 30, 2019	\$	<u><u>640,834</u></u>

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

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

Rate		
1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$ 676,177	\$ 640,834	\$ 607,827

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

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

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current healthcare cost trend rates:

Rates		
1% Decrease (6.00% decreasing to 3.75%)	Healthcare Cost Trend (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
\$ 602,196	\$ 640,834	\$ 684,552

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

For the year ended June 30, 2019, the City recognized OPEB expense in the amount of \$49,102. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,363
Change in assumptions	54,014	-
Total	\$ 54,014	\$ 2,363

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ 7,164
2021	7,164
2022	7,164
2023	7,164
2024	7,164
Thereafter	15,831

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

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

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

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

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

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the entity were \$54,748 and \$52,746 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$811,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.05339% as compared to 0.05424% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,000	\$ 15,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	26,000
Change in assumptions	-	34,000
Changes in proportion	-	25,000
Employer contributions subsequent to the measurement date	<u>54,748</u>	<u>-</u>
Total	<u>\$ 94,748</u>	<u>\$ 100,000</u>

\$54,748 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (17,000)
2021	(17,000)
2022	(17,000)
2023	(9,000)
2024	(1,000)
Thereafter	1,000

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (Continued)

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

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (Continued)

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (Continued)

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

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

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

NET GLI OPEB Liability

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

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to 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.

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
City's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,060,000	\$ 811,000	\$ 609,000

GLI Program Fiduciary Net Position

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

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

Plan Description

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

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

Plan Description (Continued)

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	67
Inactive members:	
Vested inactive members	1
Total inactive members	<u>68</u>
Active members	170
Total covered employees	<u><u>238</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The City’s contractually required employer contribution rate for the year ended June 30, 2019 was 0.33% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 City to the HIC Program were \$27,626 and \$24,384 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net HIC OPEB Liability

The City’s net HIC OPEB liability was measured as of June 30, 2018. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions: (Continued)

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions: (Continued)

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

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

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

Long-Term Expected Rate of Return

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

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

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

Long-Term Expected Rate of Return (Continued)

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

Note 11-Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Changes in Net HIC OPEB Liability**

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 493,000	\$ 212,000	\$ 281,000
Changes for the year:			
Service cost	\$ 7,000	\$ -	\$ 7,000
Interest	33,000	-	33,000
Differences between expected and actual experience	-	-	-
Assumption changes	(7,000)	-	(7,000)
Contributions - employer	-	24,000	(24,000)
Net investment income	-	15,000	(15,000)
Benefit payments	(39,000)	(39,000)	-
Other changes	(1,000)	(3,000)	2,000
Net changes	\$ (7,000)	\$ (3,000)	\$ (4,000)
Balances at June 30, 2018	\$ 486,000	\$ 209,000	\$ 277,000

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

Sensitivity of the City's HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
City's Net HIC OPEB Liability	\$ 326,000	\$ 277,000	\$ 235,000

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2019, the City recognized HIC Program OPEB expense of \$23,000. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the City's HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	\$ 6,000
Net difference between projected and actual earnings on HIC OPEB plan investments	-	5,000
Change in assumptions	-	7,000
Employer contributions subsequent to the measurement date	27,626	-
Total	\$ 27,626	\$ 18,000

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

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB: (Continued)

\$27,626 reported as deferred outflows of resources related to the HIC OPEB resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2020	\$	(4,000)
2021		(4,000)
2022		(5,000)
2023		(3,000)
2024		(2,000)
Thereafter		-

HIC Program Plan Data

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

Note 12-Line of Duty Act (LODA) Program:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System’s actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

Note 12- Line of Duty Act (LODA) Program: (Continued)

Plan Description (Continued)

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

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$57,344 and \$36,028 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 12- Line of Duty Act (LODA) Program: (Continued)

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

At June 30, 2019, the entity reported a liability of \$1,061,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was 0.3383% as compared to 0.3341% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$94,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 152,000	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	3,000
Change in assumptions	-	122,000
Change in proportion	70,000	-
Employer contributions subsequent to the measurement date	57,344	-
Total	\$ 279,344	\$ 125,000

Note 12- Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)

\$57,344 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity’s contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2020	\$	12,000
2021		12,000
2022		12,000
2023		12,000
2024		13,000
Thereafter		36,000

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89%, net of OPEB plan investment expenses, including inflation*

Note 12- Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions (Continued)

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Mortality Rates - Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 12- Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Note 12- Line of Duty Act (LODA) Program: (Continued)

Net LODA OPEB Liability

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

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 313,395
Plan Fiduciary Net Position	1,889
Employers' Net OPEB Liability (Asset)	<u>\$ 311,506</u>
 Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	 0.60%

The total LODA 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 OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Note 12- Line of Duty Act (LODA) Program: (Continued)

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

	Discount Rate		
	1% Decrease (2.89%)	Current (3.89%)	1% Increase (4.89%)
City's proportionate share of the total LODA Net OPEB Liability	\$ 1,215,000	\$ 1,061,000	\$ 936,000

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
City's proportionate share of the total LODA Net OPEB Liability	\$ 904,000	\$ 1,061,000	\$ 1,256,000

LODA OPEB Fiduciary Net Position

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 13-Aggregate OPEB Information:

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

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program	\$ 94,748	\$ 100,000	\$ 811,000	\$ 1,000
City Health Insurance Credit Program	27,626	18,000	277,000	23,000
Line of Duty Act Program	279,344	125,000	1,061,000	94,000
City Stand-Alone Plan	54,014	2,363	640,834	49,102
Totals	<u>\$ 455,732</u>	<u>\$ 245,363</u>	<u>\$ 2,789,834</u>	<u>\$ 167,102</u>

Note 14-Unavailable/Deferred Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 285,252
Tax assessments due after June 30	3,199,035	3,199,035
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	163,206	163,206
Ambulance billings	-	74,982
Total unavailable/deferred revenue	<u>\$ 3,362,241</u>	<u>\$ 3,722,475</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 15-Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaling \$31,420 is comprised of the following:

Booth rentals and donations for the City’s July 4th celebration received in advance of year end totaled \$28,170.

Grant revenue received in advance totaled \$3,250.

Note 16-Capital Assets:

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

Primary Government: (including internal service fund)

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,836,562	\$ -	\$ -	\$ 2,836,562
Construction in progress	107,835	32,162	(39,824)	100,173
Total capital assets not being depreciated	<u>\$ 2,944,397</u>	<u>\$ 32,162</u>	<u>\$ (39,824)</u>	<u>\$ 2,936,735</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 38,310,007	\$ -	\$ -	\$ 38,310,007
Infrastructure	57,169,972	7,800	-	57,177,772
Machinery and equipment	14,085,321	2,058,455	(894,360)	15,249,416
Total capital assets being depreciated	<u>\$ 109,565,300</u>	<u>\$ 2,066,255</u>	<u>\$ (894,360)</u>	<u>\$ 110,737,195</u>
Accumulated depreciation:				
Buildings and improvements	\$ (9,817,267)	\$ (830,405)	\$ -	\$ (10,647,672)
Infrastructure	(33,405,443)	(984,905)	-	(34,390,348)
Machinery and equipment	(8,895,783)	(1,087,668)	851,214	(9,132,237)
Total accumulated depreciation	<u>\$ (52,118,493)</u>	<u>\$ (2,902,978)</u>	<u>\$ 851,214</u>	<u>\$ (54,170,257)</u>
Total capital assets being depreciated, net	<u>\$ 57,446,807</u>	<u>\$ (836,723)</u>	<u>\$ (43,146)</u>	<u>\$ 56,566,938</u>
Governmental activities capital assets, net	<u>\$ 60,391,204</u>	<u>\$ (804,561)</u>	<u>\$ (82,970)</u>	<u>\$ 59,503,673</u>

Asset additions include an asset transferred from the electric fund of \$24,253. Depreciation additions include accumulated depreciation on the asset transferred from the electric fund of \$24,253.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 16-Capital Assets: (Continued)

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 712,498	\$ -	\$ -	\$ 712,498
Construction in progress	2,839,708	135,231	(2,974,939)	-
Total capital assets not being depreciated	<u>\$ 3,552,206</u>	<u>\$ 135,231</u>	<u>\$ (2,974,939)</u>	<u>\$ 712,498</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 500,727	\$ 75,390	\$ -	\$ 576,117
Machinery and equipment	5,399,823	261,379	(298,317)	5,362,885
Plant and infrastructure	47,125,628	2,982,557	(30,066)	50,078,119
Total capital assets being depreciated	<u>\$ 53,026,178</u>	<u>\$ 3,319,326</u>	<u>\$ (328,383)</u>	<u>\$ 56,017,121</u>
Accumulated depreciation:				
Buildings and structures	\$ (240,639)	\$ (15,158)	\$ -	\$ (255,797)
Machinery and equipment	(3,764,263)	(377,241)	298,317	(3,843,187)
Plant and infrastructure	(35,269,070)	(1,116,182)	28,008	(36,357,244)
Total accumulated depreciation	<u>\$ (39,273,972)</u>	<u>\$ (1,508,581)</u>	<u>\$ 326,325</u>	<u>\$ (40,456,228)</u>
Total capital assets being depreciated, net	<u>\$ 13,752,206</u>	<u>\$ 1,810,745</u>	<u>\$ (2,058)</u>	<u>\$ 15,560,893</u>
Business-type activities capital assets, net	<u>\$ 17,304,412</u>	<u>\$ 1,945,976</u>	<u>\$ (2,976,997)</u>	<u>\$ 16,273,391</u>

Asset deletions include an asset transferred to the general fund of \$24,253. Depreciation deletions includes accumulated depreciation on the asset transferred to the general fund of \$24,253.

During fiscal year 2019, the electric fund transferred an asset with a cost of \$17,499 and accumulated depreciation of \$17,499 to the water and sewer fund.

Note 16-Capital Assets: (Continued)

Primary Government: (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government administration	\$ 185,675
Judicial administration	12,571
Public safety	526,395
Public works	1,076,114
Health and welfare	14,202
Education	278,354
Parks, recreation, and culture	330,334
Community Development	448,569
Internal service funds	<u>6,511</u>
Total depreciation expense-governmental activities	<u>\$ 2,878,725</u>
Business type activities:	
Water and Sewer Fund	\$ 796,452
Electric Fund	611,701
Solid Waste Fund	<u>100,428</u>
Total depreciation expense-business type activities	<u>\$ 1,508,581</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 17-Capital Leases:

The City has entered into lease agreements to finance the acquisition of a fire truck, two freightliners, and an ambulance. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments at the date of inception.

The cost and accumulated depreciation associated with the fire truck acquired through a capital lease is as follows:

	Fire Truck*	Freightliner	Freightliner	Ambulance**
Machinery & Equipment	\$ 860,290	\$ 325,376	\$ 177,962	\$ 270,821
Accumulated Depreciation	(47,422)	(64,659)	(28,084)	(33,686)
Total	\$ 812,868	\$ 260,717	\$ 149,878	\$ 237,135

*Total cost of the fire truck was \$860,290. The amount financed through capital lease was \$560,290.

**Total cost of the ambulance was \$270,821. The amount financed through capital lease was \$148,217.

Annual requirements to amortize lease agreements and related interest are as follows:

Fiscal Year Ended	Leases
2020	\$ 177,286
2021	215,255
2022	144,530
2023	144,530
2024	106,561
2025-2027	219,898
Total minimum lease payments	\$ 1,008,060
Less: amount representing interest	(121,602)
Present value of minimum lease payments	\$ 886,458

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

Note 18-Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates with other localities in a public entity risk pool for their coverage of general liability, property, auto insurance and workers compensation with the Virginia Municipal League. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The City pays the Virginia Municipal League contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Note 19-Contingent Liabilities:

Federal programs in which the City and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 20-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Ann Howard, Clerk of Circuit Court	\$ 190,000
Janet H. Jones, Treasurer	500,000
Cathy Flinchum, Commissioner of Revenue	3,000
Mark Armentrout, Sheriff	30,000

Note 21-Commitments and Contingencies:

The City leases the Farmer's Market lot, which it uses to provide additional public parking downtown. The lease terms call for monthly payments of \$3,500 with potential increases at every five-year renewal. The rental increases will be based on the consumer price index. The renewal terms will expire in 2022.

The City leases the old Hardee's lot across from the theater downtown, which it uses to provide additional public parking downtown. The lease terms call for an annual payments of \$18,526 with potential increases each year. The rental increases will be based on the consumer price index. The City may renew the lease annually after the current lease expires.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 21-Commitments and Contingencies: (Continued)

The City leases the parking spaces on Main Street in front of the Norfolk Southern office, which it uses to provide additional public parking downtown. The lease terms call for monthly payments of \$500 with potential increases each year. The rental increases will be based on the consumer price index. The City may renew the lease annually after the current lease expires.

Note 22-Arbitrage Rebate Compliance:

As of June 30, 2019, and for the year then ended, the City was not liable for any amounts due under current rules governing arbitrage earnings.

Note 23-Restricted and Committed Fund Balance:

Governmental Activities/Funds:	General Fund	Grants Fund	Highway Maintenance Fund	Total
Nonspendable:				
Prepaid items	\$ 57,548	\$ -	\$ -	\$ 57,548
Total nonspendable balances	\$ 57,548	\$ -	\$ -	\$ 57,548
Restricted:				
Hazmat operations	\$ 73,224	\$ -	\$ -	\$ 73,224
Fire donations	88,383	-	-	88,383
Police department	127,448	-	-	127,448
Four for life program	16,881	-	-	16,881
Fire programs	569,351	-	-	569,351
Recreation donations	24,742	-	-	24,742
Library donations	2,328	-	-	2,328
Courthouse maintenance	15,221	-	-	15,221
Law library	21,035	-	-	21,035
Courtroom security	19,456	-	-	19,456
Inmate booking	16,982	-	-	16,982
Grants fund	-	4,795	-	4,795
Highway maintenance	-	-	1,561,433	1,561,433
Total restricted balances	\$ 975,051	\$ 4,795	\$ 1,561,433	\$ 2,541,279
Committed funds:				
Library fines/copier fees/donations	\$ 112,980	\$ -	\$ -	\$ 112,980
Project lifesaver	1,848	-	-	1,848
Volunteer service awards	81,425	-	-	81,425
DMV revenues	136,109	-	-	136,109
School Board	1,265,361	-	-	1,265,361
Total committed balances	\$ 1,597,723	\$ -	\$ -	\$ 1,597,723

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

Note 24-Litigation:

At June 30, 2019, there were no matters of litigation involving the City for which would materially affect the City’s financial position should any court decisions on pending matters not be favorable to the City.

Note 25-Restatement:

During fiscal year 2019, the City and EDA identified a parcel of land that was recorded as an EDA asset, but titled in the City’s name. The financial statements have been restated to reflect the proper reporting of this asset as follows:

	Governmental Activities
Net Position, as previously reported	\$ 39,359,330
Capital asset restatement	204,420
Net Position, as restated	<u>\$ 39,563,750</u>

Note 26-Adoption of Accounting Principle:

The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 27-Upcoming Pronouncements:

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

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

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

Note 27-Upcoming Pronouncements: (Continued)

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

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

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

Required Supplementary Information

City of Radford, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 8,081,441	\$ 8,081,441	\$ 8,104,338	\$ 22,897
Other local taxes	3,757,293	3,757,293	3,944,300	187,007
Permits, privilege fees, and regulatory licenses	286,670	298,170	52,366	(245,804)
Fines and forfeitures	179,100	179,100	219,074	39,974
Revenue from the use of money and property	193,664	193,664	221,140	27,476
Charges for services	715,040	715,040	990,871	275,831
Miscellaneous	1,856,547	1,866,593	1,912,082	45,489
Recovered costs	2,000	2,000	22,575	20,575
Intergovernmental	5,563,683	5,810,769	5,763,303	(47,466)
Total revenues	\$ 20,635,438	\$ 20,904,070	\$ 21,230,049	\$ 325,979
EXPENDITURES				
Current:				
General government administration	\$ 2,808,742	\$ 2,838,883	\$ 2,789,604	\$ 49,279
Judicial administration	1,273,509	1,284,032	1,274,648	9,384
Public safety	7,433,737	7,741,947	7,799,212	(57,265)
Public works	551,671	639,346	636,685	2,661
Health and welfare	3,200,096	3,304,801	3,209,897	94,904
Education	6,031,954	6,560,710	5,457,020	1,103,690
Parks, recreation, and cultural	2,045,325	2,061,789	2,044,692	17,097
Community development	445,947	452,651	450,012	2,639
Debt service:				
Principal retirement	847,093	847,093	847,093	-
Interest and other fiscal charges	788,886	788,896	788,896	-
Total expenditures	\$ 25,426,960	\$ 26,520,148	\$ 25,297,759	\$ 1,222,389
Excess (deficiency) of revenues over (under) expenditures	\$ (4,791,522)	\$ (5,616,078)	\$ (4,067,710)	\$ 1,548,368
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 4,329,599	\$ 4,329,599	\$ 4,079,599	\$ (250,000)
Transfers out	(179,059)	(186,309)	(186,309)	-
Issuance of capital lease	-	-	148,217	148,217
Sale of capital assets	-	-	12,745	12,745
Total other financing sources (uses)	\$ 4,150,540	\$ 4,143,290	\$ 4,054,252	\$ (89,038)
Net change in fund balances	\$ (640,982)	\$ (1,472,788)	\$ (13,458)	\$ 1,459,330
Fund balances - beginning	640,982	1,472,788	5,148,532	3,675,744
Fund balances - ending	\$ -	\$ -	\$ 5,135,074	\$ 5,135,074

Note: GAAP serves as the budgetary basis of accounting

City of Radford, Virginia
 Transit Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 28,000	\$ 28,000	\$ 34,677	\$ 6,677
Miscellaneous	700,179	700,179	576,573	(123,606)
Intergovernmental	2,427,180	2,427,180	2,047,676	(379,504)
Total revenues	<u>\$ 3,155,359</u>	<u>\$ 3,155,359</u>	<u>\$ 2,658,926</u>	<u>\$ (496,433)</u>
EXPENDITURES				
Current:				
Community development	\$ 3,334,418	\$ 3,334,418	\$ 2,923,112	\$ 411,306
Total expenditures	<u>\$ 3,334,418</u>	<u>\$ 3,334,418</u>	<u>\$ 2,923,112</u>	<u>\$ 411,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (179,059)</u>	<u>\$ (179,059)</u>	<u>\$ (264,186)</u>	<u>\$ (85,127)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 179,059	\$ 179,059	\$ 179,059	\$ -
Total other financing sources (uses)	<u>\$ 179,059</u>	<u>\$ 179,059</u>	<u>\$ 179,059</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ (85,127)	\$ (85,127)
Fund balances - beginning	-	-	15,341	15,341
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,786)</u>	<u>\$ (69,786)</u>

Note: GAAP serves as the budgetary basis of accounting

City of Radford, Virginia
Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Grants Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Miscellaneous	\$ (1,655)	\$ (1,655)	\$ 137	\$ 1,792
Intergovernmental	318,138	901,888	698,758	(203,130)
Total revenues	<u>\$ 316,483</u>	<u>\$ 900,233</u>	<u>\$ 698,895</u>	<u>\$ (201,338)</u>
EXPENDITURES				
Current:				
Public safety	\$ 26,582	\$ 487,188	\$ 442,635	\$ 44,553
Public works	1,319	7,482	5,595	1,887
Health and welfare	53,170	172,690	100,669	72,021
Community development	5,264	48,111	44,286	3,825
Debt service:				
Principal retirement	236,558	197,922	118,000	79,922
Interest and other fiscal charges	3,719	3,719	-	3,719
Total expenditures	<u>\$ 326,612</u>	<u>\$ 917,112</u>	<u>\$ 711,185</u>	<u>\$ 205,927</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,129)</u>	<u>\$ (16,879)</u>	<u>\$ (12,290)</u>	<u>\$ 4,589</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 7,250	\$ 7,250	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 7,250</u>	<u>\$ 7,250</u>	<u>\$ -</u>
Net change in fund balances	\$ (10,129)	\$ (9,629)	\$ (5,040)	\$ 4,589
Fund balances - beginning	10,129	9,629	9,835	206
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,795</u>	<u>\$ 4,795</u>

City of Radford, Virginia
Highway Maintenance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Highway Maintenance Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ 4,285	\$ 4,285	\$ 6,567	\$ 2,282
Charges for services	27,500	27,500	29,917	2,417
Intergovernmental	2,241,369	2,307,227	2,475,339	168,112
Total revenues	<u>\$ 2,273,154</u>	<u>\$ 2,339,012</u>	<u>\$ 2,511,823</u>	<u>\$ 172,811</u>
EXPENDITURES				
Current:				
Public works	\$ 2,521,996	\$ 3,019,840	\$ 2,231,962	\$ 787,878
Total expenditures	<u>\$ 2,521,996</u>	<u>\$ 3,019,840</u>	<u>\$ 2,231,962</u>	<u>\$ 787,878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (248,842)</u>	<u>\$ (680,828)</u>	<u>\$ 279,861</u>	<u>\$ 960,689</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (263,575)	\$ (263,575)	-	\$ 263,575
Sale of capital assets	-	-	4,110	4,110
Total other financing sources (uses)	<u>\$ (263,575)</u>	<u>\$ (263,575)</u>	<u>\$ 4,110</u>	<u>\$ 267,685</u>
Net change in fund balances	\$ (512,417)	\$ (944,403)	\$ 283,971	\$ 1,228,374
Fund balances - beginning	512,417	944,403	1,277,462	333,059
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,561,433</u>	<u>\$ 1,561,433</u>

City of Radford, Virginia
 Schedule of Changes in Net Pension Liability and Related Ratios
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 1,111,924	\$ 1,140,820	\$ 1,112,449	\$ 1,082,227	\$ 1,057,024
Interest	3,551,884	3,491,733	3,369,524	3,259,677	3,126,776
Differences between expected and actual experience	310,563	(910,650)	(415,942)	(456,628)	-
Changes in assumptions	-	(262,692)	-	-	-
Benefit payments, including refunds of employee contributions	(2,746,564)	(2,453,274)	(2,187,086)	(2,444,989)	(2,125,449)
Net change in total pension liability	<u>\$ 2,227,807</u>	<u>\$ 1,005,937</u>	<u>\$ 1,878,945</u>	<u>\$ 1,440,287</u>	<u>\$ 2,058,351</u>
Total pension liability - beginning	52,114,480	51,108,543	49,229,598	47,789,311	45,730,960
Total pension liability - ending (a)	<u>\$ 54,342,287</u>	<u>\$ 52,114,480</u>	<u>\$ 51,108,543</u>	<u>\$ 49,229,598</u>	<u>\$ 47,789,311</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,085,616	\$ 1,071,626	\$ 1,290,099	\$ 1,273,773	\$ 1,241,514
Contributions - employee	495,989	491,663	489,552	501,462	470,159
Net investment income	3,372,254	5,045,500	718,623	1,841,013	5,535,488
Benefit payments, including refunds of employee contributions	(2,746,564)	(2,453,274)	(2,187,086)	(2,444,989)	(2,125,449)
Administrative expense	(29,491)	(29,413)	(25,675)	(25,469)	(29,889)
Other	(2,980)	(4,480)	(305)	(386)	291
Net change in plan fiduciary net position	<u>\$ 2,174,824</u>	<u>\$ 4,121,622</u>	<u>\$ 285,208</u>	<u>\$ 1,145,404</u>	<u>\$ 5,092,114</u>
Plan fiduciary net position - beginning	45,845,123	41,723,501	41,438,293	40,292,889	35,200,775
Plan fiduciary net position - ending (b)	<u>\$ 48,019,947</u>	<u>\$ 45,845,123</u>	<u>\$ 41,723,501</u>	<u>\$ 41,438,293</u>	<u>\$ 40,292,889</u>
Political subdivision's net pension liability - ending (a) - (b)	\$ 6,322,340	\$ 6,269,357	\$ 9,385,042	\$ 7,791,305	\$ 7,496,422
Plan fiduciary net position as a percentage of the total pension liability	88.37%	87.97%	81.64%	84.17%	84.31%
Covered payroll	\$ 10,152,490	\$ 9,977,378	\$ 9,926,444	\$ 9,743,411	\$ 9,405,837
Political subdivision's net pension liability as a percentage of covered payroll	62.27%	62.84%	94.55%	79.96%	79.70%

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

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

Date	Contributions in Relation to				Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)			
2019	\$ 1,071,871	\$ 1,071,871	\$ -	\$ 10,508,773	10.20%	
2018	1,085,616	1,085,616	-	10,152,490	10.69%	
2017	1,071,626	1,071,626	-	9,977,378	10.74%	
2016	1,290,099	1,290,099	-	9,926,444	13.00%	
2015	1,273,773	1,273,773	-	9,743,411	13.07%	
2014	1,241,514	1,241,514	-	9,405,837	13.20%	
2013	1,194,706	1,194,706	-	9,043,955	13.21%	
2012	769,538	769,538	-	8,410,248	9.15%	
2011	760,972	760,972	-	8,405,608	9.05%	
2010	744,997	744,997	-	8,573,036	8.69%	

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

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

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 10,686	\$ 8,045
Interest	31,252	34,981
Differences between expected and actual experience	(2,691)	34,835
Changes in assumptions and other inputs	61,506	40,431
Benefit payments	(69,889)	-
Net change in total OPEB liability	\$ 30,864	\$ 118,292
Total OPEB liability - beginning	609,970	491,678
Total OPEB liability - ending	\$ <u>640,834</u>	\$ <u>609,970</u>
Covered-employee payroll	\$ N/A	\$ N/A
City's total OPEB liability (asset) as a percentage of covered-employee payroll	N/A	N/A

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

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

Valuation Date: 7/1/2018
Measurement Date: 6/30/2019

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.50%
Inflation	2.00%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.00%, grading down 5.0% per annum to an ultimate rate of 4.75% in years 2027 or later.
Salary Increase Rates	2.00%
Retirement Age	The average age at retirement is 65
Mortality Rates	The mortality rates were calculated using the RP-2014 combined male and female fully generational table with projection scale MP2018.

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2018	0.05339% \$	811,000	\$ 10,152,490	7.99%	51.22%
2017	0.05424%	816,000	9,977,378	8.18%	48.86%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 54,748	\$ 54,748	\$ -	\$ 10,528,044	0.52%
2018	52,746	52,746	-	10,152,490	0.52%
2017	52,022	52,022	-	9,977,378	0.52%
2016	47,731	47,731	-	9,926,444	0.48%
2015	46,846	46,846	-	9,743,411	0.48%
2014	45,180	45,180	-	9,405,837	0.48%
2013	43,593	43,593	-	9,043,955	0.48%
2012	23,576	23,576	-	8,410,248	0.28%
2011	23,536	23,536	-	8,405,608	0.28%
2010	17,471	17,471	-	8,573,036	0.20%

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

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

City of Radford, Virginia
 Schedule of Changes in the City's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability		
Service cost	\$ 7,000	\$ 8,000
Interest	33,000	33,000
Differences between expected and actual experience	(7,000)	-
Changes in assumptions	-	(9,000)
Benefit payments	(39,000)	(29,000)
Other changes	(1,000)	-
Net change in total HIC OPEB liability	<u>\$ (7,000)</u>	<u>\$ 3,000</u>
Total HIC OPEB Liability - beginning	<u>493,000</u>	<u>490,000</u>
Total HIC OPEB Liability - ending (a)	<u><u>\$ 486,000</u></u>	<u><u>\$ 493,000</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 24,000	\$ 24,000
Net investment income	15,000	22,000
Benefit payments	(39,000)	(29,000)
Other	(3,000)	1,000
Net change in plan fiduciary net position	<u>\$ (3,000)</u>	<u>\$ 18,000</u>
Plan fiduciary net position - beginning	<u>212,000</u>	<u>194,000</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 209,000</u></u>	<u><u>\$ 212,000</u></u>
City's net HIC OPEB liability - ending (a) - (b)	\$ 277,000	\$ 281,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	43.00%	43.00%
Covered payroll	\$ 10,152,490	\$ 9,977,378
City's net HIC OPEB liability as a percentage of covered payroll	2.73%	2.82%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 27,626	\$ 27,626	\$ -	\$ 8,371,558	0.33%
2018	24,384	24,384	-	10,152,490	0.24%
2017	24,001	24,001	-	9,977,378	0.24%
2016	25,013	25,013	-	9,926,444	0.25%
2015	25,003	25,003	-	9,743,411	0.26%
2014	22,715	22,715	-	9,405,837	0.24%
2013	26,255	26,255	-	9,043,955	0.29%
2012	23,584	23,584	-	8,410,248	0.28%
2011	23,539	23,539	-	8,405,608	0.28%
2010	40,274	40,274	-	8,573,036	0.47%

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

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

City of Radford, Virginia
 Schedule of Employer's Share of Net LODA OPEB Liability
 Line of Duty Act (LODA) Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2018	0.3383%	\$ 1,061,000	\$ 3,335,618	2.63%	1.30%
2017	0.3341%	877,000	2,935,412	2.63%	1.30%

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

City of Radford, Virginia
 Schedule of Employer Contributions
 Line of Duty Act Program (LODA)
 For the Years Ended June 30, 2017 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2019	\$ 57,344	\$ 57,344	\$ -	\$ 3,848,220	1.49%
2018	36,028	36,028	-	3,335,618	1.08%
2017	36,028	36,028	-	2,935,412	1.23%

*

The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

FY 2011 was the first year for the Line of Duty Act Program (LODA). Information is only available for years after FY 2017. However, additional years will be included as they become available.

City of Radford, Virginia
 Notes to Required Supplementary Information
 Line of Duty Act (LODA) Program
 For the Year Ended June 30, 2019

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

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

Employees in the Largest Ten Locality Employers with Public Safety Employees

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

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

Other Supplementary Information

FIDUCIARY FUNDS - AGENCY FUNDS

Agency Funds - The City acts as an agent for the Special Welfare Fund and CSA Regional Administrative Fund of the City of Radford Social Services Department. The City also acts as the fiscal agent for the Highlander Festival organizers.

City of Radford, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019

	Agency Funds			Balance June 30, 2019
	Balance July 1, 2018	Additions	Deductions	
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 1,983	\$ 463	\$ 1,192	\$ 1,254
Highlander Festival	49,862	22,900	24,720	48,042
CSA Regional Program	50,983	29,900	17,807	63,076
Cafeteria Plan Fund	6,159	600	-	6,759
Total assets	<u>\$ 108,987</u>	<u>\$ 53,863</u>	<u>\$ 43,719</u>	<u>\$ 119,131</u>
LIABILITIES				
Amounts held for others:				
Social services clients	\$ 1,983	\$ 463	\$ 1,192	\$ 1,254
Highlander Festival	49,862	22,900	24,720	48,042
CSA Regional Program	50,983	29,900	17,807	63,076
Amounts held for employees - Cafeteria Plan Fund	6,159	600	-	6,759
Total liabilities	<u>\$ 108,987</u>	<u>\$ 53,863</u>	<u>\$ 43,719</u>	<u>\$ 119,131</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,386,435	\$ 6,386,435	\$ 6,490,045	\$ 103,610
Real and personal public service corporation taxes	200,000	200,000	187,043	(12,957)
Personal property taxes	854,867	854,867	850,122	(4,745)
Mobile home taxes	3,152	3,152	3,160	8
Machinery and tools taxes	249,379	249,379	263,931	14,552
Furniture and fixtures	262,508	262,508	229,896	(32,612)
Penalties and interest	125,100	125,100	80,141	(44,959)
Total general property taxes	<u>\$ 8,081,441</u>	<u>\$ 8,081,441</u>	<u>\$ 8,104,338</u>	<u>\$ 22,897</u>
Other local taxes:				
Local sales and use taxes	\$ 996,292	\$ 996,292	\$ 1,037,269	\$ 40,977
Consumers' utility taxes	533,684	533,684	564,577	30,893
Tobacco tax	60,000	60,000	52,886	(7,114)
Business license taxes	450,000	450,000	442,934	(7,066)
Franchise license tax	33,500	33,500	29,443	(4,057)
Motor vehicle licenses	197,500	197,500	202,397	4,897
Bank stock taxes	190,000	190,000	250,807	60,807
Taxes on recordation and wills	84,500	84,500	82,487	(2,013)
Hotel and motel room taxes	150,461	150,461	176,896	26,435
Restaurant food taxes	1,061,356	1,061,356	1,104,604	43,248
Total other local taxes	<u>\$ 3,757,293</u>	<u>\$ 3,757,293</u>	<u>\$ 3,944,300</u>	<u>\$ 187,007</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 3,500	\$ 3,500	\$ 3,349	\$ (151)
Transfer fees	270	270	277	7
Zoning fees	1,200	1,200	2,200	1,000
Small cell tower fees	-	-	1,100	1,100
Storm water impact fees	250,000	250,000	-	(250,000)
Permits and other licenses	31,700	43,200	45,440	2,240
Total permits, privilege fees, and regulatory licenses	<u>\$ 286,670</u>	<u>\$ 298,170</u>	<u>\$ 52,366</u>	<u>\$ (245,804)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 179,100	\$ 179,100	\$ 219,074	\$ 39,974
Revenue from use of money and property:				
Revenue from use of money	\$ 20,500	\$ 20,500	\$ 40,377	\$ 19,877
Revenue from use of property	173,164	173,164	180,763	7,599
Total revenue from use of money and property	<u>\$ 193,664</u>	<u>\$ 193,664</u>	<u>\$ 221,140</u>	<u>\$ 27,476</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 21,680	\$ 21,680	\$ 34,022	\$ 12,342
Charges for courthouse maintenance	-	-	4,214	4,214
Charges for courtroom security	-	-	22,812	22,812
Charges for collection fees	46,000	46,000	47,816	1,816
Miscellaneous jail and inmate fees	8,000	8,000	8,281	281
Charges for Commonwealth's Attorney	3,000	3,000	3,235	235
Charges for rescue services	480,000	480,000	662,672	182,672
Animal protection services	3,010	3,010	4,225	1,215
Charges for parks and recreation	108,550	108,550	108,004	(546)
Charges for DMV registrations	7,400	7,400	42,848	35,448
Other charges for services	28,400	28,400	31,183	2,783
Charges for law library	-	-	3,833	3,833
Charges for library	9,000	9,000	17,726	8,726
Total charges for services	<u>\$ 715,040</u>	<u>\$ 715,040</u>	<u>\$ 990,871</u>	<u>\$ 275,831</u>
Miscellaneous:				
Miscellaneous	\$ 4,000	\$ 7,825	\$ 19,482	\$ 11,657
Revenue sharing payments - Montgomery	168,500	168,500	162,779	(5,721)
Revenue sharing payments - Pulaski	150,000	150,000	186,106	36,106
Gifts and donations	77,500	83,721	87,168	3,447
Payments in lieu of taxes	1,456,547	1,456,547	1,456,547	-
Total miscellaneous	<u>\$ 1,856,547</u>	<u>\$ 1,866,593</u>	<u>\$ 1,912,082</u>	<u>\$ 45,489</u>
Recovered costs:				
Insurance recoveries	\$ 2,000	\$ 2,000	\$ 22,575	\$ 20,575
Total revenue from local sources	<u>\$ 15,071,755</u>	<u>\$ 15,093,301</u>	<u>\$ 15,466,746</u>	<u>\$ 373,445</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 24,000	\$ 24,000	\$ 24,542	\$ 542
Mobile home titling tax	1,500	1,500	2,867	1,367
Motor vehicle rental tax	55,000	55,000	56,320	1,320
Communications tax	699,000	699,000	632,909	(66,091)
State tax on deeds	25,000	25,000	19,972	(5,028)
Personal property tax relief funds	625,657	625,657	625,657	-
Total noncategorical aid	<u>\$ 1,430,157</u>	<u>\$ 1,430,157</u>	<u>\$ 1,362,267</u>	<u>\$ (67,890)</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 255,665	\$ 255,665	\$ 270,555	\$ 14,890
Sheriff	298,639	298,639	307,727	9,088
Commissioner of revenue	93,654	93,654	95,046	1,392
Treasurer	86,307	86,307	86,526	219
Registrar/electoral board	37,000	37,000	37,500	500
Clerk of the Circuit Court	188,504	188,504	201,000	12,496
Total shared expenses	<u>\$ 959,769</u>	<u>\$ 959,769</u>	<u>\$ 998,354</u>	<u>\$ 38,585</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 858,771	\$ 925,599	\$ 703,443	\$ (222,156)
Comprehensive services act	619,948	619,948	653,494	33,546
Assistance to local police departments	501,832	501,832	501,832	-
VHDA funds	38,500	38,500	44,278	5,778
Virginia Juvenile Community Crime Control Act funds	10,200	10,200	10,199	(1)
Library grant	144,285	145,864	146,606	742
Wireless E-911 payment state grant	45,500	45,500	54,280	8,780
Health Department Grant	-	138,883	138,883	-
Fire program	28,299	28,299	56,793	28,494
4-for-life funds	-	-	10,006	10,006
Total other categorical aid	<u>\$ 2,247,335</u>	<u>\$ 2,454,625</u>	<u>\$ 2,319,814</u>	<u>\$ (134,811)</u>
Total categorical aid	<u>\$ 3,207,104</u>	<u>\$ 3,414,394</u>	<u>\$ 3,318,168</u>	<u>\$ (96,226)</u>
Total revenue from the Commonwealth	<u>\$ 4,637,261</u>	<u>\$ 4,844,551</u>	<u>\$ 4,680,435</u>	<u>\$ (164,116)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 926,422	\$ 966,218	\$ 1,082,868	\$ 116,650
Total revenue from the federal government	<u>\$ 926,422</u>	<u>\$ 966,218</u>	<u>\$ 1,082,868</u>	<u>\$ 116,650</u>
Total General Fund	<u>\$ 20,635,438</u>	<u>\$ 20,904,070</u>	<u>\$ 21,230,049</u>	<u>\$ 325,979</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
Transit Fund				
Revenue from local sources:				
Charges for services:				
Fares	\$ 18,000	\$ 18,000	\$ 27,477	\$ 9,477
Advertising fees	10,000	10,000	7,200	(2,800)
Total charges for services	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 34,677</u>	<u>\$ 6,677</u>
Miscellaneous:				
Contributions from Radford University	<u>\$ 700,179</u>	<u>\$ 700,179</u>	<u>\$ 576,573</u>	<u>\$ (123,606)</u>
Total revenue from local sources	<u>\$ 728,179</u>	<u>\$ 728,179</u>	<u>\$ 611,250</u>	<u>\$ (116,929)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State transit funds	<u>\$ 621,966</u>	<u>\$ 621,966</u>	<u>\$ 553,608</u>	<u>\$ (68,358)</u>
Total revenue from the Commonwealth	<u>\$ 621,966</u>	<u>\$ 621,966</u>	<u>\$ 553,608</u>	<u>\$ (68,358)</u>
Revenue from the federal government:				
Categorical aid:				
Formula grants for other than urbanized areas	<u>\$ 1,805,214</u>	<u>\$ 1,805,214</u>	<u>\$ 1,494,068</u>	<u>\$ (311,146)</u>
Total revenue from the federal government	<u>\$ 1,805,214</u>	<u>\$ 1,805,214</u>	<u>\$ 1,494,068</u>	<u>\$ (311,146)</u>
Total Transit Fund	<u>\$ 3,155,359</u>	<u>\$ 3,155,359</u>	<u>\$ 2,658,926</u>	<u>\$ (496,433)</u>
Grants Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	<u>\$ (1,655)</u>	<u>\$ (1,655)</u>	<u>\$ 137</u>	<u>\$ 1,792</u>
Total revenue from local sources	<u>\$ (1,655)</u>	<u>\$ (1,655)</u>	<u>\$ 137</u>	<u>\$ 1,792</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Crime victim assistance	\$ 479	\$ 32,832	\$ 31,710	\$ (1,122)
Litter control	1,319	7,482	6,162	(1,320)
Brownfield restoration/economic development grant	5,264	5,264	5,264	-
Wireless E-911 Funding	17,850	17,850	-	(17,850)

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Grants Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Crisis intervention team grant	\$ (1,193)	\$ 301,639	\$ 296,567	\$ (5,072)
Extreme recruiter grant	47,421	166,941	99,720	(67,221)
Commission for the arts grant	-	3,825	-	(3,825)
Emergency management assistance	-	7,500	-	(7,500)
Total categorical aid	<u>\$ 71,140</u>	<u>\$ 543,333</u>	<u>\$ 439,423</u>	<u>\$ (103,910)</u>
Total revenue from the Commonwealth	<u>\$ 71,140</u>	<u>\$ 543,333</u>	<u>\$ 439,423</u>	<u>\$ (103,910)</u>
Revenue from the federal government:				
Categorical aid:				
HUD entitlement grants	\$ 240,662	\$ 240,662	\$ 154,579	\$ (86,083)
State and community highway safety	4,899	19,399	3,010	(16,389)
Crime victim assistance grant	1,437	98,494	95,133	(3,361)
National priority safety program	-	-	6,613	6,613
Total categorical aid	<u>\$ 246,998</u>	<u>\$ 358,555</u>	<u>\$ 259,335</u>	<u>\$ (99,220)</u>
Total revenue from the federal government	<u>\$ 246,998</u>	<u>\$ 358,555</u>	<u>\$ 259,335</u>	<u>\$ (99,220)</u>
Total Grants Fund	<u>\$ 316,483</u>	<u>\$ 900,233</u>	<u>\$ 698,895</u>	<u>\$ (201,338)</u>
Highway Maintenance Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 4,285</u>	<u>\$ 4,285</u>	<u>\$ 6,567</u>	<u>\$ 2,282</u>
Charges for services:				
Right of way fees	\$ 27,500	\$ 27,500	\$ 21,966	\$ (5,534)
Other charges for services	-	-	7,951	7,951
Total charges for services	<u>\$ 27,500</u>	<u>\$ 27,500</u>	<u>\$ 29,917</u>	<u>\$ 2,417</u>
Total revenue from local sources	<u>\$ 31,785</u>	<u>\$ 31,785</u>	<u>\$ 36,484</u>	<u>\$ 4,699</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Highway Maintenance Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Highway maintenance funds	\$ 2,241,369	\$ 2,307,227	\$ 2,308,293	\$ 1,066
VDOT grant	-	-	167,046	167,046
Total categorical aid	<u>\$ 2,241,369</u>	<u>\$ 2,307,227</u>	<u>\$ 2,475,339</u>	<u>\$ 168,112</u>
 Total revenue from the Commonwealth	 <u>\$ 2,241,369</u>	 <u>\$ 2,307,227</u>	 <u>\$ 2,475,339</u>	 <u>\$ 168,112</u>
 Total Highway Maintenance Fund	 <u>\$ 2,273,154</u>	 <u>\$ 2,339,012</u>	 <u>\$ 2,511,823</u>	 <u>\$ 172,811</u>
 Total Primary Government	 <u>\$ 26,380,434</u>	 <u>\$ 27,298,674</u>	 <u>\$ 27,099,693</u>	 <u>\$ (198,981)</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
City Council	\$ 49,183	\$ 49,183	\$ 48,838	\$ 345
General and financial administration:				
City Clerk	\$ 17,908	\$ 17,208	\$ 17,022	\$ 186
City Manager	402,422	419,288	419,288	-
Commissioner of revenue	228,518	228,518	228,363	155
Assessor	67,863	58,363	58,212	151
Billing and service	361,935	363,735	363,467	268
Treasurer	453,382	453,382	451,235	2,147
Legal services	120,000	141,932	141,932	-
Human resources	100,380	137,880	137,192	688
Independent auditor	43,255	46,278	46,278	-
Information technology	534,664	564,884	529,553	35,331
Finance	303,064	227,064	220,530	6,534
Total general and financial administration	<u>\$ 2,633,391</u>	<u>\$ 2,658,532</u>	<u>\$ 2,613,072</u>	<u>\$ 45,460</u>
Board of elections:				
Electoral board and officials	\$ 26,552	\$ 26,552	\$ 23,103	\$ 3,449
Registrar	99,616	104,616	104,591	25
Total board of elections	<u>\$ 126,168</u>	<u>\$ 131,168</u>	<u>\$ 127,694</u>	<u>\$ 3,474</u>
Total general government administration	<u>\$ 2,808,742</u>	<u>\$ 2,838,883</u>	<u>\$ 2,789,604</u>	<u>\$ 49,279</u>
Judicial administration:				
Courts:				
Circuit court	\$ 75,963	\$ 65,563	\$ 64,916	\$ 647
General district court	21,750	21,750	19,905	1,845
Sheriff	512,063	523,986	522,374	1,612
Law library	3,000	3,000	974	2,026
Clerk of the circuit court	300,499	300,499	297,382	3,117
Total courts	<u>\$ 913,275</u>	<u>\$ 914,798</u>	<u>\$ 905,551</u>	<u>\$ 9,247</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 360,234	\$ 369,234	\$ 369,097	\$ 137
Total judicial administration	<u>\$ 1,273,509</u>	<u>\$ 1,284,032</u>	<u>\$ 1,274,648</u>	<u>\$ 9,384</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,552,035	\$ 3,635,906	\$ 3,600,458	\$ 35,448

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire department ¹	\$ 1,893,364	\$ 2,221,782	\$ 2,369,999	\$ (148,217)
Total fire and rescue services	<u>\$ 1,893,364</u>	<u>\$ 2,221,782</u>	<u>\$ 2,369,999</u>	<u>\$ (148,217)</u>
Correction and detention:				
Regional jail	\$ 850,000	\$ 800,000	\$ 772,695	\$ 27,305
Juvenile corrections	95,252	95,252	94,266	986
Total correction and detention	<u>\$ 945,252</u>	<u>\$ 895,252</u>	<u>\$ 866,961</u>	<u>\$ 28,291</u>
Inspections:				
Building inspector	\$ 112,467	\$ 122,467	\$ 119,009	\$ 3,458
Code enforcement	92,266	56,366	52,798	3,568
Total inspections	<u>\$ 204,733</u>	<u>\$ 178,833</u>	<u>\$ 171,807</u>	<u>\$ 7,026</u>
Other protection:				
Animal control	\$ 167,249	\$ 164,070	\$ 163,260	\$ 810
Medical examiner	100	100	100	-
E-911 system	554,725	529,725	527,644	2,081
GIS mapping	116,279	116,279	98,983	17,296
Total other protection	<u>\$ 838,353</u>	<u>\$ 810,174</u>	<u>\$ 789,987</u>	<u>\$ 20,187</u>
Total public safety	<u>\$ 7,433,737</u>	<u>\$ 7,741,947</u>	<u>\$ 7,799,212</u>	<u>\$ (57,265)</u>
Public works:				
Engineering:				
General Engineering	\$ 129,870	\$ 136,270	\$ 134,884	\$ 1,386
Maintenance of general buildings and grounds:				
General properties	\$ 421,801	\$ 503,076	\$ 501,801	\$ 1,275
Total public works	<u>\$ 551,671</u>	<u>\$ 639,346</u>	<u>\$ 636,685</u>	<u>\$ 2,661</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 100,822	\$ 100,822	\$ 100,822	\$ -
Mental health and mental retardation:				
Mental health services	\$ 42,073	\$ 42,073	\$ 42,073	\$ -
Health agencies	5,853	5,853	5,853	-
Total mental health and mental retardation	<u>\$ 47,926</u>	<u>\$ 47,926</u>	<u>\$ 47,926</u>	<u>\$ -</u>

¹ Lease purchase disbursement of \$148,217 not subject to appropriation.

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Welfare administration and programs	\$ 2,134,222	\$ 2,144,846	\$ 2,054,139	\$ 90,707
Comprehensive services act	750,000	815,000	810,803	4,197
Property tax relief for the elderly	58,000	87,081	87,081	-
Social service agencies	109,126	109,126	109,126	-
Total welfare	<u>\$ 3,051,348</u>	<u>\$ 3,156,053</u>	<u>\$ 3,061,149</u>	<u>\$ 94,904</u>
Total health and welfare	<u>\$ 3,200,096</u>	<u>\$ 3,304,801</u>	<u>\$ 3,209,897</u>	<u>\$ 94,904</u>
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 32,426	\$ 32,426	\$ 32,426	\$ -
Contribution to City School Board	5,999,528	6,528,284	5,424,594	1,103,690
Total education	<u>\$ 6,031,954</u>	<u>\$ 6,560,710</u>	<u>\$ 5,457,020</u>	<u>\$ 1,103,690</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 546,780	\$ 552,575	\$ 549,683	\$ 2,892
Maintenance of parks	207,814	222,814	215,535	7,279
Recreation center and playgrounds	472,070	456,560	452,883	3,677
Total parks and recreation	<u>\$ 1,226,664</u>	<u>\$ 1,231,949</u>	<u>\$ 1,218,101</u>	<u>\$ 13,848</u>
Cultural enrichment:				
Glencoe museum	\$ 28,605	\$ 38,205	\$ 36,441	\$ 1,764
Library:				
Library expenses	\$ 790,056	\$ 791,635	\$ 790,150	\$ 1,485
Total parks, recreation, and cultural	<u>\$ 2,045,325</u>	<u>\$ 2,061,789</u>	<u>\$ 2,044,692</u>	<u>\$ 17,097</u>
Community development:				
Planning and community development:				
Planning	\$ 69,762	\$ 71,762	\$ 71,551	\$ 211
Community development	109,850	123,850	123,850	-
Zoning board	600	600	480	120
Tourism	112,334	118,334	118,289	45
Economic development	89,551	74,051	71,790	2,261
VHDA program	63,850	64,054	64,052	2
Total planning and community development	<u>\$ 445,947</u>	<u>\$ 452,651</u>	<u>\$ 450,012</u>	<u>\$ 2,639</u>
Total community development	<u>\$ 445,947</u>	<u>\$ 452,651</u>	<u>\$ 450,012</u>	<u>\$ 2,639</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 847,093	\$ 847,093	\$ 847,093	\$ -
Interest and other fiscal charges	788,886	788,896	788,896	-
Total debt service	<u>\$ 1,635,979</u>	<u>\$ 1,635,989</u>	<u>\$ 1,635,989</u>	<u>\$ -</u>
Total General Fund	<u>\$ 25,426,960</u>	<u>\$ 26,520,148</u>	<u>\$ 25,297,759</u>	<u>\$ 1,222,389</u>
Special Revenue Funds:				
Transit Fund:				
Community Development:				
Planning and community development:				
City transit service	\$ 3,334,418	\$ 3,334,418	\$ 2,923,112	\$ 411,306
Total Transit Fund	<u>\$ 3,334,418</u>	<u>\$ 3,334,418</u>	<u>\$ 2,923,112</u>	<u>\$ 411,306</u>
Grants Fund:				
Public safety:				
Law enforcement and traffic control:				
Victim witness assistance	\$ 2,741	\$ 131,651	\$ 127,640	\$ 4,011
Impaired driver and speed enforcement	5,991	27,741	13,043	14,698
Communications	17,850	17,850	-	17,850
Sheriff	-	302,446	301,952	494
Total law enforcement and traffic control	<u>\$ 26,582</u>	<u>\$ 479,688</u>	<u>\$ 442,635</u>	<u>\$ 37,053</u>
Fire and rescue services:				
Fire department	\$ -	\$ 7,500	\$ -	\$ 7,500
Total fire and rescue services	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 7,500</u>
Total public safety	<u>\$ 26,582</u>	<u>\$ 487,188</u>	<u>\$ 442,635</u>	<u>\$ 44,553</u>
Public Works:				
Maintenance of general buildings and grounds:				
Litter control	\$ 1,319	\$ 7,482	\$ 5,595	\$ 1,887
Total public works	<u>\$ 1,319</u>	<u>\$ 7,482</u>	<u>\$ 5,595</u>	<u>\$ 1,887</u>
Health and welfare:				
Welfare:				
Extreme recruiter program	\$ 53,170	\$ 172,690	\$ 100,669	\$ 72,021
Total welfare	<u>\$ 53,170</u>	<u>\$ 172,690</u>	<u>\$ 100,669</u>	<u>\$ 72,021</u>
Total health and welfare	<u>\$ 53,170</u>	<u>\$ 172,690</u>	<u>\$ 100,669</u>	<u>\$ 72,021</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Grants Fund: (Continued)				
Community development:				
Planning and community development:				
Tourism	\$ -	\$ 3,825	\$ -	\$ 3,825
Economic development	5,264	5,264	5,264	-
HUD grant expenditures	-	39,022	39,022	-
Total planning and community development	<u>\$ 5,264</u>	<u>\$ 48,111</u>	<u>\$ 44,286</u>	<u>\$ 3,825</u>
Total community development	<u>\$ 5,264</u>	<u>\$ 48,111</u>	<u>\$ 44,286</u>	<u>\$ 3,825</u>
Debt service:				
Principal retirement	\$ 236,558	\$ 197,922	\$ 118,000	\$ 79,922
Interest and other fiscal charges	3,719	3,719	-	3,719
Total debt service	<u>\$ 240,277</u>	<u>\$ 201,641</u>	<u>\$ 118,000</u>	<u>\$ 83,641</u>
Total Grants Fund	<u>\$ 326,612</u>	<u>\$ 917,112</u>	<u>\$ 711,185</u>	<u>\$ 205,927</u>
Highway Maintenance Fund:				
Public works:				
Maintenance of streets, highways and bridges:				
General administration	\$ 155,369	\$ 156,681	\$ 155,881	\$ 800
Highway maintenance and repairs - state	1,665,479	2,146,715	1,474,207	672,508
Highway maintenance and repairs - local	17,800	25,546	25,498	48
Street lights	151,500	151,500	112,201	39,299
Snow and ice removal	66,300	66,300	65,643	657
Storm drainage	8,500	8,500	-	8,500
Public grounds and parks	457,048	464,598	398,532	66,066
Total maintenance of streets, highways, and bridges	<u>\$ 2,521,996</u>	<u>\$ 3,019,840</u>	<u>\$ 2,231,962</u>	<u>\$ 787,878</u>
Total Highway Maintenance Fund	<u>\$ 2,521,996</u>	<u>\$ 3,019,840</u>	<u>\$ 2,231,962</u>	<u>\$ 787,878</u>
Total Primary Government	<u>\$ 31,609,986</u>	<u>\$ 33,791,518</u>	<u>\$ 31,164,018</u>	<u>\$ 2,627,500</u>

Statistical Information

CITY OF RADFORD, VIRGINIA
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 41,472,798	\$ 40,402,563	\$ 39,986,063	\$ 36,147,315	\$ 39,559,342	\$ 40,392,127	\$ 40,811,990	\$ 40,712,979	\$ 40,752,440	\$ 40,956,828
Restricted	509,733	615,847	644,276	2,812,037	968,879	1,030,306	1,245,006	1,175,718	2,173,853	2,541,279
Unrestricted	6,210,599	6,364,767	6,461,353	6,752,167	7,710,856	(484,342)	(1,298,848)	(4,586,851)	(3,566,963)	(3,108,516)
Total governmental activities net position	\$ 48,193,130	\$ 47,383,177	\$ 47,091,692	\$ 45,711,519	\$ 48,239,077	\$ 40,938,091	\$ 40,758,148	\$ 37,301,846	\$ 39,359,330	\$ 40,389,591
Business-type activities										
Net investment in capital assets	\$ 15,534,890	\$ 15,089,859	\$ 14,568,531	\$ 15,761,624	\$ 15,582,914	\$ 14,936,407	\$ 14,443,893	\$ 15,144,714	\$ 14,210,111	\$ 13,620,344
Unrestricted	7,354,066	8,013,733	8,866,605	11,463,147	11,817,746	8,519,945	8,519,237	4,896,260	4,711,108	5,133,838
Total business-type activities net position	\$ 22,888,956	\$ 23,103,592	\$ 23,435,136	\$ 27,224,771	\$ 27,400,660	\$ 23,456,352	\$ 22,963,130	\$ 20,040,974	\$ 18,921,219	\$ 18,754,182
Primary government										
Net investment in capital assets	\$ 57,007,688	\$ 55,492,422	\$ 54,554,594	\$ 51,908,939	\$ 55,142,256	\$ 55,328,534	\$ 55,255,883	\$ 55,857,693	\$ 54,962,551	\$ 54,577,172
Restricted	509,733	615,847	644,276	2,812,037	968,879	1,030,306	1,245,006	1,175,718	2,173,853	2,541,279
Unrestricted	13,564,665	14,378,500	15,327,958	18,215,314	19,528,602	8,035,603	7,220,389	309,409	1,144,145	2,025,322
Total primary government net position	\$ 71,082,086	\$ 70,486,769	\$ 70,526,828	\$ 72,936,290	\$ 75,639,737	\$ 64,394,443	\$ 63,721,278	\$ 57,342,820	\$ 58,280,549	\$ 59,143,773

Provisions of Statement No. 68 from the Governmental Accounting Standards Board (GASB) were implemented during the 2015 fiscal year. Financial information prior to the fiscal year ending June 30, 2015 has not been retroactively restated for provisions of this standard.

Provisions of Statement No. 75 from the Governmental Accounting Standards Board (GASB) were implemented during the 2018 fiscal year. Financial information prior to the fiscal year ending June 30, 2017 has not been retroactively restated for provisions of this standard.

CITY OF RADFORD, VIRGINIA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government administration	\$ 2,288,017	\$ 2,114,955	\$ 2,257,781	\$ 2,478,062	\$ 2,583,106	\$ 2,616,659	\$ 2,763,220	\$ 2,692,328	\$ 2,647,063	\$ 2,727,991
Judicial administration	1,155,145	1,108,911	1,112,641	1,182,752	1,228,811	1,207,189	1,256,369	1,211,262	1,216,152	1,235,776
Public safety	6,387,807	6,244,619	6,338,892	6,807,173	6,991,450	7,421,559	7,896,020	8,584,172	8,626,249	8,178,720
Public works	3,319,506	3,316,104	3,583,272	3,509,880	4,052,721	3,880,301	4,264,317	3,628,478	3,082,320	3,625,343
Health and welfare	2,291,061	2,269,438	2,501,597	2,662,252	2,965,695	2,883,992	3,498,727	3,202,932	2,842,801	3,218,783
Education	8,334,559	4,812,897	5,357,984	5,753,106	5,049,358	5,278,443	5,345,190	7,403,883	5,466,272	5,735,374
Parks, recreation and cultural	2,163,466	2,012,187	2,170,790	2,331,432	2,284,314	2,284,564	2,411,929	2,330,422	2,334,775	2,311,832
Community development	669,451	1,606,945	1,739,173	1,964,126	2,312,280	2,402,473	2,329,254	2,309,036	2,185,231	2,553,508
Nondepartmental				33,375	3,192					
Interest on long-term debt	771,041	883,852	955,544	1,082,407	969,417	1,020,398	823,968	780,505	758,156	720,747
Total governmental activities expenses	\$ 27,380,053	\$ 24,369,908	\$ 26,017,674	\$ 27,804,565	\$ 28,440,344	\$ 28,995,578	\$ 30,588,994	\$ 32,143,018	\$ 29,159,019	\$ 30,308,074
Business-type activities:										
Water, sewer, electric, and solid waste	\$ 22,800,818	\$ 24,881,044	\$ 27,590,819	\$ 29,035,126	\$ 26,512,718	\$ 24,345,015	\$ 22,941,584	\$ 21,725,362	\$ 22,112,927	\$ 22,684,594
Total primary government expenses	\$ 50,180,871	\$ 49,250,952	\$ 53,608,493	\$ 56,839,691	\$ 54,953,062	\$ 53,340,593	\$ 53,530,578	\$ 53,868,380	\$ 51,271,946	\$ 52,992,668
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ 18,747	\$ 21,622	\$ 25,925	\$ 34,279	\$ 55,692	\$ 57,003	\$ 61,550	\$ 69,606	\$ 66,315	\$ 75,131
Judicial administration	250,380	276,672	341,451	361,125	305,379	309,664	313,159	393,880	290,316	266,680
Public safety	518,563	465,363	547,947	661,947	611,211	519,489	555,428	560,718	655,164	858,275
Public works	91,946	39,030	175,440	41,201	41,245	15,915	58,691	28,085	34,131	34,131
Parks, recreation and cultural	121,802	109,586	122,932	126,685	115,294	99,722	129,520	127,738	114,596	142,681
Operating grants and contributions	5,964,394	6,333,219	6,999,638	7,429,807	9,748,231	7,302,726	8,541,086	7,949,058	7,998,248	9,622,809
Capital grants and contributions						1,077,537	1,075,000	114,604	972,759	
Total governmental activities program revenues	\$ 6,965,832	\$ 7,245,492	\$ 8,213,333	\$ 8,655,044	\$ 10,877,052	\$ 9,382,056	\$ 10,734,434	\$ 9,243,689	\$ 10,128,762	\$ 10,999,707
Business-type activities:										
Charges for services:										
Water, sewer, electric, and solid waste	\$ 24,164,804	\$ 26,369,886	\$ 30,132,722	\$ 34,866,609	\$ 30,513,949	\$ 26,205,461	\$ 26,110,291	\$ 25,442,208	\$ 26,273,112	\$ 26,505,268
Capital grants and contributions	302,236	548,025	51,285	165,859						
Total business-type activities program revenues	\$ 24,467,040	\$ 26,917,911	\$ 30,184,007	\$ 35,032,468	\$ 30,513,949	\$ 26,205,461	\$ 26,110,291	\$ 25,442,208	\$ 26,273,112	\$ 26,505,268
Total primary government program revenues	\$ 31,432,872	\$ 34,163,403	\$ 38,397,340	\$ 43,687,512	\$ 41,391,001	\$ 35,587,517	\$ 36,844,725	\$ 34,685,897	\$ 36,401,874	\$ 37,504,975
Net (expense) / revenue	\$ (20,414,221)	\$ (17,124,416)	\$ (17,804,341)	\$ (19,149,521)	\$ (17,563,292)	\$ (19,613,522)	\$ (19,854,560)	\$ (22,899,329)	\$ (19,030,257)	\$ (19,308,367)
Governmental activities	1,666,222	2,036,867	2,593,188	5,997,342	4,001,231	1,860,446	3,168,707	3,716,846	4,160,185	3,820,674
Business-type activities	\$ (18,747,999)	\$ (15,087,549)	\$ (15,211,153)	\$ (13,152,179)	\$ (13,562,061)	\$ (17,753,076)	\$ (16,685,853)	\$ (19,182,483)	\$ (14,870,072)	\$ (15,487,693)
Total primary government net (expense)/revenue										

CITY OF RADFORD, VIRGINIA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 7,234,689	\$ 7,329,530	\$ 7,317,561	\$ 7,351,581	\$ 7,703,878	\$ 7,775,293	\$ 7,596,817	\$ 7,627,568	\$ 7,901,961	\$ 8,031,543
Local sales and use taxes	831,986	873,384	900,741	974,844	963,013	885,262	992,383	903,394	933,184	1,037,269
Restaurant food taxes	891,213	952,416	988,171	1,024,005	1,086,580	1,121,722	1,123,853	1,084,990	1,083,379	1,104,604
Motor vehicle taxes	185,808	196,726	197,397	198,060	193,711	197,566	199,940	194,901	201,778	202,397
Consumers' utility taxes	556,629	560,347	533,966	575,931	597,428	532,065	514,537	529,829	544,011	564,577
Communications taxes										
Business license taxes	398,663	414,298	458,918	492,114	465,200	484,247	486,544	448,825	465,341	442,934
Other local taxes	473,263	538,664	533,836	575,986	565,146	603,799	583,798	567,864	618,111	592,519
Payments in lieu of taxes	1,765,114	1,688,205	2,005,015							
Unrestricted grants and contributions	1,465,078	1,500,937	1,459,745	1,493,502	1,478,789	1,496,527	1,448,580	1,433,206	1,439,290	1,362,267
Unrestricted revenues from use of money and property	143,927	150,447	153,680	162,021	167,998	159,012	159,060	182,003	197,990	227,707
Miscellaneous	304,016	284,625	700,640	2,694,064	3,040,335	2,537,866	2,918,986	2,605,400	2,374,540	2,488,792
Gain (Loss) on disposal of capital assets	127,883	2,050		(3,729)						
Transfers	2,357,390	1,822,834	2,263,187	2,230,969	3,828,572	3,545,447	3,670,732	5,873,076	5,328,156	4,079,599
Total governmental activities	\$ 16,735,679	\$ 16,314,463	\$ 17,512,857	\$ 17,769,348	\$ 20,090,650	\$ 19,338,806	\$ 19,695,230	\$ 21,451,056	\$ 21,087,741	\$ 20,134,208
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 5,307	\$ 603	\$ 1,543	\$ 13,218	\$ 3,230	\$ 3,094	\$ 8,803	\$ 32,137	\$ 48,216	\$ 91,888
Special items										
Gain (Loss) on disposal of capital assets				30,296						
Transfers	(2,357,390)	(1,822,834)	(2,263,187)	(2,230,969)	(3,828,572)	(3,545,447)	(3,670,732)	(5,873,076)	(5,328,156)	(4,079,599)
Total business-type activities	\$ (2,352,083)	\$ (1,822,231)	\$ (2,261,644)	\$ (2,187,455)	\$ (3,825,342)	\$ (3,542,353)	\$ (3,661,929)	\$ (5,840,939)	\$ (5,279,940)	\$ (3,987,711)
Total primary government	\$ 14,383,596	\$ 14,492,232	\$ 15,251,213	\$ 15,581,893	\$ 16,265,308	\$ 15,796,453	\$ 16,033,301	\$ 15,610,117	\$ 15,807,801	\$ 16,146,497
Change in Net Position										
Governmental activities	\$ (3,678,542)	\$ (809,953)	\$ (291,484)	\$ (1,380,173)	\$ 2,527,358	\$ (274,716)	\$ (159,330)	\$ (1,448,275)	\$ 2,057,484	\$ 825,841
Business-type activities	(685,861)	214,636	331,544	3,809,887	175,889	(1,681,907)	(493,222)	(2,124,093)	(1,119,755)	(167,037)
Total primary government	\$ (4,364,403)	\$ (595,317)	\$ 40,060	\$ 2,429,714	\$ 2,703,247	\$ (1,956,623)	\$ (652,552)	\$ (3,572,366)	\$ 937,729	\$ 658,804

Provisions of Statement No. 68 from the Governmental Accounting Standards Board (GASB) were implemented during the 2015 fiscal year. Financial information prior to the fiscal year ending June 30, 2015 has not been retroactively restated for provisions of this standard.

Provisions of Statement No. 75 from the Governmental Accounting Standards Board (GASB) were implemented during the 2018 fiscal year. Financial information prior to the fiscal year ending June 30, 2018 has not been retroactively adjusted for this standard.

CITY OF RADFORD, VIRGINIA
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle		Restaurant Food Taxes	Business License Tax	Other Local Taxes		Total
				License	Tax			Local	Taxes	
2019	\$ 8,031,543	\$ 1,037,269	\$ 564,577	\$ 202,397	\$ 1,104,604	\$ 442,934	\$ 592,519	\$ 11,975,843		
2018	7,901,961	933,184	544,011	201,778	1,083,379	465,341	618,111	11,747,765		
2017	7,627,568	903,394	529,829	194,901	1,084,990	448,825	567,864	11,357,371		
2016	7,596,817	992,383	514,537	199,940	1,123,853	486,544	583,798	11,497,872		
2015	7,775,293	885,262	532,065	197,566	1,121,722	484,247	603,799	11,599,954		
2014	7,703,878	963,013	597,428	193,711	1,086,580	465,200	565,146	11,574,956		
2013	7,351,581	974,844	575,931	198,060	1,024,005	492,114	575,986	11,192,521		
2012	7,317,561	900,741	533,966	197,397	988,171	458,918	533,836	10,930,590		
2011	7,329,530	873,384	560,347	196,726	952,416	414,298	538,664	10,865,365		
2010	7,234,689	831,986	556,629	185,808	891,213	398,683	473,263	10,572,271		

Effective 7/1/2009 - the Commonwealth of Virginia began classifying telecommunication taxes as state aid instead of local tax revenue. As a result, the amounts above have been adjusted to remove telecommunication taxes for fiscal years 2008-2010. Statewide telecommunication taxes were instituted during the 2008 fiscal year and replaced taxes that were originally assessed at the local level.

CITY OF RADFORD, VIRGINIA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year										
	2010	2011	2012	2013	2014	2014	2014	2016	2017	2018	2019
General fund											
Nonspendable	\$ -	\$ 201,236	\$ 136,611	\$ 117,376	\$ 151,146	\$ 162,232	\$ 231,701	\$ 964,685	\$ 194,463	\$ 57,548	\$ -
Restricted/Reserved	474,302	580,416	608,845	671,636	806,318	818,876	1,039,845	788,098	887,576	975,051	1,597,723
Committed	-	2,201,052	2,296,667	2,256,764	2,880,670	3,201,226	3,449,211	1,440,369	1,073,680	1,597,723	2,504,752
Unassigned/Unreserved	5,008,887	2,512,517	2,635,777	3,326,403	3,180,070	2,326,702	942,659	1,343,002	2,992,813	2,504,752	2,504,752
Total general fund	<u>\$ 5,483,189</u>	<u>\$ 5,495,221</u>	<u>\$ 5,677,900</u>	<u>\$ 6,372,179</u>	<u>\$ 7,018,204</u>	<u>\$ 6,509,036</u>	<u>\$ 5,663,416</u>	<u>\$ 4,536,154</u>	<u>\$ 5,148,532</u>	<u>\$ 5,135,074</u>	<u>\$ -</u>
All other governmental funds											
Nonspendable	\$ -	\$ 16,725	\$ 12,437	\$ 12,764	\$ 11,859	\$ 36,404	\$ 18,753	\$ 20,308	\$ 16,361	\$ -	\$ -
Restricted/Reserved	35,431	35,431	35,431	2,140,401	162,561	211,430	205,161	387,620	1,286,277	1,566,228	1,566,228
Committed	-	1,281,492	1,330,219	1,220,265	1,547,085	574,067	306,879	-	-	-	-
Unreserved/Unassigned:											
Special revenue funds	405,161	-	(8,914)	(11,111)	-	(112,900)	(7,214)	-	-	-	-
Capital projects funds	930,892	-	-	-	-	-	-	-	-	-	-
Transit funds	-	-	-	-	-	-	-	-	-	-	(69,786)
Total all other governmental funds	<u>\$ 1,371,484</u>	<u>\$ 1,333,648</u>	<u>\$ 1,369,173</u>	<u>\$ 3,362,319</u>	<u>\$ 1,721,504</u>	<u>\$ 709,001</u>	<u>\$ 523,579</u>	<u>\$ 407,928</u>	<u>\$ 1,302,638</u>	<u>\$ 1,496,442</u>	<u>\$ -</u>

Effective July 1, 2010, the City adopted provisions of the Governmental Accounting Standards Board Statement Number 54. As such, components of fund balance beginning with the year ending June 30, 2011 follow requirements of that standard.

CITY OF RADFORD, VIRGINIA
Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
General property taxes	\$ 7,141,132	\$ 7,017,704	\$ 7,426,519	\$ 7,534,523	\$ 7,601,010	\$ 7,748,164	\$ 7,745,589	\$ 7,775,064	\$ 7,774,833	\$ 8,104,338
Other local taxes	3,337,582	3,535,835	3,613,029	3,840,940	3,871,078	3,824,661	3,901,055	3,729,803	3,845,804	3,944,300
Permits, privilege fees and regulatory licenses	37,917	35,757	41,599	40,213	55,541	45,775	43,518	58,531	50,882	52,366
Fines and forfeitures	195,704	224,244	274,544	302,330	250,698	265,823	266,488	344,637	243,025	219,074
Revenue from use of money and property	143,927	150,447	153,680	162,021	167,998	159,012	159,060	182,000	197,990	227,707
Charges for services	767,817	652,272	853,944	884,639	803,660	699,787	809,200	769,576	896,277	1,055,465
Miscellaneous	2,069,130	1,972,830	2,705,655	2,694,064	3,040,335	2,537,866	2,918,986	2,605,400	2,374,540	2,488,792
Recovered costs	55,660	59,580	2,820	10,364	66,411	7,980	2,940	2,940	7,259	22,575
Intergovernmental	7,429,472	7,834,156	8,459,383	8,923,309	11,227,020	9,876,790	9,989,666	9,496,868	10,410,297	10,985,076
Total revenues	\$ 21,178,341	\$ 21,482,825	\$ 23,531,173	\$ 24,392,403	\$ 27,024,263	\$ 25,224,289	\$ 25,841,542	\$ 24,964,822	\$ 25,800,907	\$ 27,099,693
Expenditures										
General government administration	\$ 2,141,757	\$ 2,006,186	\$ 2,084,305	\$ 2,290,530	\$ 2,319,337	\$ 2,636,539	\$ 2,786,184	\$ 2,549,927	\$ 2,721,308	\$ 2,789,604
Judicial administration	1,125,737	1,082,538	1,093,311	1,169,552	1,240,070	1,222,250	1,273,445	1,226,014	1,231,971	1,274,648
Public safety	6,314,326	6,699,588	6,155,409	6,406,542	6,893,183	7,306,552	7,902,035	8,660,671	8,847,602	8,241,847
Public works	2,672,561	2,667,712	2,994,073	2,741,126	3,469,368	3,375,454	3,492,302	2,926,064	2,294,538	2,874,242
Health and welfare	2,278,482	2,253,374	2,491,473	2,656,373	2,958,128	2,921,634	3,555,823	3,238,938	2,818,444	3,310,566
Education	8,518,439	4,498,458	5,042,614	5,273,296	4,771,004	5,000,089	5,066,836	7,125,529	5,187,918	5,457,020
Parks, recreation and cultural	1,857,756	1,778,938	1,873,625	2,148,733	2,018,761	2,064,117	2,294,846	2,062,158	2,072,955	2,044,692
Community development	670,136	1,077,646	2,161,574	2,345,628	2,780,124	2,020,126	2,279,730	2,229,106	3,003,865	3,417,410
Non-departmental	-	-	33,375	-	3,192	-	-	-	-	-
Capital projects	1,727,243	4,784,258	479,229	1,089,854	3,279,737	1,768,169	56,877	307,996	-	-
Debt service:										
Principal retirement	819,987	856,066	952,518	1,067,312	1,114,224	1,065,692	996,579	1,009,592	1,170,256	965,093
Bond issuance cost	-	-	-	76,395	-	112,770	-	-	-	-
Interest and other fiscal charges	817,932	872,830	1,003,562	1,011,034	1,007,774	960,764	903,105	868,173	846,684	788,896
Total expenditures	\$ 28,944,356	\$ 28,577,594	\$ 26,331,693	\$ 28,309,750	\$ 31,854,902	\$ 30,454,156	\$ 30,607,762	\$ 32,204,168	\$ 30,195,541	\$ 31,164,018
Excess (deficiency) of revenues over (under) expenditures	\$ (7,766,015)	\$ (7,094,769)	\$ (2,800,520)	\$ (3,917,347)	\$ (4,830,639)	\$ (5,229,867)	\$ (4,766,220)	\$ (7,239,346)	\$ (4,394,634)	\$ (4,064,325)
Other financing sources (uses)										
Transfers in	\$ 2,860,859	\$ 1,830,949	\$ 2,836,723	\$ 4,316,475	\$ 4,652,904	\$ 4,162,219	\$ 4,419,252	\$ 6,369,557	\$ 5,494,827	\$ 4,265,908
Transfers out	(503,469)	(8,115)	(573,536)	(2,101,983)	(817,254)	(601,772)	(748,520)	(396,481)	(164,895)	(186,309)
Issuance of general obligation bonds	1,082,736	5,244,081	598,183	4,455,549	-	-	-	-	-	-
Debt service - current refunding - principal	-	-	-	(66,769)	-	(6,266,952)	-	-	-	-
Refunded bonds issued	-	-	-	-	-	5,875,000	-	-	-	-
Premium on refunding bonds issued	-	-	-	-	-	519,645	-	-	-	-
Capital leases	-	-	157,354	-	-	-	-	-	-	-
Sale of capital assets	127,883	2,050	-	1,500	-	20,114	85,000	21,648	560,290	148,217
Total other financing sources (uses)	\$ 3,568,009	\$ 7,068,965	\$ 3,018,724	\$ 6,604,772	\$ 3,835,650	\$ 3,708,254	\$ 3,755,732	\$ 5,994,724	\$ 5,901,722	\$ 4,244,671
Net change in fund balances	\$ (4,198,006)	\$ (25,804)	\$ 218,204	\$ 2,687,425	\$ (994,989)	\$ (1,521,613)	\$ (1,010,488)	\$ (1,244,622)	\$ 1,507,088	\$ 180,346
Debt service as a percentage of noncapital expenditures	6.02%	7.27%	7.57%	7.64%	7.43%	7.06%	6.22%	5.89%	7.15%	6.03%

CITY OF RADFORD, VIRGINIA
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumers' Utility Tax	Motor Vehicle		Restaurant Food Taxes	Business License Tax	Other Local Taxes	Total	Percentage Change from Prior Year
				License Tax	Tax					
2019	\$ 8,104,338	\$ 1,037,269	\$ 564,577	\$ 202,397	\$ 1,104,604	\$ 442,934	\$ 592,519	\$ 12,048,638	3.68%	
2018	7,774,833	933,184	544,011	201,778	1,083,379	465,341	618,111	11,620,637	1.01%	
2017	7,775,064	903,394	529,829	194,901	1,084,990	448,825	567,864	11,504,867	-1.22%	
2016	7,745,589	992,383	514,537	199,940	1,123,853	486,544	583,798	11,646,644	0.64%	
2015	7,748,164	885,262	532,065	197,566	1,121,722	484,247	603,799	11,572,825	0.88%	
2014	7,601,010	963,013	597,428	193,711	1,086,580	465,200	565,146	11,472,088	0.85%	
2013	7,534,523	974,844	575,931	198,060	1,024,005	492,114	575,986	11,375,463	3.04%	
2012	7,426,519	900,741	533,966	197,397	988,171	458,918	533,836	11,039,548	4.61%	
2011	7,017,704	873,384	560,347	196,726	952,416	414,298	538,664	10,553,539	0.71%	
2010	7,141,132	831,986	556,629	185,808	891,213	398,683	473,263	10,478,714	0.09%	

Effective 7/1/2009 - the Commonwealth of Virginia began classifying telecommunication taxes as state aid instead of local tax revenue. As a result, the amounts above have been adjusted to remove telecommunication taxes for fiscal years 2008-2010. Statewide telecommunication taxes were instituted during the 2008 fiscal year and replaced taxes that were originally assessed at the local level.

CITY OF RADFORD, VIRGINIA
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2019	\$ 818,248,370	\$ 61,007,699	\$ 496,685	\$ 28,114,839	\$ 24,138,449	\$ 932,006,042	\$ 932,006,042	100.00%
2018	814,039,590	60,677,222	414,795	28,852,780	31,090,075	935,074,462	935,074,462	100.00%
2017	811,013,940	59,689,263	416,055	26,797,155	25,670,591	923,587,004	923,587,004	100.00%
2016	801,830,240	56,690,538	445,667	33,252,807	24,074,163	916,293,415	916,293,415	100.00%
2015	790,264,040	55,504,264	458,451	37,129,238	23,467,522	906,823,515	906,823,515	100.00%
2014	785,174,290	54,833,849	461,847	37,634,310	22,453,921	900,558,217	900,558,217	100.00%
2013	782,058,740	52,975,445	465,027	36,100,390	27,156,009	898,755,611	898,755,611	100.00%
2012	787,822,090	53,499,297	545,379	39,032,130	23,780,929	904,679,825	904,679,825	100.00%
2011	792,140,290	49,448,088	555,501	32,966,578	23,171,319	898,281,776	898,281,776	100.00%
2010	780,509,940	47,670,845	579,471	35,629,683	19,423,669	883,813,608	883,813,608	100.00%

Source: Commissioner of Revenue

CITY OF RADFORD, VIRGINIA
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Direct Rates			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2019 (3)	\$ 0.76-0.82	\$ 2.44	\$ 0.76	\$ 1.76
2018	0.76	2.44	0.76	1.76
2017	0.76	2.44	0.76	1.76
2016	0.76	2.44	0.76	1.76
2015	0.76	2.44	0.76	1.76
2014	0.76	2.44	0.76	1.76
2013	0.76	2.44	0.76	1.76
2012	0.76	2.44	0.76	1.76
2011	0.76	2.44	0.76	1.76
2010 (2)	0.73-0.76	2.44	0.73-0.76	1.76

(1) Per \$100 of assessed value

(2) In Fiscal Year 2010 the tax rate increased \$0.03 between billing 2nd half of 2009 and 1st half of 2010.

(3) In Fiscal Year 2019 the tax rate increased \$0.06 between billing 2nd half of 2018 and 1st half of 2019.

CITY OF RADFORD, VIRGINIA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount (1)	Percentage of Levy		Amount	Percentage of Levy
2019	\$ 9,037,440	\$ 8,583,989	94.98%	\$ -	\$ 8,583,989	94.98%
2018	8,359,097	8,173,887	97.78%	69,914	8,243,801	98.62%
2017	8,256,573	8,090,332	97.99%	106,736	8,197,068	99.28%
2016	8,257,887	8,105,351	98.15%	123,695	8,229,046	99.65%
2015	8,135,011	7,963,037	97.89%	146,199	8,109,236	99.68%
2014	8,122,764	7,890,379	97.14%	253,208	8,143,587	100.26%
2013	8,070,126	7,845,456	97.22%	229,217	8,074,673	100.06%
2012	7,898,118	7,658,768	96.97%	212,388	7,871,156	99.66%
2011*	7,741,672	7,338,433	94.79%	359,647	7,698,080	99.44%
2010	7,769,061	7,599,999	97.82%	138,862	7,738,861	99.61%

Source: Commissioner of Revenue, City Treasurer's office

*A major industrial taxpayer was delinquent at year end 2011. Taxes due from same totaled approximately \$256,000.

(1) Includes collections and assessments under the State's PPTRA program

CITY OF RADFORD, VIRGINIA
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal(2)	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2018-19	\$ 965,093	\$ 788,896	1,753,989	\$ 31,164,018	5.63%
2017-18	1,170,256	846,684	2,016,940	30,195,541	6.68%
2016-17	1,009,592	868,173	1,877,765	32,204,168	5.83%
2015-16	996,579	903,105	1,899,684	30,607,762	6.21%
2014-15	1,065,692	960,764	2,026,456	30,454,156	6.65%
2013-14	1,114,224	1,007,774	2,121,998	31,854,902	6.66%
2012-13	1,067,312	1,011,034	2,078,346	28,309,750	7.34%
2011-12	952,518	1,003,562	1,956,080	28,577,594	6.84%
2010-11	856,066	872,830	1,728,896	28,577,594	6.05%
2009-10	819,987	817,932	1,637,919	28,944,356	5.66%

(1) Includes General Fund, Capital Projects Fund, and Special Revenue funds of the primary government

(2) Includes normally scheduled debt payments and does not include payoffs financed by refunding bonds.

CITY OF RADFORD, VIRGINIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities			Business-Type Activities					Total	
	General			General		Capital Leases	Due to Pulaski County PSA	Primary Government	Per Capita	
	Obligation Bonds	Capital Leases	Revenue Bonds	Obligation Bonds						
2019	\$ 17,234,066	\$ 644,795	\$ 700,610	\$ 1,710,774	\$ 241,663	\$ 358,484	\$ 20,890,392	\$ 1,139		
2018	18,135,447	560,290	739,046	2,015,930	339,325	369,277	22,159,315	1,267		
2017	19,252,582	53,121	777,483	844,501	261,711	387,013	21,576,411	1,234		
2016	20,210,733	104,562	815,918	1,377,396	325,376	404,102	23,238,087	1,416		
2015	21,157,498	154,376	854,355	2,001,233	-	-	24,167,462	1,473		
2014	22,566,904	202,614	892,792	2,615,444	-	-	26,277,754	1,602		
2013	23,582,010	301,732	931,229	3,220,221	-	-	28,035,192	1,709		
2012	20,350,159	396,758	969,666	5,404,239	-	-	27,120,822	1,653		
2011	20,605,434	338,364	956,818	6,018,841	-	-	27,919,457	1,702		
2010	16,175,099	380,783	130,420	6,616,682	-	-	23,302,984	1,487		

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF RADFORD, VIRGINIA
Ratios of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (2)	Ratio of Net General Obligation Debt to Assessed Value (1)	Net Bonded Debt per Capita
2019	\$ 18,944,840	\$ -	\$ 18,944,840	2.03%	1,033
2018	20,151,377	-	20,151,377	2.16%	1,153
2017	20,097,083	-	20,097,083	2.18%	1,150
2016	21,588,129	-	21,588,129	2.36%	1,316
2015	23,158,731	-	23,158,731	2.55%	1,411
2014	25,182,348	-	25,182,348	2.80%	1,535
2013	26,802,231	-	26,802,231	2.98%	1,633
2012	25,754,398	-	25,754,398	2.85%	1,570
2011	26,624,275	-	26,624,275	2.96%	1,623
2010	22,791,781	-	22,791,781	2.58%	1,454

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7.

(2) Includes all long-term general obligation bonded debt and Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

CITY OF RADFORD, VIRGINIA
 Legal Debt Margin Information
 Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 78,050,994	\$ 79,214,029	\$ 78,782,209	\$ 78,205,874	\$ 78,517,429	\$ 79,026,404	\$ 80,183,024	\$ 81,101,394	\$ 81,403,959	\$ 81,824,837
Total net debt applicable to limit	22,791,781	26,624,275	25,754,398	26,802,231	25,182,348	23,158,731	21,158,731	20,097,083	20,151,377	18,944,840
Legal debt margin	\$ 55,259,213	\$ 52,589,754	\$ 53,027,811	\$ 51,403,643	\$ 53,335,081	\$ 55,867,673	\$ 59,024,293	\$ 61,004,311	\$ 61,252,582	\$ 62,879,997
Total net debt applicable to the limit as a percentage of debt limit	29.20%	33.61%	32.69%	34.27%	32.07%	29.31%	26.39%	24.78%	24.75%	23.15%

Debt limit represents 10% of the total assessed value of real estate.

CITY OF RADFORD, VIRGINIA
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds					
	Water and Sewer Charges	Less: Operating Expenses	Net Available Revenue	Debt Service (1)		Coverage
				Principal	Interest	
2019	\$ 4,586,714	\$ 4,224,211	\$ 362,503	\$ 271,114	\$ 8,774	1.30
2018	4,815,433	3,840,542	974,891	576,405	18,056	1.64
2017	4,761,366	3,832,212	929,154	529,190	19,174	1.69
2016	5,264,994	4,156,105	1,108,889	620,967	27,747	1.71
2015	4,990,731	4,011,218	979,513	623,505	38,628	1.48
2014	4,732,813	4,104,232	628,581	592,165	45,148	0.99
2013	4,360,386	4,155,050	205,336	606,688	60,175	0.31
2012	4,130,114	3,715,796	414,318	603,468	31,954	0.65
2011	4,202,208	3,683,675	518,533	573,378	34,678	0.85
2010	4,256,817	3,753,602	503,215	547,637	36,738	0.86

(1) Debt service in 2013 represents normal debt service payments as the City refunded bonds during the fiscal year.

COMPLIANCE SECTION



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

**To the Honorable Members of
City Council of the
City of Radford, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Radford, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Radford, Virginia's basic financial statements and have issued our report thereon dated February 18, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

City of Radford, Virginia's Response to Findings

City of Radford, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Radford, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
February 18, 2020



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

**To the Honorable Members of
City Council of the
City of Radford, Virginia**

Report on Compliance for Each Major Federal Program

We have audited the City of Radford, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Radford, Virginia's major federal programs for the year ended June 30, 2019. City of Radford, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Radford, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
February 18, 2020

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF AGRICULTURE:</i>			
Pass Through Payments:			
<i>State Department of Social Services:</i>			
<i>SNAP Cluster:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118/0010119 0040118/0040119	\$ 174,215
Total Department of Agriculture			<u>\$ 174,215</u>
<i>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</i>			
Pass Through Payments:			
<i>State Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950117/0950118	\$ 933
<i>TANF Cluster:</i>			
Temporary Assistance for Needy Families	93.558	0400118/0400119	125,874
Refugee and Entrant Assistance-State Administered Programs	93.566	0500119	78
Low-Income Home Energy Assistance	93.568	0600419	20,863
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117/0900118	160
<i>CCDF Cluster:</i>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760118/0760119	22,501
Foster Care - Title IV-E	93.658	110011/1100119	186,423
Adoption Assistance	93.659	1120118/1120119	239,457
Social Services Block Grant	93.667	1000118/1000119	108,729
Chafee Foster Care Independence Program	93.674	9150118/9150119	2,479
Children's Health Insurance Program	93.767	0540118/0540119	4,193
<i>Medicaid Cluster:</i>			
Medical Assistance Program	93.778	1200118/1200119	<u>196,963</u>
Total Department of Health and Human Services			<u>\$ 908,653</u>
<i>DEPARTMENT OF JUSTICE:</i>			
Pass Through Payments:			
<i>State Department of Criminal Justice Services:</i>			
Crime Victim Assistance	16.575	Unknown	<u>\$ 95,133</u>
Total Department of Justice			<u>\$ 95,133</u>
<i>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</i>			
Direct Payments:			
Community Development Block Grants/Entitlement Grants	14.218	Unknown	<u>\$ 154,579</u>
Total Department of Housing and Urban Development			<u>\$ 154,579</u>
		Pass-through	

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: (Continued)</i>			
Pass Through Payments:			
<i>State Department of Rail and Transportation:</i>			
Federal Transit Formula Grants	20.507	Unknown	\$ 1,494,068
Highway Safety Cluster:			
<i>National Highway Traffic Safety Administration (NHTSA):</i>			
National Priority Safety Programs	20.616	Unknown	6,613
<i>State Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	50245/51151	3,010
Total Highway Safety Cluster			<u>\$ 1,503,691</u>
Total Department of Transportation			<u>\$ 1,503,691</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,836,271</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note A-Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Radford, Virginia under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Radford, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Radford, Virginia.

Note B-Summary of Significant Accounting Policies

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

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

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

Note C-Subrecipients:

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

Note D-Outstanding Balance of Federal Loans

The City has not received any federal funding through loans.

Note E-Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund-Intergovernmental	\$ 5,763,303
Less revenue from the Commonwealth	(4,680,435)
Transit Fund-Intergovernmental	2,047,676
Less revenue from the Commonwealth	(553,608)
Grants Fund-Intergovernmental	698,758
Less revenue from the Commonwealth	(439,423)
Highway Maintenance Fund-Intergovernmental	2,475,339
Less revenue from the Commonwealth	<u>(2,475,339)</u>
Total primary government	<u>\$ 2,836,271</u>

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No
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Identification of major programs:

CFDA #	Name of Federal Program or Cluster
20.507	Federal Transit Forumla Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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City of Radford, Virginia
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

Section II - Financial Statement Findings

Finding 2019-001
(Material Weakness)

Criteria:	The City should prepare reconciliations to ensure amounts reported in the financial statements are materially correct.
Condition:	The City maintains accounting systems in the Treasurer's Office, the City Offices, and the School System that are not integrated. Accordingly, reconciliations between the systems are necessary to ensure the City's financial statements are correct. There were variances noted during the audit between the three systems that were subsequently corrected by the City through adjusting entries recommended to the auditors.
Cause of Condition:	A lack of system integration and a difficult reconciliation process.
Effect of Condition:	As noted above, adjusting entries were recommended after the books were provided to the auditors.
Recommendation:	The City should integrate the Treasurer's Office and City Offices systems, as soon as practical.
Management's Response:	Management concurs with the recommendation and is working on integrating the systems.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior findings related to federal programs.