

**RADFORD CITY SCHOOL BOARD**  
**(A COMPONENT UNIT OF THE CITY OF RADFORD)**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2014**

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Prepared By:  
Department of Financial Services

**RADFORD CITY SCHOOL BOARD  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

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ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2014

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## INTRODUCTORY SECTION

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# **RADFORD CITY SCHOOL BOARD**

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## **SCHOOL BOARD MEMBERS**

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Kenny Alderman, Vice-Chair  
Jessie Critterton

William Flora, Chair

Lynn Burris  
Carl E. Mitchell

## **SCHOOL OFFICIALS**

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Dr. Becky H. Greer  
Kerri Long

Superintendent of Schools  
Clerk of the School Board

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Radford City School Board, a component unit of the City of Radford, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Radford City School Board's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Radford City School Board, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules of pension and OPEB funding progress on pages 35-39 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Radford City School Board's basic financial statements. The introductory section and supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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



*Other Information (continued)*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of Radford City School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Radford City School Board's control over financial reporting and compliance.

*Robinson, Turner, Co. Associates*

Blacksburg, Virginia  
November 3, 2014

## Basic Financial Statements

Radford City School Board  
Statement of Net Position  
June 30, 2014

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 390,643
Accounts receivable	3,282
Due from other governmental units	233,574
Inventories	13,158
Capital assets (net of accumulated depreciation):	
Land	33,433
Buildings and improvements	5,709,023
Machinery and equipment	822,688
Construction in progress	18,072
Total assets	<u>\$ 7,223,873</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 43,100
Wages payable	28,952
Unearned revenue	32,222
Long-term liabilities:	
Due within one year	344,474
Due in more than one year	306,033
Total liabilities	<u>\$ 754,781</u>
<b>NET POSITION</b>	
Investment in capital assets	\$ 6,583,216
Restricted:	
Cafeteria operations	23,727
Unrestricted (deficit)	(137,851)
Total net position	<u><u>\$ 6,469,092</u></u>

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

Radford City School Board  
Statement of Activities  
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating</u>		<u>Primary Governmental Activities</u>	
			<u>Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
Instruction	\$ 10,817,889	\$ 97,763	\$ 9,598,779	\$ -		(1,121,347)
Administration, Attendance and Health	1,075,697	-	-	-		(1,075,697)
Pupil Transportation Services	394,869	-	-	-		(394,869)
Operation and Maintenance Services	1,524,688	-	-	-		(1,524,688)
School Food Services and Other	739,042	139,748	467,051	-		(132,243)
Technology	858,642	-	332,172	-		(526,470)
Facilities	149,868	-	-	-		(149,868)
Total governmental activities	\$ 15,560,695	\$ 237,511	\$ 10,398,002	\$ -		(4,925,182)
General revenues:						
Unrestricted revenues from the use of money and property						4,390
Miscellaneous						89,328
Contributions from the City of Radford, Virginia						4,763,940
Total general revenues						4,857,658
Change in net position						(67,524)
Net position - beginning						6,536,616
Net position - ending						6,469,092

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

Radford City School Board  
Balance Sheet  
Governmental Funds  
June 30, 2014

	General Fund	School Grants Fund	Cafeteria Fund	School Textbook Fund	School Construction Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,000	27,705	\$ 1,366	\$ 288,764	\$ 71,808	\$ 390,643
Receivables (net of allowance for uncollectibles):						
Accounts receivable	1,498	1,784	-	-	-	3,282
Due from other governmental units	135,021	82,502	16,051	-	-	233,574
Inventories	-	-	13,158	-	-	13,158
Total assets	\$ 137,519	\$ 111,991	\$ 30,575	\$ 288,764	\$ 71,808	\$ 640,657
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 37,527	-	\$ 5,573	\$ -	\$ -	\$ 43,100
Wages payable	27,677	-	1,275	-	-	28,952
Unearned revenue	-	32,222	-	-	-	32,222
Total liabilities	\$ 65,204	\$ 32,222	\$ 6,848	\$ -	\$ -	\$ 104,274
Fund balances:						
Nonspendable						
Inventories	\$ -	-	\$ 13,158	\$ -	\$ -	\$ 13,158
Restricted	-	-	10,569	-	-	10,569
Committed	-	79,769	-	288,764	71,808	440,341
Unassigned	72,315	-	-	-	-	72,315
Total fund balances	\$ 72,315	\$ 79,769	\$ 23,727	\$ 288,764	\$ 71,808	\$ 536,383
Total liabilities and fund balances	\$ 137,519	\$ 111,991	\$ 30,575	\$ 288,764	\$ 71,808	\$ 640,657

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

Radford City School Board  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	536,383
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	33,433	
Buildings and improvements		5,709,023	
Machinery and equipment		822,688	
Construction in progress		18,072	6,583,216

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$	(459,298)	
Net OPEB obligation		(191,209)	(650,507)

Net position of governmental activities		\$ 6,469,092
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The notes to the financial statements are an integral part of this statement.

Radford City School Board  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	General Fund	School Grants Fund	Cafeteria Fund	School Textbook Fund	School Construction Fund	Total
<b>REVENUES</b>						
Revenue from the use of money and property	\$ 4,375	\$ -	\$ 15	\$ -	\$ -	\$ 4,390
Charges for services	97,763	-	139,748	-	-	237,511
Miscellaneous	17,427	63,901	-	-	-	81,328
Recovered costs	30,552	-	-	-	-	30,552
Intergovernmental:						
Local government	4,763,940	-	-	-	-	4,763,940
Commonwealth	8,833,806	172,136	13,810	103,734	-	9,123,486
Federal	405	820,870	453,241	-	-	1,274,516
Total revenues	\$ 13,748,268	\$ 1,056,907	\$ 606,814	\$ 103,734	\$ -	\$ 15,515,723
<b>EXPENDITURES</b>						
Instruction	\$ 10,019,049	\$ 764,365	\$ -	\$ 79,180	\$ -	\$ 10,862,594
Administration, Attendance and Health	1,012,502	57,527	-	-	-	1,070,029
Pupil Transportation Services	516,165	-	-	-	-	516,165
Operation and Maintenance Services	1,396,863	-	-	-	-	1,396,863
School Food Services and Other	133,258	-	608,530	-	-	741,788
Technology	597,302	227,554	-	-	-	824,856
Facilities	25,643	-	-	-	-	25,643
Total expenditures	\$ 13,700,782	\$ 1,049,446	\$ 608,530	\$ 79,180	\$ -	\$ 15,437,938
Excess (deficiency) of revenues over (under) expenditures	\$ 47,486	\$ 7,461	\$ (1,716)	\$ 24,554	\$ -	\$ 77,785
Net change in fund balances	\$ 47,486	\$ 7,461	\$ (1,716)	\$ 24,554	\$ -	\$ 77,785
Fund balances - beginning	24,829	72,308	25,443	264,210	71,808	458,598
Fund balances - ending	\$ 72,315	\$ 79,769	\$ 23,727	\$ 288,764	\$ 71,808	\$ 536,383

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

Radford City School Board  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$	77,785
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 282,704	
Donated asset	8,000	
Depreciation expenses	<u>(415,316)</u>	(124,612)

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.

Decrease (increase) in compensated absences	14,115	
(Increase) decrease in net OPEB obligation	<u>(34,812)</u>	(20,697)

Change in net position of governmental activities	\$	<u><u>(67,524)</u></u>
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The notes to the financial statements are an integral part of this statement.



RADFORD CITY SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

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**Note 1-Summary of Significant Accounting Policies:**

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

A. Financial Reporting Entity:

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

Related Organizations

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

B. Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. *Governmental activities* are normally supported by intergovernmental revenues.

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

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

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

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

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

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

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

The School Board reports the following major governmental funds:

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

Special revenue funds account for and report the proceeds of specific revenue sources. Special Revenue Funds consist of the School Grants, Cafeteria, and School Textbook Funds.

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

D. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School Board does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School Board does not have any deferred inflows of resources as of June 30, 2014.

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

1. Cash and Cash Equivalents

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

2. Inventories

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

3. Capital assets

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

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

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

3. Capital assets (continued)

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

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

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

4. Fund equity

The Radford City School Board follows provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

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

4. Fund equity (continued)

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

5. Compensated Absences

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

6. Use of Estimates

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

7. Net Position

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

8. Net Position Flow Assumption

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 2-Stewardship, Compliance, and Accountability:**

Budgets and Budgetary Accounting

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

The funds available to the School Board for the establishment, support and maintenance of schools consist of state funds appropriated for school purposes and apportioned to the School Board, federal funds appropriated for educational purposes and apportioned to the School Board, local funds appropriated to the School Board by the City, and other funds that may be set apart for public school purposes.

The School Board manages and controls the funds made available by the City. The school superintendent prepares, with the approval of the School Board, and submits to the City prior to April 1, the proposed operating budget for the next fiscal year. Before the School Board gives final approval to its budget for submission to the City Council, the School Board holds at least one public hearing to receive the view of the citizens.

City Council has adopted the policy of appropriating the school budget in total rather than by categories. Accordingly, the legal restrictions on expenditures for the School Board are at the fund level. The School Board is authorized to transfer budgeted amounts within each fund at its discretion. The School Board, with the concurrence of City Council, may from time to time amend the budget to provide for additional expenditures and the means of financing them.

The school budget is adopted on a basis consistent with generally accepted accounting principles. All appropriations lapse on June 30. The budgetary data presented in the accompanying financial statements are revised as of June 30 and include all appropriations approved by the City Council.

**Note 3-Deposits and Investments:**

Deposits

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

**Note 3-Deposits and Investments: (continued)**

Investments

Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). No investments were held during the year.

**Note 4-Due from Other Governmental Units:**

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

	School Board
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 135,021
<u>Federal Government:</u>	
School grants	82,502
School food program	16,051
	<hr/>
Totals	\$ 233,574

**Note 5-Long-term Obligations:**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 473,413	\$ 340,945	\$ (355,060)	\$ 459,298	\$ 344,474
Net OPEB obligation	156,397	84,912	(50,100)	191,209	-
	<hr/>				
Total	\$ 629,810	\$ 425,857	\$ (405,160)	\$ 650,507	\$ 344,474

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

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan:**

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan  
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

<b>VRS – PLAN 1</b>
---------------------

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.



RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan: (continued)**

A. Plan Description (continued)

<b>VRS – PLAN 1 (continued)</b>
---------------------------------

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan: (continued)**

A. Plan Description (continued)

<b>VRS – PLAN 1 (continued)</b>
---------------------------------

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan: (continued)**

A. Plan Description (continued)

<b>VRS – PLAN 1 (continued)</b>
---------------------------------

**15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

**16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan: (continued)**

A. Plan Description (continued)

<b>VRS – PLAN 2</b>
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1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan: (continued)**

A. Plan Description (continued)

<b>VRS – PLAN 2 (continued)</b>
---------------------------------

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

- 14. Eligibility** - Same as VRS Plan 1–Refer to Section 14.

- 15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan: (continued)**

A. Plan Description (continued)

<b>HYBRID RETIRMENT PLAN</b>
------------------------------

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")
  - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
  - State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan: (continued)**

A. Plan Description (continued)

<b>HYBRID RETIRMENT PLAN (continued)</b>
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3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. **Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan: (continued)**

A. Plan Description (continued)

<b>HYBRID RETIRMENT PLAN (continued)</b>
--

**6. Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

**7. Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

- 8. Average Final Compensation** - Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.



RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan: (continued)**

A. Plan Description (continued)

<b>HYBRID RETIRMENT PLAN (continued)</b>
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**10. Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**11. Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**12. Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**13. Cost-of-Living Adjustment (COLA) in Retirement**

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component - Not Applicable.

**14. Eligibility** - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

**15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 6-Pension Plan: (continued)**

A. Plan Description (continued)

<b>HYBRID RETIRMENT PLAN (continued)</b>
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- 16. Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2014 was 6.93% of annual covered payroll.

The School Board's contributions for professional employees were \$927,851, \$933,400, and \$487,996, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

**RADFORD CITY SCHOOL BOARD**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 6-Pension Plan: (continued)**

**C. Annual Pension Cost**

For fiscal year 2014, the School Board's annual pension cost of \$27,867 was equal to the School Board's required and actual contributions.

**Three-Year Trend Information for  
School Board - Non-professional Employees**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost * (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2014	\$ 27,867	100%	\$ -
June 30, 2013	27,677	100%	-
June 30, 2012	23,813	100%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

**C. Funding Status and Progress**

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 96.38% funded. The actuarial accrued liability for benefits was \$1,614,524, and the actuarial value of assets was \$1,556,085, resulting in an unfunded actuarial accrued liability (UAAL) of \$58,439. The covered payroll (annual payroll of active employees covered by the plan) was \$399,375 and ratio of the UAAL to the covered payroll was 14.63%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

**RADFORD CITY SCHOOL BOARD**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 7-Capital Assets:**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Radford City School Board				
Capital assets, not being depreciated:				
Land	\$ 33,433	\$ -	\$ -	\$ 33,433
Construction in progress	-	18,072	-	18,072
Total capital assets not being depreciated	<u>\$ 33,433</u>	<u>\$ 18,072</u>	<u>\$ -</u>	<u>\$ 51,505</u>
Capital assets, being depreciated:				
Buildings and Improvements	\$ 11,100,693	\$ -	\$ -	\$ 11,100,693
Machinery and equipment	1,547,900	272,632	(16,959)	1,803,573
Total capital assets being depreciated	<u>\$ 12,648,593</u>	<u>\$ 272,632</u>	<u>\$ (16,959)</u>	<u>\$ 12,904,266</u>
Accumulated depreciation:				
Buildings and Improvements	\$ (5,128,825)	\$ (262,845)	\$ -	\$ (5,391,670)
Machinery and equipment	(845,373)	(152,471)	16,959	(980,885)
Total accumulated depreciation	<u>\$ (5,974,198)</u>	<u>\$ (415,316)</u>	<u>\$ 16,959</u>	<u>\$ (6,372,555)</u>
Total capital assets being depreciated, net	<u>\$ 6,674,395</u>	<u>\$ (142,684)</u>	<u>\$ -</u>	<u>\$ 6,531,711</u>
Governmental activities capital assets, net	<u>\$ 6,707,828</u>	<u>\$ (124,612)</u>	<u>\$ -</u>	<u>\$ 6,583,216</u>

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

Administration, attendance, and health	\$ 2,807
Instruction	11,327
Pupil transportation	54,603
Food service	2,968
Technology	46,751
Operation and maintenance	142,519
Facilities	<u>154,341</u>
Total depreciation expense-governmental activities	<u>\$ 415,316</u>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 8-Risk Management:**

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

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

**Note 9-Other Postemployment Benefits - Health Insurance:**

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

**A. Plan Description**

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

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

**B. Funding Policy**

The School Board currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 174 employees that are eligible for the program. Retirees and spouses contribute 100% of the premium cost of retiree and spouse/dependent coverage.

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

**RADFORD CITY SCHOOL BOARD**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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

**B. Funding Policy: (continued)**

	Key Advantage Expanded (PPO)	Key Advantage 500 (PPO)	Medicare Supplement
Retiree	\$ 595	\$ 506	\$ 148
Retiree/Dependent	907	773	148
Family	1,323	1,129	148

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

**C. Annual OPEB Cost and Net OPEB Obligation**

For 2014, the Board's annual OPEB cost (expense) was \$84,912 and the ARC was \$87,700. The obligation calculation is as follows:

Annual required contribution	\$ 87,700
Interest on net OPEB obligation	6,256
Adjustment to annual required contribution	(9,044)
Annual OPEB cost (expense)	\$ 84,912
Contributions made	(50,100)
Increase in net OPEB obligation	\$ 34,812
Net OPEB obligation - beginning of year	156,397
Net OPEB obligation - end of year	\$ 191,209

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 84,912	59.00%	\$ 191,209
6/30/2013	82,302	59.78%	156,397
6/30/2012	80,164	67.61%	123,295

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

**D. Funded Status and Funding Progress**

The funded status of the Plan for the School Board as of January 1, 2012 (the most recent valuation), is as follows:

Actuarial accrued liability (AAL)	\$	674,300
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	674,300
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	7,506,000
UAAL as a percentage of covered payroll		8.98%

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

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

**E. Actuarial Methods and Assumptions**

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

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

In the January 1, 2012, the most recent actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.50 percent, plus a productivity component of 1.25 percent; investment rate of return at 7.50 percent; and a health care trend rate of 7.2 percent graded to 4.8 percent over 80 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2012 was 30 years.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 10—New Accounting Standards:**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 will require governments with defined benefit pension plans to disclose a “net pension liability” on their balance sheets. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. The statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability, plus the effect of changes in benefit terms on the net pension liability. These standards will be effective for fiscal years ending June 30, 2014 (67) and June 30, 2015 (68). The School Board believes the implementation of Statement No. 68 will significantly impact the School Board’s net position; however, no formal study or estimate of the impact of this standard has been performed.



## Required Supplementary Information

Radford City School Board  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund  
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 2,750	\$ 2,750	\$ 4,375	\$ 1,625
Charges for services	78,000	78,000	97,763	19,763
Miscellaneous	-	-	17,427	17,427
Recovered costs	29,409	29,409	30,552	1,143
Intergovernmental:				
Local government	5,755,995	5,755,995	4,763,940	(992,055)
Commonwealth	8,252,845	8,252,845	8,833,806	580,961
Federal	-	-	405	405
Total revenues	<u>\$ 14,118,999</u>	<u>\$ 14,118,999</u>	<u>\$ 13,748,268</u>	<u>\$ (370,731)</u>
<b>EXPENDITURES</b>				
Instruction	\$ 10,411,967	\$ 10,411,967	\$ 10,019,049	\$ 392,918
Administration, Attendance and Health	960,665	960,665	1,012,502	(51,837)
Pupil Transportation Services	570,767	570,767	516,165	54,602
Operation and Maintenance Services	1,538,469	1,538,469	1,396,863	141,606
School Food Services and Other	56,329	56,329	133,258	(76,929)
Technology	579,802	579,802	597,302	(17,500)
Facilities	1,000	1,000	25,643	(24,643)
Total expenditures	<u>\$ 14,118,999</u>	<u>\$ 14,118,999</u>	<u>\$ 13,700,782</u>	<u>\$ 418,217</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,486</u>	<u>\$ 47,486</u>
Net change in fund balances	\$ -	\$ -	\$ 47,486	\$ 47,486
Fund balances - beginning	-	-	24,829	24,829
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,315</u>	<u>\$ 72,315</u>

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Special Revenue Fund - School Grants Fund  
For the Year Ended June 30, 2014

	School Grants Fund			Variance with Final Budget Positive Negative
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 20,000	\$ 20,000	\$ 63,901	\$ 43,901
Intergovernmental:				
Commonwealth	183,400	183,400	172,136	(11,264)
Federal	911,221	911,221	820,870	(90,351)
Total revenues	\$ 1,114,621	\$ 1,114,621	\$ 1,056,907	\$ (57,714)
EXPENDITURES				
Current:				
Instruction	\$ 1,114,621	\$ 1,114,621	\$ 764,365	\$ 350,256
Administration, Attendance and Health	-	-	57,527	(57,527)
Technology	-	-	227,554	(227,554)
Total expenditures	\$ 1,114,621	\$ 1,114,621	\$ 1,049,446	\$ 65,175
Net change in fund balances	\$ -	\$ -	\$ 7,461	\$ 7,461
Fund balances - beginning	-	-	72,308	72,308
Fund balances - ending	\$ -	\$ -	\$ 79,769	\$ 79,769

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Special Revenue Fund - School Cafeteria Fund  
For the Year Ended June 30, 2014

	Cafeteria Fund			Variance with Final Budget Positive Negative
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 25	\$ 25	\$ 15	\$ (10)
Charges for services	166,836	166,836	139,748	(27,088)
Intergovernmental:				
Commonwealth	15,303	15,303	13,810	(1,493)
Federal	400,501	400,501	453,241	52,740
Total revenues	\$ 582,665	\$ 582,665	\$ 606,814	\$ 24,149
EXPENDITURES				
School Food Services and Other	\$ 582,665	\$ 582,665	\$ 608,530	\$ (25,865)
Total expenditures	\$ 582,665	\$ 582,665	\$ 608,530	\$ (25,865)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (1,716)	\$ (1,716)
Net change in fund balances	\$ -	\$ -	\$ (1,716)	\$ (1,716)
Fund balances - beginning	-	-	25,443	25,443
Fund balances - ending	\$ -	\$ -	\$ 23,727	\$ 23,727

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Special Revenue Fund - School Textbook Fund  
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental:				
Commonwealth	\$ 100,188	\$ 100,188	\$ 103,734	\$ 3,546
Total revenues	\$ 100,188	\$ 100,188	\$ 103,734	\$ 3,546
<b>EXPENDITURES</b>				
Instruction	\$ 396,730	\$ 396,730	\$ 79,180	\$ 317,550
Total expenditures	\$ 396,730	\$ 396,730	\$ 79,180	\$ 317,550
Excess (deficiency) of revenues over (under) expenditures	\$ (296,542)	\$ (296,542)	\$ 24,554	\$ 321,096
Net change in fund balances	\$ (296,542)	\$ (296,542)	\$ 24,554	\$ 321,096
Fund balances - beginning	296,542	296,542	264,210	(32,332)
Fund balances - ending	\$ -	\$ -	\$ 288,764	\$ 288,764

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Capital Projects Fund - School Construction Fund  
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
EXPENDITURES				
Capital projects	\$ 71,807	\$ 71,807	\$ -	\$ 71,807
Total expenditures	\$ 71,807	\$ 71,807	\$ -	\$ 71,807
Excess (deficiency) of revenues over (under) expenditures	\$ (71,807)	\$ (71,807)	\$ -	\$ 71,807
Net change in fund balances	\$ (71,807)	\$ (71,807)	\$ -	\$ 71,807
Fund balances - beginning	71,807	71,807	71,808	1
Fund balances - ending	\$ -	\$ -	\$ 71,808	\$ 71,808

## Radford City School Board

Schedule of Pension and OPEB Funding Progress - Pension and OPEB Plans  
For the Year Ended June 30, 2014

## Non-Professional Employees: Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 1,556,085	\$ 1,614,524	\$ 58,439	96.38%	\$ 399,375	14.63%
June 30, 2012	1,500,974	1,561,850	60,876	96.10%	373,295	16.31%
June 30, 2011	1,501,398	1,482,632	(18,766)	101.27%	369,550	-5.08%

## School Board: Other Postemployment Benefits (A)

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

(A) Only two evaluations have been performed to date.

## Other Supplementary Information



## Supporting Schedules

Radford City School Board  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<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>
<b>General Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 250	\$ 250	\$ 55	\$ (195)
Revenue from use of property	2,500	2,500	4,320	1,820
Total revenue from use of money and property	<u>\$ 2,750</u>	<u>\$ 2,750</u>	<u>\$ 4,375</u>	<u>\$ 1,625</u>
Charges for services:				
Tuition	\$ 78,000	\$ 78,000	\$ 97,763	\$ 19,763
Total charges for services	<u>\$ 78,000</u>	<u>\$ 78,000</u>	<u>\$ 97,763</u>	<u>\$ 19,763</u>
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 17,427	\$ 17,427
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,427</u>	<u>\$ 17,427</u>
Recovered costs:				
Rebates and refunds	\$ 1,000	\$ 1,000	\$ 1,643	\$ 643
Sale of equipment	-	-	500	500
Insurance recoveries	28,409	28,409	28,409	-
Total recovered costs	<u>\$ 29,409</u>	<u>\$ 29,409</u>	<u>\$ 30,552</u>	<u>\$ 1,143</u>
Total revenue from local sources	<u>\$ 110,159</u>	<u>\$ 110,159</u>	<u>\$ 150,117</u>	<u>\$ 39,958</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Radford, Virginia	\$ 5,755,995	\$ 5,755,995	\$ 4,763,940	\$ (992,055)
Total revenues from local governments	<u>\$ 5,755,995</u>	<u>\$ 5,755,995</u>	<u>\$ 4,763,940</u>	<u>\$ (992,055)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Sales tax	\$ 1,176,025	\$ 1,176,025	\$ 1,366,712	\$ 190,687
Basic school aid	4,566,744	4,566,744	4,859,533	292,789
Foster children	42,758	42,758	4,064	(38,694)
Remedial summer school	9,064	9,064	21,265	12,201
Adult education	1,517	1,517	-	(1,517)
Gifted and talented	51,362	51,362	53,179	1,817
Remedial education	142,919	142,919	147,977	5,058
Special education	721,295	721,295	746,823	25,528
Vocational education	94,907	94,907	98,266	3,359
Vocational education - adults	-	-	-	-
Social security	307,053	307,053	317,920	10,867
Retirement	511,382	511,382	535,431	24,049
Project Graduation	-	-	2,806	2,806
Early reading intervention	18,408	18,408	23,010	4,602
Homebound Instruction	7,892	7,892	19,579	11,687
Group Life Payments	18,981	18,981	19,653	672

Radford City School Board  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Intergovernmental: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid: (continued)				
GED prep programs	\$ 7,859	\$ 7,859	\$ 7,859	\$ -
Vocational education - equipment	-	-	2,610	2,610
Supplemental support for school	111,938	111,938	-	(111,938)
SOL algebra readiness	21,147	21,147	23,557	2,410
At risk payments	129,679	129,679	139,730	10,051
Primary class size payments	201,441	201,441	205,534	4,093
Mentor teacher program	491	491	1,136	645
English as a second language	11,865	11,865	18,017	6,152
Additional Assistance with Retirement, Inflation, and Preschool Costs	86,400	86,400	80,450	(5,950)
Salary supplement	-	-	116,005	116,005
Other state funds	11,718	11,718	22,690	10,972
Total categorical aid	\$ 8,252,845	\$ 8,252,845	\$ 8,833,806	\$ 580,961
Total revenue from the Commonwealth	\$ 8,252,845	\$ 8,252,845	\$ 8,833,806	\$ 580,961
Revenue from the federal government:				
Categorical aid:				
Advanced placement incentive	\$ -	\$ -	\$ 405	\$ 405
Total categorical aid	\$ -	\$ -	\$ 405	\$ 405
Total revenue from the federal government	\$ -	\$ -	\$ 405	\$ 405
Total General Operating Fund	\$14,118,999	\$14,118,999	\$13,748,268	\$ (370,731)
Special Revenue Funds:				
School Grants Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Erate revenue	\$ 20,000	\$ 20,000	\$ 63,901	\$ 43,901
Total miscellaneous revenue	\$ 20,000	\$ 20,000	\$ 63,901	\$ 43,901
Total revenue from local sources	\$ 20,000	\$ 20,000	\$ 63,901	\$ 43,901
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VPSA grants	\$ 154,000	\$ 154,000	\$ 163,691	\$ 9,691
Other state funds	29,400	29,400	8,445	(20,955)
Total categorical aid	\$ 183,400	\$ 183,400	\$ 172,136	\$ (11,264)
Total revenue from the Commonwealth	\$ 183,400	\$ 183,400	\$ 172,136	\$ (11,264)

Radford City School Board  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
School Grants Fund: (continued)				
Intergovernmental: (continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 305,786	\$ 305,786	\$ 272,197	\$ (33,589)
Special education - grants to States	317,081	317,081	281,940	(35,141)
Vocational education	24,456	24,456	25,982	1,526
Special education - preschool grants	18,230	18,230	10,020	(8,210)
Education technology	65,668	65,668	-	(65,668)
Improving teacher quality	-	-	62,250	62,250
Twenty-First Century Community Learning Centers	180,000	180,000	168,481	(11,519)
Total categorical aid	\$ 911,221	\$ 911,221	\$ 820,870	\$ (90,351)
Total revenue from the federal government	\$ 911,221	\$ 911,221	\$ 820,870	\$ (90,351)
Total School Grants Fund	\$ 1,114,621	\$ 1,114,621	\$ 1,056,907	\$ (57,714)
Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 25	\$ 25	\$ 15	\$ (10)
Total revenue from use of money and property	\$ 25	\$ 25	\$ 15	\$ (10)
Charges for services:				
Cafeteria sales	\$ 166,836	\$ 166,836	\$ 139,748	\$ (27,088)
Total charges for services	\$ 166,836	\$ 166,836	\$ 139,748	\$ (27,088)
Total revenue from local sources	\$ 166,861	\$ 166,861	\$ 139,763	\$ (27,098)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 15,303	\$ 15,303	\$ 13,810	\$ (1,493)
Total categorical aid	\$ 15,303	\$ 15,303	\$ 13,810	\$ (1,493)
Total revenue from the Commonwealth	\$ 15,303	\$ 15,303	\$ 13,810	\$ (1,493)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 400,501	\$ 400,501	\$ 453,241	\$ 52,740
Total categorical aid	\$ 400,501	\$ 400,501	\$ 453,241	\$ 52,740
Total revenue from the federal government	\$ 400,501	\$ 400,501	\$ 453,241	\$ 52,740
Total Cafeteria Fund	\$ 582,665	\$ 582,665	\$ 606,814	\$ 24,149

Radford City School Board  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
School Textbook Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State textbook payments	\$ 100,188	\$ 100,188	\$ 103,734	\$ 3,546
Total categorical aid	\$ 100,188	\$ 100,188	\$ 103,734	\$ 3,546
Total revenue from the Commonwealth	\$ 100,188	\$ 100,188	\$ 103,734	\$ 3,546
Total School Textbook Fund	\$ 100,188	\$ 100,188	\$ 103,734	\$ 3,546
Total School Board	\$15,916,473	\$15,916,473	\$15,515,723	\$ (400,750)

Radford City School Board  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<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>
<b>General Fund:</b>				
Instruction				
Classroom instruction	\$ 8,485,093	\$ 8,485,093	\$ 8,074,353	\$ 410,740
Guidance services	392,381	392,381	401,586	(9,205)
Social worker	42,956	42,956	43,690	(734)
Homebound instruction	34,768	34,768	37,898	(3,130)
Management and direction	330,460	330,460	324,798	5,662
Inservice and staff development	4,154	4,154	1,300	2,854
Library services	260,748	260,748	262,528	(1,780)
Office of the principal	861,407	861,407	872,896	(11,489)
Total Instruction	\$ 10,411,967	\$ 10,411,967	\$ 10,019,049	\$ 392,918
Administration, Attendance and Health				
Board services	\$ 37,917	\$ 37,917	\$ 60,657	\$ (22,740)
Clerk's services	86,240	86,240	87,190	(950)
Superintendent's services	218,224	218,224	261,715	(43,491)
Planning services	2,300	2,300	1,966	334
Fiscal services	48,971	48,971	49,418	(447)
Health services	57,513	57,513	59,414	(1,901)
Medical services	43,550	43,550	25,148	18,402
Nursing services	92,613	92,613	93,337	(724)
Psychological services	216,045	216,045	215,643	402
Speech/audiology services	157,292	157,292	158,014	(722)
Total Administration, Attendance and Health	\$ 960,665	\$ 960,665	\$ 1,012,502	\$ (51,837)
Pupil Transportation Services				
Vehicle operation	\$ 262,014	\$ 262,014	\$ 243,585	\$ 18,429
Monitoring services	44,636	44,636	42,327	2,309
Vehicle maintenance services	264,117	264,117	230,253	33,864
Total Pupil Transportation Services	\$ 570,767	\$ 570,767	\$ 516,165	\$ 54,602
Operation and Maintenance Services				
Building services	\$ 1,494,751	\$ 1,494,751	\$ 1,332,339	\$ 162,412
Grounds services	12,000	12,000	12,367	(367)
Equipment services	5,000	5,000	3,889	1,111
Security services	11,718	11,718	14,648	(2,930)
Vehicle services	15,000	15,000	33,620	(18,620)
Total Operations and Maintenance Services	\$ 1,538,469	\$ 1,538,469	\$ 1,396,863	\$ 141,606
School Food Services and Other				
School food	\$ 56,329	\$ 56,329	\$ 133,258	\$ (76,929)
Total School Food Services and Other	\$ 56,329	\$ 56,329	\$ 133,258	\$ (76,929)

Radford City School Board  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<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>
<b>General Fund: (continued)</b>				
Technology				
Technology - classroom instruction	\$ 63,575	\$ 63,575	\$ 71,716	\$ (8,141)
Technology - instructional support	479,227	479,227	478,562	665
Technology - administration	7,000	7,000	16,984	(9,984)
Technology - operations and maintenance	30,000	30,000	30,040	(40)
Total Technology	\$ 579,802	\$ 579,802	\$ 597,302	\$ (17,500)
Facilities				
Building Improvements	\$ -	\$ -	\$ 15,843	\$ (15,843)
Architecture and engineering services	1,000	1,000	9,800	(8,800)
Total Facilities	\$ 1,000	\$ 1,000	\$ 25,643	\$ (24,643)
Total General Fund	\$ 14,118,999	\$ 14,118,999	\$ 13,700,782	\$ 418,217
<b>Special Revenue Funds:</b>				
<b>School Grants Fund:</b>				
Instruction				
Classroom instruction	\$ 1,114,621	\$ 1,114,621	\$ 764,365	\$ 350,256
Total Instruction	\$ 1,114,621	\$ 1,114,621	\$ 764,365	\$ 350,256
Administration, Attendance and Health				
Medical services	\$ -	\$ -	\$ 2,197	\$ (2,197)
Vehicle Operation Services	-	-	9,289	(9,289)
Speech Audio Support	-	-	119	(119)
Psychological services	-	-	45,922	(45,922)
Total Administration, Attendance and Health	\$ -	\$ -	\$ 57,527	\$ (57,527)
Technology				
Technology classroom Instruction	\$ -	\$ -	\$ 194,758	\$ (194,758)
Technology instructional support	-	-	32,796	(32,796)
Total Technology	\$ -	\$ -	\$ 227,554	\$ (227,554)
Total School Grants Fund	\$ 1,114,621	\$ 1,114,621	\$ 1,049,446	\$ 65,175
<b>Cafeteria Fund:</b>				
School Food Services and Other				
School food	\$ 582,665	\$ 582,665	\$ 608,530	\$ (25,865)
Total School Food Services and Other	\$ 582,665	\$ 582,665	\$ 608,530	\$ (25,865)
Total Cafeteria Fund	\$ 582,665	\$ 582,665	\$ 608,530	\$ (25,865)

Radford City School Board  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
School Textbook Fund:				
Instruction				
Classroom instruction	\$ 396,730	\$ 396,730	\$ 79,180	\$ 317,550
Total Instruction	\$ 396,730	\$ 396,730	\$ 79,180	\$ 317,550
Total School Textbook Fund	\$ 396,730	\$ 396,730	\$ 79,180	\$ 317,550
Capital Projects Fund:				
School Construction Fund:				
Capital projects				
Building improvements	\$ 71,807	\$ 71,807	\$ -	\$ 71,807
Total Capital Projects	\$ 71,807	\$ 71,807	\$ -	\$ 71,807
Total School Construction Fund	\$ 71,807	\$ 71,807	\$ -	\$ 71,807
Total School Board	\$ 16,284,822	\$ 16,284,822	\$ 15,437,938	\$ 846,884



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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Radford City School Board, a component unit of the City of Radford, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Radford City School Board's basic financial statements, and have issued our report thereon dated November 3, 2014.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Turner, Cox Associates*

Blacksburg, Virginia  
November 3, 2014

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

### Report on Compliance for Each Major Federal Program

We have audited the Radford City School Board's, a component unit of the City of Radford, Virginia, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Radford City School Board's major federal programs for the year ended June 30, 2014. The Radford City School Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the Radford City School Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Radford City School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### *Opinion on Each Major Federal Program*

In our opinion, the Radford City School Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control over Compliance

Management of the Radford City School Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Radford City School Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Radford City School Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robinson, Turner, Cox Associates*

Blacksburg, Virginia  
November 3, 2014

**Radford City School Board**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Pass Through Payments from:			
<i>Child Nutrition Cluster:</i>			
State Department of Agriculture:			
Food Distribution (Note C)	10.555	40623	\$ 48,121
State Department of Education:			
National School Lunch Program	10.555	40623	<u>300,346</u> \$ 348,467
State Department of Education:			
School Breakfast Program	10.553	40591	<u>104,774</u>
Total Department of Agriculture			<u>\$ 453,241</u>
Department of Education:			
Pass Through Payments from:			
State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	42892	\$ 272,197
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027	60205	281,940
Special Education - Preschool Grants	84.173	61136	10,020
Career and Technical Education - Basic Grants to states	84.048	60531	25,982
Improving Teacher Quality State Grants	84.367	61484	62,250
Twenty-First Century Community Learning Centers	84.287	60565	168,481
Advanced Placement Program	84.330	Unknown	<u>405</u>
Total Department of Education			<u>\$ 821,275</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,274,516</u></u>

Note A -- Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Radford City School Board under programs of the federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Radford City School Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Radford City School Board.

Radford City School Board  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

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Notes to Schedule of Expenditures of Federal Awards: (Continued)

Note B -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

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

Note C -- Food Donation

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

Note D -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 405
School Grants Fund	820,870
Cafeteria Fund	<u>453,241</u>
 Total School Board	 <u><u>\$ 1,274,516</u></u>

Radford City School Board

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

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**Section I - Summary of Auditors' Results**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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**Section II - Financial Statement Findings**

There are no financial statement findings.

**Section III - Federal Award Findings and Questioned Costs**

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

**Section IV - Status of Prior Audit Findings**

There were no prior findings.