

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

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

Prepared By:
Department of Financial Services

RADFORD CITY SCHOOL BOARD
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

RADFORD CITY SCHOOL BOARD

SCHOOL BOARD MEMBERS

Karen Gerlach, Vice-Chair
Lynn Burris

Stephen Cox, Chair

Kenny Alderman
William Flora

SCHOOL OFFICIALS

Dr. Becky H. Greer
Kerri Long

Superintendent of Schools
Clerk of the School Board

FINANCIAL SECTION

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 (Component unit of the City of Radford, Virginia), as of and for the year ended June 30, 2013, 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 an opinion 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 opinion.

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, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Radford City School Board adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension and OPEB funding progress 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 an opinion on the financial statements that collectively comprise the Radford City School Board's basic financial statements. The introductory section, other supplementary information, 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.

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, on our consideration of the Radford City School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 4, 2013

Basic Financial Statements

Radford City School Board
Statement of Net Position
June 30, 2013

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 391,275
Due from other governmental units	208,803
Inventories	16,125
Capital assets (net of accumulated depreciation):	
Land	33,433
Buildings and improvements	5,971,868
Machinery and equipment	702,527
Total assets	<u>\$ 7,324,031</u>
LIABILITIES	
Accounts payable	\$ 69,107
Wages payable	25,359
Unearned revenue	63,139
Long-term liabilities:	
Due within one year	355,060
Due in more than one year	274,750
Total liabilities	<u>\$ 787,415</u>
NET POSITION	
Investment in capital assets	\$ 6,707,828
Restricted for:	
Cafeteria operations	9,318
Unrestricted (deficit)	(180,530)
Total net position	<u>\$ 6,536,616</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	<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>		
PRIMARY GOVERNMENT:						
Governmental activities:						
Instruction	\$ 11,164,430	\$ 82,103	\$ 9,521,531	\$ -	\$ -	(1,560,796)
Administration, Attendance and Health	896,494	-	-	-	-	(896,494)
Pupil Transportation Services	74,493	-	-	-	-	(74,493)
Operation & Maintenance Services	1,419,171	-	-	-	-	(1,419,171)
School Food Services and Other	676,593	143,220	448,818	-	-	(84,555)
Technology	1,009,788	-	-	-	-	(1,009,788)
Facilities	96,479	-	-	-	-	(96,479)
Total governmental activities	\$ 15,337,448	\$ 225,323	\$ 9,970,349	\$ -	\$ -	(5,141,776)
General revenues:						
Unrestricted revenues from the use of money and property					\$	4,031
Miscellaneous						58,503
Contributions from the City of Radford, Virginia						5,211,899
Total general revenues					\$	5,274,433
Change in net position					\$	132,657
Net position - beginning						6,403,959
Net position - ending					\$	6,536,616

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

Radford City School Board
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	School Grants Fund	Cafeteria Fund	School Construction Fund	School Textbook Fund	Total
ASSETS						
Cash and cash equivalents	\$ 1,000	53,478 \$	779 \$	71,808 \$	264,210 \$	391,275
Due from other governmental units	116,234	81,969	10,600	-	-	208,803
Inventories	-	-	16,125	-	-	16,125
Total assets	\$ 117,234	\$ 135,447	\$ 27,504	\$ 71,808	\$ 264,210	\$ 616,203
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 68,892	- \$	215 \$	- \$	- \$	69,107
Wages payable	23,513	-	1,846	-	-	25,359
Deferred revenue	-	63,139	-	-	-	63,139
Total liabilities	\$ 92,405	\$ 63,139	\$ 2,061	\$ -	\$ -	\$ 157,605
Fund balances:						
Nonspendable						
Inventories	\$ -	- \$	16,125 \$	- \$	- \$	16,125
Restricted	-	-	9,318	-	-	9,318
Committed	-	72,308	-	71,808	264,210	408,326
Unassigned	24,829	-	-	-	-	24,829
Total fund balances	\$ 24,829	\$ 72,308	\$ 25,443	\$ 71,808	\$ 264,210	\$ 458,598
Total liabilities and fund balances	\$ 117,234	\$ 135,447	\$ 27,504	\$ 71,808	\$ 264,210	\$ 616,203

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, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	458,598
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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		5,971,868	
Machinery and equipment		702,527	6,707,828

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	\$	(473,413)	
Net OPEB obligation		(156,397)	(629,810)

Net position of governmental activities	\$	6,536,616
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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, 2013

	General Fund	School Grants Fund	Cafeteria Fund	School Construction Fund	School Textbook Fund	Nonmajor Funds	Total
REVENUES							
Revenue from the use of money and property	\$ 4,011	\$ -	\$ 20	\$ -	\$ -	\$ -	\$ 4,031
Charges for services	82,103	-	143,220	-	-	-	225,323
Miscellaneous	14,223	44,280	-	-	-	-	58,503
Recovered costs	2,224	-	-	-	-	-	2,224
Intergovernmental revenues:							
Local government	5,141,899	-	-	-	-	70,000	5,211,899
Commonwealth	8,272,280	287,667	14,349	-	101,485	-	8,675,781
Federal	-	860,099	434,469	-	-	-	1,294,568
Total revenues	\$ 13,516,740	\$ 1,192,046	\$ 592,058	\$ -	\$ 101,485	\$ 70,000	\$ 15,472,329
EXPENDITURES							
Instruction	\$ 10,134,576	\$ 805,259	\$ -	\$ -	\$ 122,806	\$ -	\$ 11,062,641
Administration, Attendance and Health	939,860	56,353	-	-	-	-	996,213
Pupil Transportation Services	243,708	-	-	-	-	70,000	313,708
Operation & Maintenance Services	1,288,865	-	-	-	-	-	1,288,865
School Food Services and Other	88,894	211	580,134	-	-	-	669,239
Technology	568,549	331,424	-	-	-	-	899,973
Facilities	237,800	-	-	-	-	-	237,800
Total expenditures	\$ 13,502,252	\$ 1,193,247	\$ 580,134	\$ -	\$ 122,806	\$ 70,000	\$ 15,468,439
Excess (deficiency) of revenues over (under) expenditures	\$ 14,488	\$ (1,201)	\$ 11,924	\$ -	\$ (21,321)	\$ -	\$ 3,890
Net change in fund balances	\$ 14,488	\$ (1,201)	\$ 11,924	\$ -	\$ (21,321)	\$ -	\$ 3,890
Fund balances - beginning	10,341	73,509	13,519	71,808	285,531	-	454,708
Fund balances - ending	\$ 24,829	\$ 72,308	\$ 25,443	\$ 71,808	\$ 264,210	\$ -	\$ 458,598

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, 2013

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

Net change in fund balances - total governmental funds	\$	3,890
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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 capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 533,674	
Depreciation expenses	<u>(351,574)</u>	182,100

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	(20,231)	
(Increase) decrease in net OPEB obligation	<u>(33,102)</u>	(53,333)

Change in net position of governmental activities	\$	<u>132,657</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, 2013

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

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, 2013

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.

The School Board also reports the following non-major governmental fund:

Special revenue funds account for and report the proceeds of specific revenue sources. Special Revenue Funds consist of the School Transit Fund.

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, 2013

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, 2013.

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, 2013.

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, 2013

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 the 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, 2013

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. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Radford City School Board implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirement of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

8. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The Radford City School Board implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

9. 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.

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.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Budgets and Budgetary Accounting (continued)

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.

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.

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 4-Due from Other Governmental Units:

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

	School Board
<u>Local Government:</u>	
Other local governments and agencies	\$ 9,814
<u>Commonwealth of Virginia:</u>	
Local sales tax	108,030
<u>Federal Government:</u>	
School grants	80,359
School food program	10,600
	<hr/>
Totals	\$ 208,803

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	\$ 453,182	\$ 360,118	\$ (339,887)	\$ 473,413	\$ 355,060
Net OPEB obligation	123,295	82,302	(49,200)	156,397	-
	<hr/>				
Total	\$ 576,477	\$ 442,420	\$ (389,087)	\$ 629,810	\$ 355,060

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

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 6-Defined Benefit Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

The Radford City School Board contributes to the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the 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.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or at age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or at age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 6—Defined Benefit Pension Plan: (continued)

A. Plan Description (continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP, or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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/2012-annual-report.pdf> or obtained 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 2013 was 6.93% of annual covered payroll.

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 6—Defined Benefit Pension Plan: (continued)

B. Annual Pension Cost

For fiscal year 2013, the School Board's annual pension cost of \$27,677 was equal to the School Board's required and actual contributions.

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

Fiscal Year Ending	Annual Pension Cost * (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 27,677	100%	\$ -
June 30, 2012	23,813	100%	-
June 30, 2011	23,577	100%	-

The FY 2013 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% per year 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. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 96.10% funded. The actuarial accrued liability for benefits was \$1,561,850, and the actuarial value of assets was \$1,500,974, resulting in an unfunded actuarial accrued liability (UAAL) of \$60,876. The covered payroll (annual payroll of active employees covered by the plan) was \$373,295, and ratio of the UAAL to the covered payroll was 16.31%.

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, 2013

Note 6—Defined Benefit Pension Plan: (continued)

D. Professional Employees

The Radford City School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. 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 downloaded from their website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 to the statewide cost sharing pool for professional employees, not including the 5.00% member contribution, was \$933,400, \$487,996, and \$304,915, for the fiscal years ended 2013, 2012, and 2011, respectively. Required employer contributions represented 11.66%, 6.33%, and 3.93%, of covered payroll for the fiscal years ended 2013, 2012, and 2011, respectively.

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RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 7-Capital Assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Radford City School Board				
Capital assets, not being depreciated:				
Land	\$ 33,433	\$ -	\$ -	\$ 33,433
Total capital assets not being depreciated	<u>\$ 33,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,433</u>
Capital assets, being depreciated:				
Buildings and Improvements	\$ 10,926,055	\$ 174,638	\$ -	\$ 11,100,693
Machinery and equipment	1,188,864	359,036	-	1,547,900
Total capital assets being depreciated	<u>\$ 12,114,919</u>	<u>\$ 533,674</u>	<u>\$ -</u>	<u>\$ 12,648,593</u>
Accumulated depreciation:				
Buildings and Improvements	\$ (4,875,578)	\$ (253,247)	\$ -	\$ (5,128,825)
Machinery and equipment	(747,046)	(98,327)	-	(845,373)
Total accumulated depreciation	<u>\$ (5,622,624)</u>	<u>\$ (351,574)</u>	<u>\$ -</u>	<u>\$ (5,974,198)</u>
Total capital assets being depreciated, net	<u>\$ 6,492,295</u>	<u>\$ 182,100</u>	<u>\$ -</u>	<u>\$ 6,674,395</u>
Governmental activities capital assets, net	<u>\$ 6,525,728</u>	<u>\$ 182,100</u>	<u>\$ -</u>	<u>\$ 6,707,828</u>

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

Central administration	\$ 2,840
Instruction	12,819
Transportation	7,212
Food service	1,773
Technology	45,631
Operation and maintenance	138,641
Facilities	<u>142,658</u>
Total depreciation expense-governmental activities	<u>\$ 351,574</u>

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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. The 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

The 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, 2013

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 2013, the Board's annual OPEB cost (expense) was \$82,302 and the ARC was \$84,500. The obligation calculation is as follows:

Annual required contribution	\$ 84,500
Interest on net OPEB obligation	4,932
Adjustment to annual required contribution	(7,130)
Annual OPEB cost (expense)	\$ 82,302
Contributions made	(49,200)
Increase in net OPEB obligation	\$ 33,102
Net OPEB obligation - beginning of year	123,295
Net OPEB obligation - end of year	\$ 156,397

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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 82,302	59.78%	\$ 156,397
6/30/2012	80,164	67.61%	123,295
6/30/2011	66,050	87.13%	97,331

RADFORD CITY SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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, 2013

Note 10—Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The School Board has not determined the impact of this pronouncement on its financial statements.

Required Supplementary Information

Radford City School Board
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 750	\$ 750	\$ 4,011	\$ 3,261
Charges for services	75,000	75,000	82,103	7,103
Miscellaneous	-	-	14,223	14,223
Recovered costs	1,000	1,000	2,224	1,224
Intergovernmental revenues:				
Local government	5,556,606	5,556,606	5,141,899	(414,707)
Commonwealth	8,135,469	8,135,469	8,272,280	136,811
Total revenues	<u>\$ 13,768,825</u>	<u>\$ 13,768,825</u>	<u>\$ 13,516,740</u>	<u>\$ (252,085)</u>
EXPENDITURES				
Instruction	\$ 10,424,034	\$ 10,424,034	\$ 10,134,576	\$ 289,458
Administration, Attendance and Health	937,366	937,366	939,860	(2,494)
Pupil Transportation Services	272,470	272,470	243,708	28,762
Operation & Maintenance Services	1,367,721	1,367,721	1,288,865	78,856
School Food Services and Other	53,381	53,381	88,894	(35,513)
Technology	615,179	615,179	568,549	46,630
Facilities	98,674	98,674	237,800	(139,126)
Total expenditures	<u>\$ 13,768,825</u>	<u>\$ 13,768,825</u>	<u>\$ 13,502,252</u>	<u>\$ 266,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,488</u>	<u>\$ 14,488</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,488</u>	<u>\$ 14,488</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>10,341</u>	<u>10,341</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,829</u>	<u>\$ 24,829</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, 2013

	School Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 20,000	\$ 20,000	\$ 44,280	\$ 24,280
Intergovernmental revenues:				
Commonwealth	229,400	229,400	287,667	58,267
Federal	963,596	963,596	860,099	(103,497)
Total revenues	<u>\$ 1,212,996</u>	<u>\$ 1,212,996</u>	<u>\$ 1,192,046</u>	<u>\$ (20,950)</u>
EXPENDITURES				
Current:				
Instruction	\$ 1,212,996	\$ 1,212,996	\$ 805,259	\$ 407,737
Administration, Attendance and Health	-	-	56,353	(56,353)
School Food Services and Other	-	-	211	(211)
Technology	-	-	331,424	(331,424)
Total expenditures	<u>\$ 1,212,996</u>	<u>\$ 1,212,996</u>	<u>\$ 1,193,247</u>	<u>\$ 19,749</u>
Net change in fund balances	\$ -	\$ -	\$ (1,201)	\$ (1,201)
Fund balances - beginning	-	-	73,509	73,509
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,308</u>	<u>\$ 72,308</u>

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund - School Cafeteria Fund
For the Year Ended June 30, 2013

	School Cafeteria Fund			Variance with Final Budget Positive Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 25	\$ 25	\$ 20	\$ (5)
Charges for services	210,135	210,135	143,220	(66,915)
Intergovernmental revenues:				
Commonwealth	13,910	13,910	14,349	439
Federal	284,174	284,174	434,469	150,295
Total revenues	<u>\$ 508,244</u>	<u>\$ 508,244</u>	<u>\$ 592,058</u>	<u>\$ 83,814</u>
EXPENDITURES				
School Food Services and Other	<u>\$ 508,244</u>	<u>\$ 508,244</u>	<u>\$ 580,134</u>	<u>\$ (71,890)</u>
Total expenditures	<u>\$ 508,244</u>	<u>\$ 508,244</u>	<u>\$ 580,134</u>	<u>\$ (71,890)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,924</u>	<u>\$ 11,924</u>
Net change in fund balances	\$ -	\$ -	\$ 11,924	\$ 11,924
Fund balances - beginning	-	-	13,519	13,519
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,443</u>	<u>\$ 25,443</u>

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund - School Textbook Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ 100,188	\$ 100,188	\$ 101,485	\$ 1,297
Total revenues	\$ 100,188	\$ 100,188	\$ 101,485	\$ 1,297
EXPENDITURES				
Instruction	\$ 412,173	\$ 412,173	\$ 122,806	\$ 289,367
Total expenditures	\$ 412,173	\$ 412,173	\$ 122,806	\$ 289,367
Excess (deficiency) of revenues over (under) expenditures	\$ (311,985)	\$ (311,985)	\$ (21,321)	\$ 290,664
Net change in fund balances	\$ (311,985)	\$ (311,985)	\$ (21,321)	\$ 290,664
Fund balances - beginning	311,985	311,985	285,531	(26,454)
Fund balances - ending	\$ -	\$ -	\$ 264,210	\$ 264,210

Note: GAAP serves as the budgetary basis of accounting

Radford City School Board
 Capital Projects Fund - School Construction Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2013

	<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>
EXPENDITURES				
Capital projects	\$ 71,808	\$ 71,808	\$ -	\$ 71,808
Total expenditures	\$ 71,808	\$ 71,808	\$ -	\$ 71,808
Excess (deficiency) of revenues over (under)				
expenditures	\$ (71,808)	\$ (71,808)	\$ -	\$ 71,808
Net change in fund balances	\$ (71,808)	\$ (71,808)	\$ -	\$ 71,808
Fund balances - beginning	71,808	71,808	71,808	-
Fund balances - ending	\$ -	\$ -	\$ 71,808	\$ 71,808

Radford City School Board

Schedule of Pension and OPEB Funding Progress - Defined Benefit Pension and OPEB Plans
For the Year Ended June 30, 2013

Non-Professional Employees: Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
June 30, 2010	1,485,216	1,503,516	18,300	98.78%	337,894	5.42%

School Board: Other Post Employment Benefits (A)

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual 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

Radford City School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Nonmajor Governmental Fund
For the Year Ended June 30, 2013

	School Transit Fund				
	Budgeted Amounts				Variance with Final Budget - Positive Positive (Negative)
	Original	Final	Actual Amounts		
REVENUES					
Intergovernmental revenues:					
Local government	\$ 70,000	\$ 70,000	\$ 70,000	\$	-
Total revenues	\$ 70,000	\$ 70,000	\$ 70,000	\$	-
EXPENDITURES					
Pupil Transportation Services	\$ 70,000	\$ 70,000	\$ 70,000	\$	-
Total expenditures	\$ 70,000	\$ 70,000	\$ 70,000	\$	-
Net change in fund balances	\$ -	\$ -	\$ -	\$	-
Fund balances - beginning	-	-	-		-
Fund balances - ending	\$ -	\$ -	\$ -	\$	-

Supporting Schedules

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 1 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 250	\$ 250	\$ 120	\$ (130)
Revenue from use of property	500	500	3,891	3,391
Total revenue from use of money and property	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 4,011</u>	<u>\$ 3,261</u>
Charges for services:				
Tuition	\$ 75,000	\$ 75,000	\$ 82,103	\$ 7,103
Total charges for services	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 82,103</u>	<u>\$ 7,103</u>
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 14,223	\$ 14,223
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,223</u>	<u>\$ 14,223</u>
Recovered costs:				
Rebates and refunds	\$ 1,000	\$ 1,000	\$ 1,154	\$ 154
Sale of equipment	-	-	700	700
Insurance recoveries	-	-	370	370
Total recovered costs	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 2,224</u>	<u>\$ 1,224</u>
Total revenue from local sources	<u>\$ 76,750</u>	<u>\$ 76,750</u>	<u>\$ 102,561</u>	<u>\$ 25,811</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from the City of Radford, Virginia	<u>\$ 5,556,606</u>	<u>\$ 5,556,606</u>	<u>\$ 5,141,899</u>	<u>\$ (414,707)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Sales tax	\$ 1,117,000	\$ 1,117,000	\$ 1,195,448	\$ 78,448
Basic school aid	4,562,364	4,562,364	4,619,288	56,924
Foster children	27,954	27,954	39,959	12,005
Remedial summer school	49,850	49,850	17,430	(32,420)
Adult education	1,517	1,517	-	(1,517)
Gifted and talented	51,463	51,463	52,026	563
Remedial education	144,321	144,321	145,900	1,579
Special education	722,723	722,723	730,631	7,908
Vocational education	95,095	95,095	96,136	1,041
Vocational education - adults	20,000	20,000	18,372	(1,628)
Social security	306,542	306,542	309,896	3,354
Retirement	512,395	512,395	518,001	5,606
Project Graduation	-	-	3,875	3,875
Early reading intervention	32,214	32,214	20,709	(11,505)
Homebound Instruction	20,394	20,394	7,376	(13,018)
Group Life Payments	19,019	19,019	19,227	208
GED prep programs	7,859	7,859	8,859	1,000

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 2 of 4

<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 revenues: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid: (continued)				
Vocational education - equipment	\$ -	\$ -	\$ 2,804	\$ 2,804
Supplemental support for school	88,012	88,012	-	(88,012)
SOL algebra readiness	21,256	21,256	21,147	(109)
At risk payments	129,587	129,587	131,343	1,756
Primary class size payments	194,210	194,210	202,233	8,023
Mentor teacher program	269	269	491	222
English as a second language	11,425	11,425	11,865	440
Additional Assistance with Retirement, Inflation, and Preschool Costs	-	-	87,618	87,618
Other state funds	-	-	11,646	11,646
Total categorical aid	\$ 8,135,469	\$ 8,135,469	\$ 8,272,280	\$ 136,811
Total revenue from the Commonwealth	\$ 8,135,469	\$ 8,135,469	\$ 8,272,280	\$ 136,811
Total General Operating Fund	\$ 13,768,825	\$ 13,768,825	\$ 13,516,740	\$ (252,085)
Special Revenue Funds:				
School Grants Fund:				
Revenue from local sources:				
Other miscellaneous	\$ -	\$ -	\$ 1,610	\$ 1,610
Erate revenue	20,000	20,000	42,670	22,670
Total miscellaneous revenue	\$ 20,000	\$ 20,000	\$ 44,280	\$ 24,280
Total revenue from local sources	\$ 20,000	\$ 20,000	\$ 44,280	\$ 24,280
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
VPSA grants	\$ 229,400	\$ 229,400	\$ 284,967	\$ 55,567
Other state funds	-	-	2,700	2,700
Total categorical aid	\$ 229,400	\$ 229,400	\$ 287,667	\$ 58,267
Total revenue from the Commonwealth	\$ 229,400	\$ 229,400	\$ 287,667	\$ 58,267

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 3 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (continued)				
School Grants Fund: (continued)				
Intergovernmental revenues: (continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 349,745	\$ 349,745	\$ 275,426	\$ (74,319)
Special education - grants to States	342,482	342,482	329,158	(13,324)
Vocational education	20,000	20,000	24,394	4,394
Special education - preschool grants	19,500	19,500	12,954	(6,546)
Education technology	-	-	1,084	1,084
Improving teacher quality	77,869	77,869	67,066	(10,803)
Twenty-First Century Community Learning Centers	154,000	154,000	150,017	(3,983)
Total categorical aid	<u>\$ 963,596</u>	<u>\$ 963,596</u>	<u>\$ 860,099</u>	<u>\$ (103,497)</u>
Total revenue from the federal government	<u>\$ 963,596</u>	<u>\$ 963,596</u>	<u>\$ 860,099</u>	<u>\$ (103,497)</u>
Total School Grants Fund	<u>\$ 1,212,996</u>	<u>\$ 1,212,996</u>	<u>\$ 1,192,046</u>	<u>\$ (20,950)</u>
Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 20</u>	<u>\$ (5)</u>
Charges for services:				
Cafeteria sales	<u>\$ 210,135</u>	<u>\$ 210,135</u>	<u>\$ 143,220</u>	<u>\$ (66,915)</u>
Total revenue from local sources	<u>\$ 210,160</u>	<u>\$ 210,160</u>	<u>\$ 143,240</u>	<u>\$ (66,920)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 13,910</u>	<u>\$ 13,910</u>	<u>\$ 14,349</u>	<u>\$ 439</u>
Total revenue from the Commonwealth	<u>\$ 13,910</u>	<u>\$ 13,910</u>	<u>\$ 14,349</u>	<u>\$ 439</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	<u>\$ 284,174</u>	<u>\$ 284,174</u>	<u>\$ 434,469</u>	<u>\$ 150,295</u>
Total revenue from the federal government	<u>\$ 284,174</u>	<u>\$ 284,174</u>	<u>\$ 434,469</u>	<u>\$ 150,295</u>
Total Cafeteria Fund	<u>\$ 508,244</u>	<u>\$ 508,244</u>	<u>\$ 592,058</u>	<u>\$ 83,814</u>

Radford City School Board
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
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<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 Transit Fund:				
Intergovernmental revenues:				
Revenues from local governments:				
Contributions from the City of Radford, Virginia	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
Total School Transit Fund	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
School Textbook Fund:				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
State textbook payments	\$ 100,188	\$ 100,188	\$ 101,485	\$ 1,297
Total revenue from the Commonwealth	\$ 100,188	\$ 100,188	\$ 101,485	\$ 1,297
Total School Textbook Fund	\$ 100,188	\$ 100,188	\$ 101,485	\$ 1,297
Total School Board	\$ 15,660,253	\$ 15,660,253	\$ 15,472,329	\$ (187,924)

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 1 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Instruction				
Classroom instruction	\$ 8,535,555	\$ 8,535,555	\$ 8,250,193	\$ 285,362
Guidance services	385,984	385,984	391,364	(5,380)
Social worker	44,556	44,556	42,651	1,905
Homebound instruction	34,096	34,096	34,988	(892)
Management and direction	323,694	323,694	314,919	8,775
Inservice and staff development	4,154	4,154	4,727	(573)
Library services	254,893	254,893	256,599	(1,706)
Office of the principal	841,102	841,102	839,135	1,967
Total Instruction	\$ 10,424,034	\$ 10,424,034	\$ 10,134,576	\$ 289,458
Administration, Attendance and Health				
Board services	\$ 37,917	\$ 37,917	\$ 47,394	\$ (9,477)
Clerk's services	84,402	84,402	85,395	(993)
Superintendent's services	211,445	211,445	213,312	(1,867)
Planning services	4,300	4,300	2,216	2,084
Fiscal services	47,863	47,863	47,714	149
Health services	57,405	57,405	61,896	(4,491)
Medical services	43,550	43,550	32,629	10,921
Nursing services	90,261	90,261	90,328	(67)
Psychological services	211,640	211,640	207,914	3,726
Speech/audiology services	148,583	148,583	151,062	(2,479)
Total Administration, Attendance and Health	\$ 937,366	\$ 937,366	\$ 939,860	\$ (2,494)
Pupil Transportation Services				
Vehicle operation	\$ 201,583	\$ 201,583	\$ 181,793	\$ 19,790
Monitoring services	43,237	43,237	32,796	10,441
Vehicle maintenance services	27,650	27,650	29,119	(1,469)
Total Pupil Transportation	\$ 272,470	\$ 272,470	\$ 243,708	\$ 28,762
Operation & Maintenance Services				
Building services	\$ 1,335,721	\$ 1,335,721	\$ 1,221,533	\$ 114,188
Grounds services	12,000	12,000	15,776	(3,776)
Equipment services	5,000	5,000	5,412	(412)
Vehicle services	15,000	15,000	46,144	(31,144)
Total Operations & Maintenance Services	\$ 1,367,721	\$ 1,367,721	\$ 1,288,865	\$ 78,856
School Food Services and Other				
School food	\$ 53,381	\$ 53,381	\$ 88,894	\$ (35,513)

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Technology				
Technology - classroom instruction	\$ 63,575	\$ 63,575	\$ 32,047	\$ 31,528
Technology - instructional support	514,604	514,604	488,733	25,871
Technology - administration	7,000	7,000	10,029	(3,029)
Technology - operations and maintenance	30,000	30,000	37,740	(7,740)
Total Technology	<u>\$ 615,179</u>	<u>\$ 615,179</u>	<u>\$ 568,549</u>	<u>\$ 46,630</u>
Facilities				
Building Improvements	\$ 97,674	\$ 97,674	\$ 237,800	\$ (140,126)
Architecture and engineering services	1,000	1,000	-	1,000
Total Facilities	<u>\$ 98,674</u>	<u>\$ 98,674</u>	<u>\$ 237,800</u>	<u>\$ (139,126)</u>
Total General Operating Fund	<u>\$ 13,768,825</u>	<u>\$ 13,768,825</u>	<u>\$ 13,502,252</u>	<u>\$ 266,573</u>
Special Revenue Funds:				
School Grants Fund:				
Instruction				
Classroom instruction	<u>\$ 1,212,996</u>	<u>\$ 1,212,996</u>	<u>\$ 805,259</u>	<u>\$ 407,737</u>
Administration, Attendance and Health				
Medical services	\$ -	\$ -	\$ 5,253	\$ (5,253)
Vehicle Operation Services	-	-	5,840	(5,840)
Psychological services	-	-	45,260	(45,260)
Total Administration, Attendance and Health	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,353</u>	<u>\$ (56,353)</u>
School Food Services and Other				
School food	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211</u>	<u>\$ (211)</u>
Technology				
Technology classroom Instruction	\$ -	\$ -	\$ 312,018	\$ (312,018)
Technology instructional support	-	-	19,406	(19,406)
Total Technology	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,424</u>	<u>\$ (331,424)</u>
Total School Grants Fund	<u>\$ 1,212,996</u>	<u>\$ 1,212,996</u>	<u>\$ 1,193,247</u>	<u>\$ 19,749</u>

Radford City School Board
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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)				
Cafeteria Fund:				
School Food Services and Other				
School food	\$ 508,244	\$ 508,244	\$ 580,134	\$ (71,890)
Total Cafeteria Fund	\$ 508,244	\$ 508,244	\$ 580,134	\$ (71,890)
School Transit Fund:				
Pupil Transportation Services				
Vehicle services	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
Total School Transit Fund	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
School Textbook Fund:				
Instruction				
Classroom instruction	\$ 412,173	\$ 412,173	\$ 122,806	\$ 289,367
Total School Textbook Fund	\$ 412,173	\$ 412,173	\$ 122,806	\$ 289,367
Capital Projects Fund:				
School Construction Fund:				
Capital projects				
Building improvements	\$ 71,808	\$ 71,808	\$ -	\$ 71,808
Total School Construction Fund	\$ 71,808	\$ 71,808	\$ -	\$ 71,808
Total School Board	\$ 16,044,046	\$ 16,044,046	\$ 15,468,439	\$ 575,607

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for 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, 2013, 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 4, 2013.

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, Fauser, Cox Associates

Blacksburg, Virginia
November 4, 2013

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 (a component unit of 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, 2013. 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, 2013.

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 4, 2013

Radford City School Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass-through		Federal Expenditures
	Federal CFDA Number	Entity Identifying Number	
Department of Agriculture:			
Pass Through Payments from:			
<i>Child Nutrition Cluster:</i>			
State Department of Agriculture:			
Food Distribution (Note C)	10.555	40623	\$ 42,639
State Department of Education:			
National School Lunch Program	10.555	40623	<u>291,268</u> \$ 333,907
State Department of Education:			
School Breakfast Program	10.553	40591	<u>100,562</u>
Total Department of Agriculture			<u>\$ 434,469</u>
Department of Education:			
Pass Through Payments from:			
State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	42892	\$ 275,426
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027	60205	329,158
Special Education - Preschool Grants	84.173	61136	12,954
Career and Technical Education - Basic Grants to states	84.048	60531	24,394
Improving Teacher Quality State Grants	84.367	61484	67,066
Twenty-First Century Community Learning Centers	84.287	60565	150,017
Education Technology State Grants	84.318	61600	<u>1,084</u>
Total Department of Education			<u>\$ 860,099</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,294,568</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, 2013. 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, 2013

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:

Grants Fund	\$ 860,099
Cafeteria Fund	<u>434,469</u>
Total School Board	<u>\$ 1,294,568</u>

Radford City School Board

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

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?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
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>
84.027/84.173	Special Education Cluster (IDEA)

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

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 and Questioned Costs

There were no prior findings or questioned costs related to federal programs.