

**BOARD MEMO**

Date: January 20, 2022  
For ACTION   
For INFORMATION   
Board Agenda: Yes   
No

**FROM:** Michael Covington, Director of Accounting

**THROUGH:** Dominic B. Turner, Chief Financial Officer  
Gregory C. Hutchings, Jr., Ed.D., Superintendent of Schools

**TO:** The Honorable Meagan L. Alderton, Chair, and  
Members of the Alexandria City School Board

**TOPIC:** FY 2021 Comprehensive Annual Financial Report

**ACPS 2025 STRATEGIC PLAN GOAL:**

Goal 4: Strategic Resource Allocation

**SY 2021-2022 FOCUS AREA:**

Focus Area 3: Strategic Plan Implementation

**FY 2022 BUDGET PRIORITY:**

Implementation of 2025 Strategic Plan

**SUMMARY:**

The independent auditors from CliftonLarsonAllen LLP (CLA) have reviewed the Comprehensive Annual Financial Report (Financial Report) as prepared by ACPS financial staff and completed the FY 2021 annual financial report on November 24, 2021. This was conducted in accordance with the standards applicable to financial audits, including Government Auditing Standards issued by the Comptroller General of the United States and the specific standards of audits for local jurisdictions issued by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The auditors' primary focus is to obtain reasonable assurance about whether the financial statements are free of material misstatement and to ensure that internal controls as defined by the audit standards are in place.

The CLA auditors are prepared to discuss this report at the School Board meeting scheduled for January 20, 2022.

**BACKGROUND:**

CliftonLarsonAllen LLP the City and Schools' external auditors, have audited the Financial Report and issued an unmodified (or "clean") opinion indicating that the financial statements fairly represented the financial position of ACPS as of June 30, 2021 (page 23).

Additionally, CLA has issued their letter to the School Board as required by the American Institute of

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Certified Public Accountants (AICPA) for all financial statement audits and their report on the Division's internal control over financial reporting and on compliance and other matters (page 161). No significant deficiencies or material weaknesses of internal control or instances of noncompliance with certain provisions of laws, regulations, contracts or grant agreements or other matters were noted that could have a direct and material effect on the financial statement amounts.

The Financial Report follows the format prescribed by the Governmental Accounting Standards Board (GASB). It includes: (1) an introductory section which provides general information on the school division's structure and the services it provides; (2) a financial section which contains the basic financial statements as well as the independent auditor's report; and (3) a statistical section which provides a broad range of financial and demographic information useful in assessing ACPS' economic condition, much of it in the form of ten-year trend data.

The following key financial highlights are reflected in the report:

### ***General Fund***

For the fiscal year ending June 30, 2021, total revenues for the General Fund, were \$287.5 million, a 2.6% increase over FY 2020 actual revenues and \$5.2 million over the final budgeted revenues for FY 2021. Total expenditures for the General Fund for FY 2021 were \$279.4 million, a 1.9% increase over FY 2020 actual expenditures and \$8.4 million less than final budgeted expenditures. Total other financing transfers from the General Fund, for the VPI program, were \$1.7 million for FY 2021 (Exhibit IV, page 48).

The City of Alexandria appropriation was \$234.0 million towards our General Fund expenditures for FY 2021, an increase of 1.0% or \$2.4 million over FY 2020 (Exhibit IV, page 48).

At June 30, 2021, the General Fund reported a total ending fund balance of \$21.6 million, an increase of \$6.4 million from FY 2020 (Exhibit IV, page 48). The fund balance is comprised of the following, as shown in Exhibit III, page 46:

- a) *Nonspendable*- The nonspendable portion of the fund balance amounts to \$2.0 million to cover prepaid items.
- b) *Committed*- The committed portion was \$5.1 million designated by the School Board for use in FY 2022.
- c) *Assigned*- The assigned portion was \$2.0 million, designated for various program encumbrances carried forward into FY 2022 from FY 2021.
- d) *Unassigned*- The unassigned portion was \$12.5 million, or 7.0% of total General Fund expenditures.

### ***Grants and Special Projects Funds***

Total revenues from Grants and Special Projects funds were \$23.3 million for FY 2021, which reflected an increase of \$8.8 million from FY 2020. During FY 2021, federal grant revenues increased \$7.6 million from FY 2020 to \$18.2 million, while state grant revenues increased by \$0.8 million from FY 2020 to \$4.4 million (Exhibit IV, page 48).

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During the fiscal year ending June 30, 2021, ACPS adopted the new accounting standard, *Statement No. 84, Fiduciary Activities*, issued by the Governmental Accounting Standards Board (GASB). As a result of implementing this GASB, activities related to our student activity funds are being reported in our Grants and Special Revenue Funds.

For this fiscal year, Grants and Special Revenue Funds includes expenditures of \$7.5 million related to federal coronavirus pandemic relief funding, including Coronavirus Aid Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA), and Coronavirus Relief Fund (CRF).

### ***School Nutrition Fund***

Total revenues in the School Nutrition fund were \$10.1 million for FY 2021, an increase of \$1.2 million from FY 2020. During FY 2021, federal and state revenues increased \$2.7 million from FY2020 to \$9.9 million and food service expenditures decreased \$0.8 million from FY 2020 to \$8.6 million (Exhibit IV, page 48). The School Nutrition fund balance increased \$1.5 million in FY 2021 to \$4.4 million. The School Nutrition Fund is required to keep sufficient reserves on hand to fund three months of operations. The current fund balance level equates to approx. 6.1 months of operations.

### ***Employees' Supplemental Retirement Plan***

The plan year for the ACPS Supplemental Retirement Plan ended August 31, 2020. The financial status of this fund is strong. As of this plan year end, the Plan financial statements reflect a total pension liability of \$156.1 million and plan fiduciary net position of \$132.4 million, resulting in plan liabilities in excess of total pension assets of \$23.7 million (page 91). For the plan year ended August 31, 2020, the total pension liability increased \$16.1 million, primarily due to a decrease in the plan discount rate from 6.0% to 5.5%. Since January 2013, no employer contributions were made to the Plan. All contributions made to the Plan were by employees, at the rate of 1.50% of payroll, and totaled \$2.7 million for the fiscal year ended June 30, 2021. During FY 2021, total Plan additions were \$19.6 million, which included employee contributions of \$2.7 million and net investment income of \$16.9 million. Total fund deductions were \$6.6 million and consisted primarily of retiree benefit payments of \$6.4 million (Exhibit XV, page 138).

### ***Virginia Retirement System (VRS) Pension Plans***

The *net pension asset* for ACPS' portion of the *VRS Political Subdivision Retirement Plan*, totaled \$3.4 million for FY 2021, compared to \$4.9 million for FY 2020. Net pension assets are created when total pension plan assets exceed corresponding total pension liabilities (Exhibit XIII-2, page 126).

The *net pension liability* for ACPS' share of the *VRS Teacher Employers Retirement Plan*, totaled \$268.3 million for FY 2021, compared to \$243.8 million for FY 2020 (Exhibit XIII-3, page 127). Net pension liabilities are created when pension liabilities are greater than the corresponding accumulated pension plan assets. For the VRS Teachers Plan, the total (unfunded) net pension liability, including all Virginia school districts, was \$14.6 billion at June 30, 2021 (the most recent year reported), compared to \$13.2 billion for the prior year. ACPS is not able to independently, implement a financial plan to address this (unfunded) net pension liability as annual VRS contribution rates are set solely by the Virginia General Assembly.

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### ***Other Post-Employment Benefits Trust Fund (OPEB)***

As of June 30, 2021, the ACPS Other Post-Employment Benefits (OPEB) Trust fund reflected total net position of \$29.2 million, an increase of \$7.5 million from FY 2020 (Exhibit XIV, page 137).

ACPS contributed \$2.7 million to OPEB during FY2021 towards the cost of retiree health premium subsidies in the current fiscal year and earned \$6.5 million in net investment income.

Total fund deductions were \$1.7 million and consisted primarily of healthcare benefit payments made to the Health Benefits Fund to subsidize current retiree health coverage (Exhibit XV, page 138).

### ***Health Benefits Fund***

For FY 2021, total revenues in the Health Benefits Fund were \$34.7 million, and total expenses were \$30.7 million. At June 30, 2021, the Health Benefits Fund net position was \$11.0 million (Exhibit V, page 50). This reflected an increase of \$4.0 million from FY 2020 (Exhibit VI, page 51).

The ACPS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021 can be found on-line at <http://www.acps.k12.va.us/Page/487>.

The auditors' letter of communication to ACPS governance will be included with the Financial Report submission to the School Board.

**RECOMMENDATION:** The Superintendent recommends that the School Board accept the FY 2021 Comprehensive Annual Financial Report.

**IMPACT:** Financial reporting for fiscal year 2021 is completed.

### **ATTACHMENTS:**

1. FY 2021 Comprehensive Annual Financial Report
2. Auditor's Governance Letter to the School Board

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