

CITY OF RADFORD, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

Prepared By:
Department of Financial Services

CITY OF RADFORD, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION



January 14, 2012

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

The Comprehensive Annual Financial Report (CAFR) for the City of Radford for the fiscal year ended June 30, 2012 is hereby submitted. State statues require that the City of Radford issue annually a report on its financial position and activity and that this report be audited by an independent firm of certified public accountants. This report was prepared by the Department of Finance.

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

The CAFR is presented in four sections: Introductory, Financial, Other Supplementary Information, and Compliance. The Introductory Section, which is not audited, includes this letter of transmittal, a list of the City's principal officials, and the organizational chart. The Financial Section includes management's discussion and analysis (MD&A), basic financial statements, and required supplementary information. The basic financial statements consist of government-wide and fund financial statements, and notes to the basic financial statements. The Other Supplementary Information section, which is not audited, includes supplementary financial statements, supporting schedules of revenues and expenditures, and other statistical information which includes selected financial and demographic information, generally presented on a multi-year basis. Most readers will find it helpful to proceed directly to the MD&A on page 9 as a quick start into the June 30, 2012 City of Radford Comprehensive Annual Financial Report.

The City of Radford is required to undergo an annual single audit in conformity with the provisions of the *Single Audit Act Amendments of 1996* and the US Office of Management and Budget's Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations). The Schedule of Expenditures of Federal Awards and the independent auditor's report on internal controls and compliance with applicable laws and regulations are included in the Compliance Section of the CAFR.

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



Economic Condition and Outlook

Chartered in 1892 the City of Radford is located in the New River Valley of Southwestern Virginia, just off interstate 81 at exits 105 and 109. Radford encompasses a land area of 9.63 square miles and has a population of 16,532.

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

The City is home to Radford University, a state supported institution of higher education with 1,500 employees and over 9,400 students. As the City’s largest employer, Radford University has a major positive influence on our community. Although nontaxable, the University generates an estimated \$250 million dollars annually for the area’s economy. Despite the current economic downturn, the University has continued to move forward with investments in new and remodeled facilities, as well as expanded program offerings. These investments and its overall presence make the University an important economic influence for the City.

The City is committed to providing a community conducive to a high quality of life for its citizens and a strong workforce for its businesses. The City’s close proximity to I-81, as well as its central location between northern and southern markets, places it in an ideal geographic location. Through the years this has enabled the City to attract such manufacturers as Danaher, APW, Hytech and Volvo Logistics. The City’s unemployment rate is currently 6.9% out of a workforce of 9,123.

Radford, like many cities throughout the United States, continue to face economic stagnation. National trends illustrate weak consumer confidence, dwindling private investment, increased cost of services and reduced revenues. These statistics have been stretched to our local communities. As a result, revenue projections and expenditures are constantly re-evaluated to minimize the overall impact on the established budget.

City leaders continued to make wise capital investments in the community’s infrastructure (water, sanitary sewer and electric utilities, as well as roads and sidewalks) to keep the City strong and marketable, as well as promote confidence. Staff plans wisely on the purchase of materials to keep cost down and promote continued investment in community facilities.

We are confident the City’s vital signs are improving. In the last twelve months, we have seen reinvestment in housing construction and remodeling, business district revitalization, industrial investment, and expansion of job opportunities. Sales, meals and lodging revenues are all seeing moderate increases. All of these activities will result in an improved revenue forecast and a healthy Radford.



Accounting System and Budgetary Controls

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

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

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

Pension Benefits

The City of Radford participates in the Virginia Retirement System (VRS), which covers all full time, salaried employees. Contributions to the VRS are determined on an actuarial basis. The contributions required during the 2011-2012 fiscal year totaled \$1,191,804. As of the plan's most recent actuarial valuation on June 30, 2011, the City's pension obligation was not fully funded. Please see Note 8 and Exhibit 12 for additional information on the City’s retirement plan.

Capital Financing and Debt Service

At June 30, 2012 the City’s legal debt limit is \$78,782,209. Net direct tax supported debt totaled \$25,754,398. Additional information about the City’s legal debt limit can be obtained from Table 13. Long-term liabilities, excluding claims payable, compensated absences, and OPEB obligations for all funds of the primary government as of June 30, 2012 totaled \$27,474,242 of which \$6,373,905 for Enterprise Fund activity is considered self-supporting as revenues for services are anticipated to cover operating and debt service needs. See Note 7 for more information on the City’s long-term borrowing.

Cash Management

The City follows the pooled cash concept, which allows for greater flexibility in managing cash flow amongst the different funds. Idle cash is invested in instruments as allowed by the Code of



Virginia, Chapter 3, Title 26. Currently, idle cash is held in money market funds with SunTrust Securities Corporation. Bank interest earned during 2011-2012 totaled \$1,634.

Auditing

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

Acknowledgements

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

Respectfully submitted,

David Ridpath

David Ridpath, City Manager

Patricia Cox

Patricia Cox, Director of Finance

CITY OF RADFORD, VIRGINIA

CITY COUNCIL

Dr. Bruce Brown, Mayor
Dr. Richard Harshberger, Vice Mayor
Robert Nicholson

Tim Cox
Keith Marshall

CITY SCHOOL BOARD

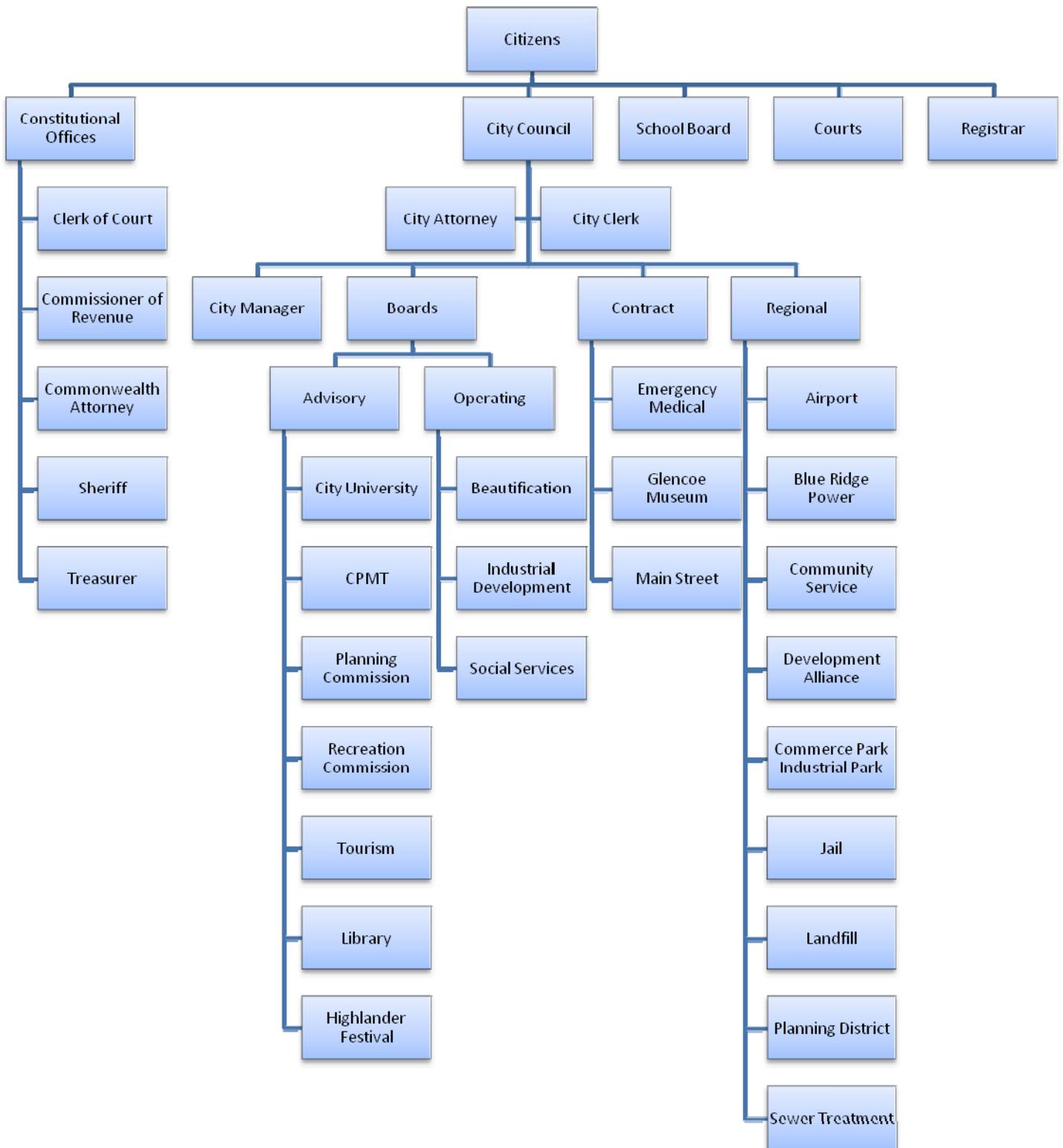
William Flora, Vice-Chair
Karen Gerlach

Lynn Burris, Chair

Steve Cox
Kenny Alderman

OTHER OFFICIALS

City Manager David C. Ridpath
City Clerk Melissa Skelton
Superintendent of Schools Becky H. Greer
Finance Director Trish Cox, CPA



FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of the City of Radford, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the City of Radford, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Radford, Virginia's management. 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 Authorities, Boards, and Commissions*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Radford, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2012, on our consideration of the City of Radford, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules 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 management's discussion and analysis and

schedules of funding progress 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 management's discussion and analysis and schedules of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Radford, Virginia's financial statements as a whole. The introductory section, other supplementary information and supporting schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 financial statements. The other supplementary information and 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Fauner, Co. Associates

Blacksburg, Virginia
November 12, 2012

CITY OF RADFORD, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

The following discussion and analysis of the City of Radford's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the transmittal letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

The City's net assets excluding those of its component units, on the government-wide basis, totaled \$70,526,828 at June 30, 2012. Of this amount, \$15,327,958 may be used to meet ongoing obligations to citizens and creditors and \$54,554,594 is invested in capital assets, net of related debt. Net assets of \$644,276 are restricted.

On a government-wide basis for governmental activities, the City had expenses net of program revenues of \$17,804,341, which totaled \$2,554,671 more than the general revenues, net of transfers, of \$15,249,670.

At June 30, 2012, the City's governmental funds balance sheet reported total ending fund balance of \$7,047,073. Of this amount, \$2,626,863 remains in the various governmental funds of the City as unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

Other non-financial factors, such as changes in the City's property tax base and the condition of the City infrastructure should also be considered in assessing the overall financial health of the City.

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements begin on page 23 and provide detailed information about the most significant funds. The City has three types of funds:

Governmental Funds - Most of the City's basic services are included in the governmental funds. Fund-based statements for these funds focus on how resources flow into and out of those funds and the balances left at year-end that are available for future spending. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term overview that helps the reader determine the financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities as reported in the government-wide and fund financial statements are reconciled in Exhibits 4 and 6 on pages 24 and 26.

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

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

information, such as cash flows. The City's enterprise funds include the electric operation, the water and wastewater operation, and the solid waste operation.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 31 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Radford, assets exceeded liabilities by \$70,526,828 at the close of the most recent fiscal year.

By far the largest portion of the City of Radford's net assets (77%) reflects its investment in capital assets (land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Assets:

An additional portion of the City's net assets \$644,276 represents resources that are subject to external restrictions on how they can be used. The remaining balance of unrestricted net assets, \$15,327,958, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities except for the Transit fund that ended the year with a deficit in fund equity of \$8,914.

The City's combined net assets increased from \$70,486,769 to \$70,526,828 as a result of a decrease in net assets of governmental-type activities of \$291,485, and an increase of business-type activities of \$331,544. The increase in net assets of business-type activities is comprised of a deficit in the

water/sewer fund of \$265,619 and surpluses in the electric and solid waste fund of \$501,738 and \$95,425, respectively.

The following table presents a condensed summary of net assets at June 30, 2012:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2012	2011	2012	2011	2012	2011	2012	2011
Current and other assets	9,150,773	9,070,839	11,221,246	12,082,447	20,372,019	21,153,286	1,292,097	2,536,030
Capital assets, net	<u>61,086,400</u>	<u>61,717,937</u>	<u>20,942,436</u>	<u>22,065,518</u>	<u>82,028,836</u>	<u>83,783,455</u>	<u>6,525,728</u>	<u>6,600,343</u>
Total assets	<u>70,237,173</u>	<u>70,788,776</u>	<u>32,163,682</u>	<u>34,147,965</u>	<u>102,400,855</u>	<u>104,936,741</u>	<u>7,817,825</u>	<u>9,136,373</u>
Other liabilities	1,420,800	1,541,444	2,112,404	3,855,219	3,533,204	5,396,663	149,123	1,223,599
Long-term liabilities	<u>21,724,681</u>	<u>21,864,155</u>	<u>6,616,142</u>	<u>7,189,154</u>	<u>28,340,823</u>	<u>29,053,309</u>	<u>861,566</u>	<u>1,150,775</u>
Total liabilities	<u>23,145,481</u>	<u>23,405,599</u>	<u>8,728,546</u>	<u>11,044,373</u>	<u>31,874,027</u>	<u>34,449,972</u>	<u>1,010,689</u>	<u>2,374,374</u>
Net Assets:								
Invested in capital assets,								
net of related debt	39,986,063	40,402,563	14,568,531	15,089,859	54,554,594	55,492,422	6,525,728	6,600,343
Restricted	644,276	615,847	-	-	644,276	615,847	6,185	35,008
Unrestricted	<u>6,461,353</u>	<u>6,364,767</u>	<u>8,866,605</u>	<u>8,013,733</u>	<u>15,327,958</u>	<u>14,378,500</u>	<u>275,223</u>	<u>126,648</u>
Total net assets	<u>47,091,692</u>	<u>47,383,177</u>	<u>23,435,136</u>	<u>23,103,592</u>	<u>70,526,828</u>	<u>70,486,769</u>	<u>6,807,136</u>	<u>6,761,999</u>

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Summary of Changes in Net Assets:

The following table shows the revenues and expenses of the government at June 30, 2012:

Summary of Changes in Net Assets For the Fiscal Year Ended June 30, 2012								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues								
Program Revenues:								
Charges for Services	1,213,695	912,273	30,132,722	26,369,886	31,346,417	27,282,159	231,621	212,205
Operating grants and contributions	6,999,638	6,333,219	-	-	6,999,638	6,333,219	9,326,169	9,505,978
Capital grants and contributions	-	-	51,285	548,025	51,285	548,025	-	-
General Revenues:								
Property Taxes	7,317,561	7,329,530	-	-	7,317,561	7,329,530	-	-
Local sales and use taxes	900,741	873,384	-	-	900,741	873,384	-	-
Consumers' utility taxes	533,966	560,347	-	-	533,966	560,347	-	-
Business license taxes	458,918	414,298	-	-	458,918	414,298	-	-
Motor Vehicle Taxes	197,397	196,726	-	-	197,397	196,726	-	-
Restaurant food taxes	988,171	952,416	-	-	988,171	952,416	-	-
Other local taxes	533,836	538,664	-	-	533,836	538,664	-	-
Interest and rent income	153,680	150,447	1,543	603	155,223	151,050	26,038	35,311
Other income	700,640	284,625	-	-	700,640	284,625	43,465	77,028
Payments from business-type activities	2,005,015	1,688,205	-	-	2,005,015	1,688,205	-	-
Grants /contributions not restricted to specific programs	1,459,745	1,500,937	-	-	1,459,745	1,500,937	-	-
Gain on disposal of capital assets	-	2,050	-	-	-	2,050	-	-
Payments from other governments	-	-	-	-	-	-	4,957,466	4,972,512
Total Revenues	23,463,003	21,737,121	30,185,550	26,918,514	53,648,553	48,655,635	14,584,759	14,803,034
Expenses								
General Government	2,257,781	2,114,955	-	-	2,257,781	2,114,955	-	-
Judicial administration	1,112,641	1,108,911	-	-	1,112,641	1,108,911	-	-
Public Safety	6,338,892	6,244,619	-	-	6,338,892	6,244,619	-	-
Public Works	3,583,272	3,316,104	-	-	3,583,272	3,316,104	-	-
Health and Welfare	2,501,597	2,269,438	-	-	2,501,597	2,269,438	-	-
Education	5,357,984	4,812,897	-	-	5,357,984	4,812,897	14,504,406	14,616,361
Parks, recreation, and cultural	2,170,790	2,012,187	-	-	2,170,790	2,012,187	-	-
Community Development	1,739,173	1,606,945	-	-	1,739,173	1,606,945	35,216	1,390,545
Interest on long-term debt	955,544	883,852	-	-	955,544	883,852	-	135,380
Electric Operation	-	-	21,952,991	19,187,820	21,952,991	19,187,820	-	-
Water/Wastewater Operation	-	-	4,580,828	4,558,785	4,580,828	4,558,785	-	-
Solid Waster Operation	-	-	1,057,000	1,134,439	1,057,000	1,134,439	-	-
Total Expenses	26,017,674	24,369,908	27,590,819	24,881,044	53,608,493	49,250,952	14,539,622	16,142,286
Transfers	2,263,187	1,822,834	(2,263,187)	(1,822,834)	-	-	-	-
Increase(Decrease) in Net Assets	(291,484)	(809,953)	331,544	214,636	40,060	(595,317)	45,137	(1,339,252)
Net Assets, Beginning	47,383,176	48,193,130	23,103,592	22,888,956	70,486,768	71,082,086	6,761,999	8,101,251
Net Assets, Ending	47,091,692	47,383,177	23,435,136	23,103,592	70,526,828	70,486,769	6,807,136	6,761,999

The property tax classification, which comprises approximately 31% of total revenue generated by governmental activities, includes real estate taxes, local portion of personal property taxes, and public service corporation taxes. Property tax rates have remained the same since 2010. 2012 was a reassessment year. Real estate decreased 1.86% due to the decline in the market. Personal property decreased 3.43% due to the depreciation of furniture and fixtures of current businesses, decreases in machinery and tools, and the inability to assess students of Radford University for personal property taxes.

Charges for Services is showing a 33% increase from the previous year. Significant increases were in courtroom security fees, charges for rescue services, parking fines, district court fines, proceeds from forfeited assets, the introduction of Transit fares, and charges for street maintenance due to a special paving project.

Operating grants and contributions, which is state and federal aid, are up 10.5% mainly due to two factors:

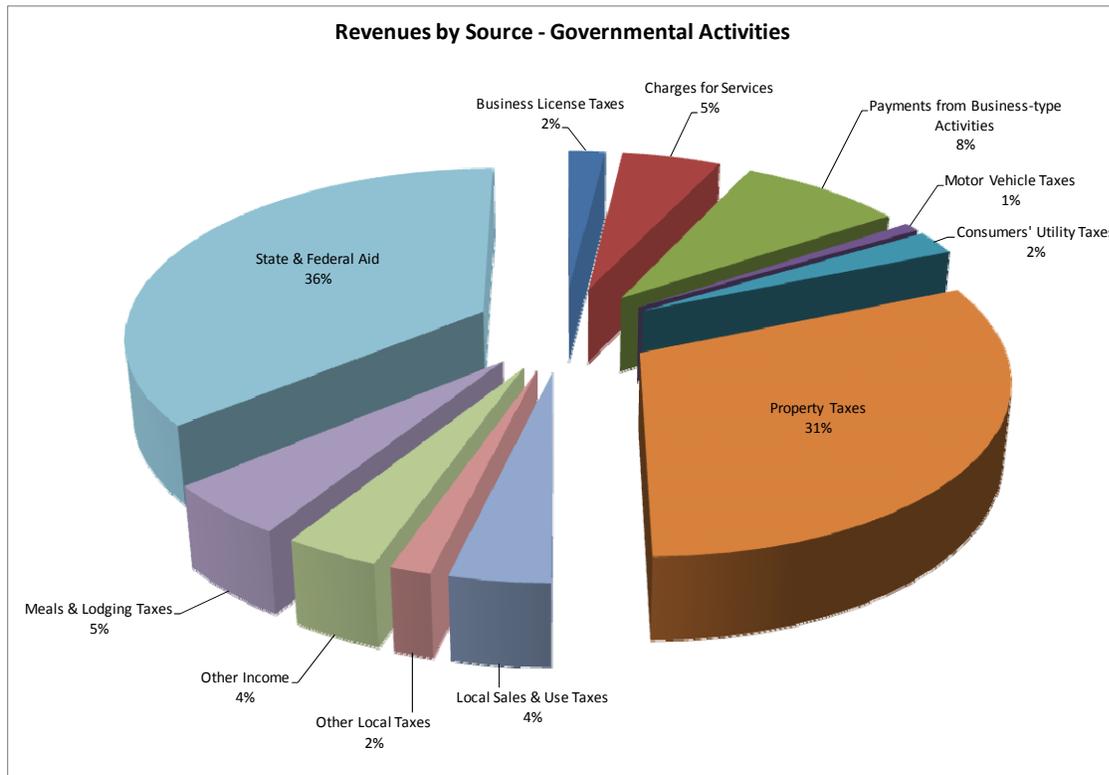
- State and federal funds from the Department of Rail and Public Transportation to fund the City’s new public Transit system
- An increase in health and welfare related state categorical aid for the Department of Social Services and Comprehensive Services Act

Business license taxes are up 10.8%. This is generally due to construction at Radford University and an increase in gross receipts of restaurants.

Other Income is up 146% due to the new Transit system. This is a partnership between the City and Radford University (RU) and RU’s reimbursements for their share of the system is recorded in this category.

Payments from business-type activities are up 18.8%. This is an estimation of taxes that would be assessed by the City if the proprietary activities of the City were operated by private businesses. The water/sewer fund increased \$4,022, the electric fund increased \$302,641, and the solid waste fund increased by \$10,147.

Revenue generated for governmental activities are presented below by category:



Expenses for governmental activities totaled \$26,017,674 for the year, which is up 6.8% from the previous year. A 1% cost-of-living adjustment was made to salaries in FY 12. Council also gave a \$550

bonus to all full time employees and \$55 to all part time employees. Health insurance premiums increased by 10.4%. General government expenses are up due to an increase in legal services, renovations to the Treasurer's office, hiring a part-time meter reader, and upgrading the Utility Billing software.

Judicial administration and Public Safety remained relatively level as compared to FY 11. Public Safety expenses comprise the largest portion of governmental expenses at 24%.

Funding for education is the second largest portion of governmental expenses at 20%. Educational expenses are up due to an increase in support to city schools as compared to the previous year.

Expenses for Public Works are the next largest portion, by function, of the City's governmental activities at 14%. Expenses for street paving and maintenance, as well as maintenance of general buildings and engineering are included in this category. Public Works expenses are up due to building related expenses for the new Public Safety building as compared to the old Police building, the purchase of a new boom tractor mower, and a special paving project.

Health and Welfare expenses are up due to an increase in public assistance through our Department of Social Services and an increase in Comprehensive Services Act expenses.

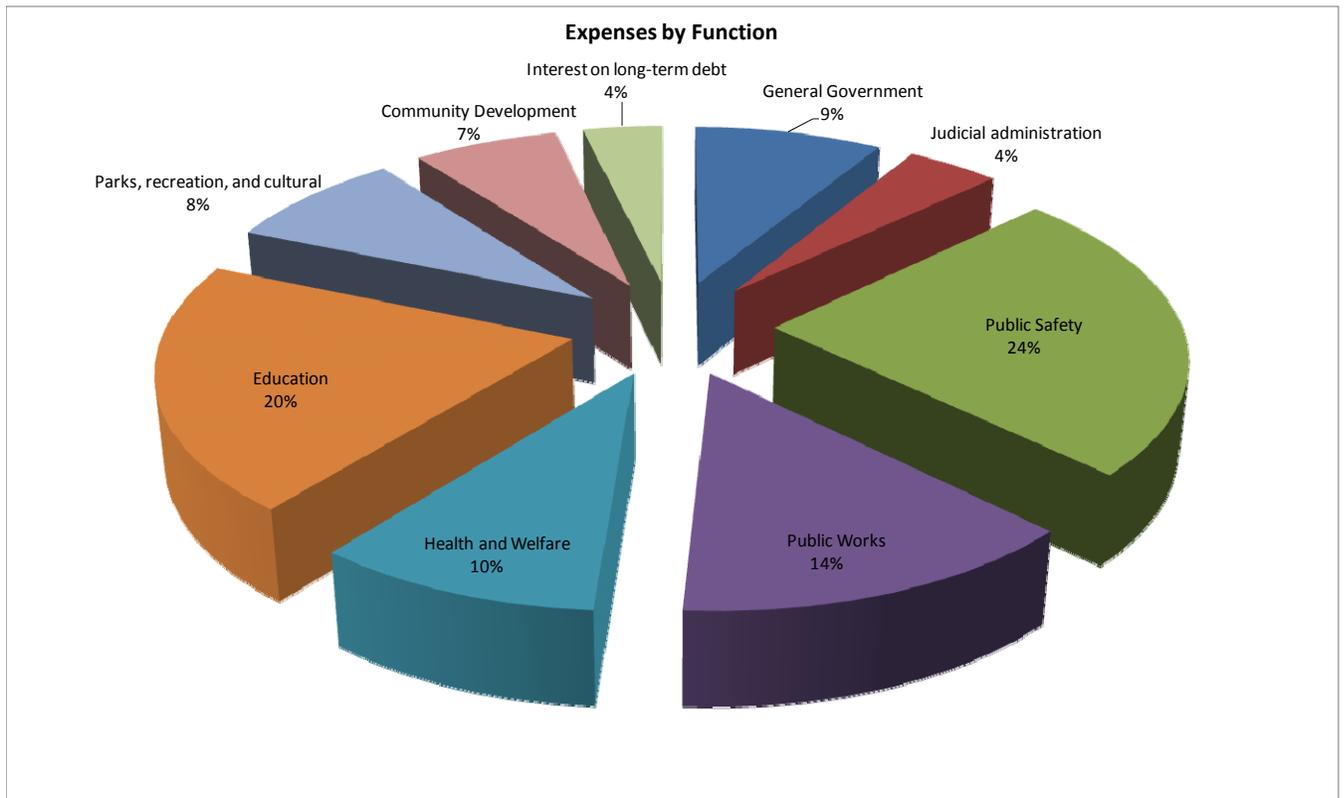
Parks, Recreational, and Cultural expenses are up due to increased expenses for the City's July 4th celebration, HVAC issues and an increase in utilities at the Recreation Center.

Community Development increased due to the introduction of the new Transit service in Radford. It launched in August 2011.

Interest on Long-Term Debt increased because the repayment on the Public Safety building loan started in FY 12.

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Expenses of the governmental activities are shown below by function:



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds:

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

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

For the fiscal year ended June 30, 2012, the governmental funds reflect a total fund balance of \$7,047,073. Of this amount, \$149,048 is nonspendable as it covers prepaid expenses. \$644,276 is restricted by grantors, higher levels of government, or law. \$3,626,886 is committed by Council. The remainder, \$2,626,863 is unassigned and available for any purpose.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund unassigned fund balance was \$2,635,777, while the total fund balance was \$5,677,900. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately

12% of the total General Fund expenditures and other financing uses, while total fund balance represents 26% of that same amount.

The fund balance of the General Fund increased by \$182,679 during the current fiscal year. Property taxes and other local taxes came in over budget and the expenses for the regional jail, public assistance, support to city schools, and debt service payments came in under budget.

Local taxes make up a large portion of General Fund revenues, totaling approximately \$11,039,548 in fiscal year 2012. Property taxes make up 67% of local taxes and are up 5.8% from the prior year. All tax rates remained unchanged so this increase reflects modest growth. Other local taxes increased 2%. The increase is due to sales and use taxes, business licenses, and restaurant taxes being up a combined 4.8%. Decreases were in consumer utility tax (4.7%) and gas franchise fees (23.1%).

The Street Maintenance Fund accounts for revenues and expenditures related to the maintenance of the City's streets and other properties. Each year the City receives funds under the Virginia Department of Transportation Urban Street Maintenance program which are specifically restricted to be spent on streets and maintenance activities qualifying under the program. The City received \$1,982,828 during the fiscal year, an increase of 3.7% from last year. This fund is reported as a non-major fund along with the Grants Fund and Transit Fund.

The Capital Projects Fund is used to account for long-term major construction projects of the general government. The entire fund balance is designated for future expenditures on capital projects. For fiscal year ended June 30, 2012, City Council designated \$356,089 towards new capital improvement projects. \$598,377 was spent for new and ongoing projects during the fiscal year.

The Grants Fund accounts for federal and state grants received and expended. The entire fund balance of this fund is reserved for expenditures related to grants received. During the year, the City applied for and received grants from state and federal agencies totaling \$505,793.

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

Proprietary Funds:

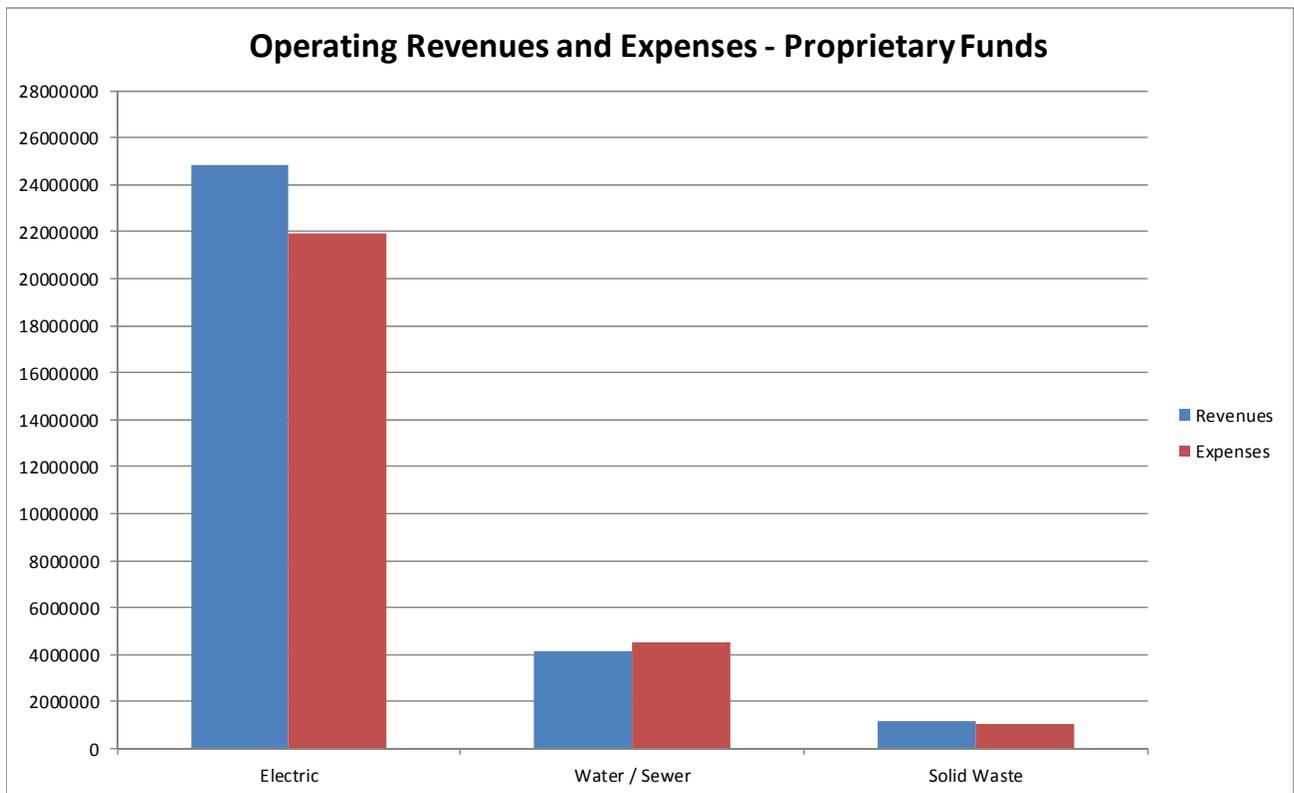
Exhibits 7, 8, and 9 provide the same type of information found in the government-wide financial statements on the City proprietary funds, but in more detail.

Unrestricted net assets for the Electric Fund amounted to \$7,440,187 at the end of the year, an increase of \$969,320 from the prior year or 15%. The transfer to General Fund was reduced by \$500,000 as

compared to budget. The amount invested in capital assets, net of related debt, was reduced by approximately \$468,000.

Unrestricted net assets for the Water/Wastewater Fund amounted to \$794,494 at the end of the year, which is a decrease of \$280,067. This decrease can be attributed to water sales and wastewater charges coming in less than budgeted and the payments to the Peppers Ferry Wastewater Authority being more than expected.

Unrestricted net assets for the Solid Waste Fund amounted to \$631,924 at the end of the fiscal year, an increase of \$163,619 from the prior year. Operating income was \$95,425 and the amount invested in capital assets decreased by \$68,194 (depreciation). The main reason for this year’s surplus is the continued decrease in payments to the New River Resource Authority.



GENERAL FUND BUDGETARY HIGHLIGHTS

There were 34 amendments to the original budget during the 2011-2012 fiscal year. Significant increases in appropriations for the general fund budget are highlighted below:

- \$73,906 state reduction in Aid to Localities
- \$88,908 encumbered expenses at June 30, 2011
- \$157,354 capital lease for 6 police vehicles
- \$140,472 additional Comprehensive Services Act expenses

CAPITAL ASSETS

As of June 30, 2012, the City's capital assets for its governmental and business-type activities amounted to \$82,028,836 (net of accumulated depreciation). This investment includes land, buildings and improvements, machinery and equipment, infrastructure and utility plants, and construction in progress. The total net decrease (additions less retirements and depreciation) in the City's investment in capital assets for the current year was \$1,754,619.

Major capital assets events during the year included the following:

- \$93,023 Electric Department bucket truck
- \$1,076,977 addition to the Intermediate Water Improvement Project- now complete
- \$104,180 Streets Department dump truck
- \$467,985 Seven (7) Transit buses
- \$479,017 addition to the Public Safety Building project – now complete
- \$90,140 Municipal Building renovations

Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	2,593,925	2,593,925	712,498	712,498	3,306,423	3,306,423
Construction in Progress	273,465	201,461	494,361	2,460,555	767,826	2,662,016
Building & Improvements	32,034,540	32,226,643	287,881	300,529	32,322,421	32,527,172
Machinery & Equipment	3,970,069	3,670,639	1,336,524	1,401,219	5,306,593	5,071,858
Plant & Infrastructure	22,214,401	23,025,269	18,111,172	17,190,717	40,325,573	40,215,986
Total	61,086,400	61,717,937	20,942,436	22,065,518	82,028,836	83,783,455

The changes in each category of Capital Assets are presented in detail in note 11 to the Basic Financial Statements.

LONG-TERM DEBT

At June 30, 2012, the City's long-term liabilities, not including compensated absences, claims payable, and OPEB obligations, totaled \$27,474,242 comprised of \$21,100,337 related to governmental activities, and \$6,373,905 related to business-type activities. Total debt decreased by \$816,791 during the year. The City issued \$806,822 during the fiscal year and made principal payments totaling \$1,623,613.

The Charter of the City of Radford and Code of Virginia limits the City's net debt to 10% of the assessed valuation of real estate within the City limits. This limit applies to general obligation debt only. Long-term liabilities of business-type funds will be met by revenues generated from those funds. The City's net debt of \$25,754,398 applicable to the limit is below the legal debt limit of \$78,782,209.

The School Board Component Unit relies upon the City to provide full faith and credit for any debt obligations incurred. Therefore, the City reports School Board Component Unit long-term liabilities, other than compensated absences, as its own. At June 30, 2012, \$12,662,439 of the governmental long-term debt was attributable to the School Board Component Unit for the construction of the new Belle Heth Elementary School. In addition to bonded debt and capital lease obligations, the City's long-term

obligations include compensated absences and OPEB obligations. Additional information concerning the City's long-term liabilities is presented in note 7 of the Basic financial statements.

OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	20,350,159	20,605,534	5,404,239	6,018,841	25,754,398	26,624,375
Unamortized Premium	353,420	371,476	-	-	353,420	371,476
Lease Purchase	396,758	338,364	-	-	396,758	338,364
Revenue Bonds	-	-	969,666	956,818	969,666	956,818
Total	<u>21,100,337</u>	<u>21,315,374</u>	<u>6,373,905</u>	<u>6,975,659</u>	<u>27,474,242</u>	<u>28,291,033</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's unemployment rate is 6.9 % out of a workforce of 9,123. This is a decrease from the previous year which was 7.7% out of 8,224.

The City of Radford continues to feel the impact of losses in state supported revenues, as well as a sluggish real estate market and factors relating to the stagnant health of the national economy. As a result of these influences, Radford will need to rely on the continued stability of its manufacturing industries, growing the service sector of the economy and growth related to the expansion of the University. There are positive signs of an improving economy with slight increases in retail sales, restaurant and lodging taxes, investments in new manufacturing and job growth. The community should see continued employment and investment in 2013, as well as increased utility usage from the continued growth of the foundry, the opening of TechLab, Inc., and the construction of facilities at Radford University. Small business openings and tourism related activity have been stable.

For the 2012-2013 fiscal year, property tax rates remained the same. All utility rates remain unchanged from FY 12.

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

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

Basic Financial Statements

City of Radford, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit <u>School Board</u>	Component Unit <u>IDA</u>
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Cash and cash equivalents	\$ 6,999,576	\$ 7,670,617	\$ 14,670,193	\$ 403,491	\$ 22,326
Receivables (net of allowance for uncollectibles):					
Taxes receivable	652,487	-	652,487	-	-
Accounts receivable	591,293	2,734,205	3,325,498	-	-
Internal balances	(238,759)	238,759	-	-	-
Due from other governmental units	880,500	-	880,500	192,966	-
Inventories	69,686	527,370	597,056	7,334	380,891
Prepaid expenses	160,559	30,043	190,602	-	-
Deferred charges	-	20,252	20,252	-	-
Lease-purchase receivable	-	-	-	-	285,089
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	35,431	-	35,431	-	-
Capital assets (net of accumulated depreciation):					
Land	2,593,925	712,498	3,306,423	33,433	-
Buildings and improvements	32,034,540	287,881	32,322,421	6,050,477	-
Machinery and equipment	3,970,069	1,336,524	5,306,593	441,818	-
Infrastructure and utility plants	22,214,401	18,111,172	40,325,573	-	-
Construction in progress	273,465	494,361	767,826	-	-
Total assets	<u>70,237,173</u>	<u>32,163,682</u>	<u>102,400,855</u>	<u>7,129,519</u>	<u>688,306</u>
LIABILITIES					
Accounts payable	494,084	1,587,665	2,081,749	57,574	40
Accrued wages	301,159	102,166	403,325	26,834	-
Customers' deposits	-	422,573	422,573	-	-
Amount held for others	80,360	-	80,360	-	-
Accrued interest payable	312,010	-	312,010	-	-
Unearned revenue	233,187	-	233,187	64,675	-
Long-term liabilities:					
Due within one year	1,325,671	1,026,824	2,352,495	339,887	86,013
Due in more than one year	20,399,010	5,589,318	25,988,328	236,590	199,076
Total liabilities	<u>23,145,481</u>	<u>8,728,546</u>	<u>31,874,027</u>	<u>725,560</u>	<u>285,129</u>
NET ASSETS					
Invested in capital assets, net of related debt	39,986,063	14,568,531	54,554,594	6,525,728	-
Restricted	644,276	-	644,276	6,185	-
Unrestricted (deficit)	6,461,353	8,866,605	15,327,958	(127,954)	403,177
Total net assets	<u>\$ 47,091,692</u>	<u>\$ 23,435,136</u>	<u>\$ 70,526,828</u>	<u>\$ 6,403,959</u>	<u>\$ 403,177</u>

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

City of Radford, Virginia
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	School Board	IDA	
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 2,257,781	\$ 25,925	\$ 188,252	\$ -	\$ (2,043,604)	\$ -	\$ (2,043,604)	\$ -	\$ -
Judicial administration	1,112,641	341,451	424,362	-	(346,828)	-	(346,828)	-	-
Public safety	6,338,892	547,947	1,112,307	-	(4,678,638)	-	(4,678,638)	-	-
Public works	3,583,272	175,440	1,987,678	-	(1,420,154)	-	(1,420,154)	-	-
Health and welfare	2,501,597	-	1,871,232	-	(630,365)	-	(630,365)	-	-
Education	5,357,984	-	-	-	(5,357,984)	-	(5,357,984)	-	-
Parks, recreation, and cultural	2,170,790	122,932	139,129	-	(1,908,729)	-	(1,908,729)	-	-
Community development	1,739,173	-	1,276,678	-	(462,495)	-	(462,495)	-	-
Interest on long-term debt	955,544	-	-	-	(955,544)	-	(955,544)	-	-
Total governmental activities	\$ 26,017,674	\$ 1,213,695	\$ 6,999,638	\$ -	\$ (17,804,341)	\$ -	\$ (17,804,341)	\$ -	\$ -
Business-type activities:									
Water and sewer	\$ 4,580,828	\$ 41,301,114	\$ -	\$ 51,285	\$ -	\$ (399,429)	\$ (399,429)	\$ -	\$ -
Electric	21,952,991	24,850,183	-	-	-	2,897,192	2,897,192	-	-
Nonmajor funds	1,057,000	1,152,425	-	-	-	95,425	95,425	-	-
Total business-type activities	\$ 27,590,819	\$ 30,132,722	\$ -	\$ 51,285	\$ -	\$ 2,593,188	\$ 2,593,188	\$ -	\$ -
Total primary government	\$ 53,608,493	\$ 31,346,417	\$ 6,999,638	\$ 51,285	\$ (17,804,341)	\$ 2,593,188	\$ (15,211,153)	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 14,504,406	\$ 231,621	\$ 9,326,169	\$ -	\$ -	\$ -	\$ (4,946,616)	\$ -	\$ (35,216)
IDA	35,216	-	-	-	-	-	-	-	(35,216)
Total component units	\$ 14,539,622	\$ 231,621	\$ 9,326,169	\$ -	\$ -	\$ -	\$ (4,946,616)	\$ -	\$ (35,216)
General revenues:									
General property taxes					\$ 7,317,561	\$ -	\$ 7,317,561	\$ -	\$ -
Other local taxes:									
Local sales and use taxes					900,741	-	900,741	-	-
Consumers' utility taxes					533,966	-	533,966	-	-
Business license taxes					458,918	-	458,918	-	-
Motor vehicle taxes					197,397	-	197,397	-	-
Restaurant food taxes					988,171	-	988,171	-	-
Other local taxes					533,836	-	533,836	-	-
Unrestricted revenues from the use of money and property					153,680	1,543	155,223	6,691	19,347
Miscellaneous					2,705,655	-	2,705,655	42,377	1,088
Contributions from the City of Radford									
Grants and contributions not restricted to specific programs					1,459,745	-	1,459,745	4,957,466	-
Transfers					2,263,187	(2,263,187)	-	-	-
Total general revenues and transfers					\$ 17,512,857	\$ (2,261,644)	\$ 15,251,213	\$ 5,006,534	\$ 20,435
Change in net assets					\$ (291,484)	\$ 331,544	\$ 40,060	\$ 59,918	\$ (14,781)
Net assets - beginning					\$ 47,383,176	\$ 23,103,592	\$ 70,486,768	\$ 6,344,041	\$ 417,958
Net assets - ending					\$ 47,091,692	\$ 23,435,136	\$ 70,526,828	\$ 6,403,959	\$ 403,177

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

City of Radford, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 5,490,736	\$ 953,948	\$ 436,211	\$ 6,880,895
Receivables (net of allowance for uncollectibles):				
Taxes receivable	652,487	-	-	652,487
Accounts receivable	437,193	-	152,113	589,306
Due from other governmental units	651,063	-	229,437	880,500
Prepaid items	136,611	-	12,437	149,048
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	35,431	-	35,431
Total assets	<u>7,368,090</u>	<u>989,379</u>	<u>830,198</u>	<u>9,187,667</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	240,910	6,279	244,382	491,571
Accrued wages and benefits	260,715	-	34,660	295,375
Accrued vacation and sick pay	89,185	-	10,786	99,971
Amounts held for others	80,360	-	-	80,360
Reconciled overdraft	-	-	95,212	95,212
Due to other funds	192,011	-	29,167	221,178
Deferred revenue	827,009	-	29,918	856,927
Total liabilities	<u>1,690,190</u>	<u>6,279</u>	<u>444,125</u>	<u>2,140,594</u>
Fund balances:				
Nonspendable	136,611	-	12,437	149,048
Restricted (Note 18)	608,845	35,431	-	644,276
Committed (Note 18)	2,296,667	947,669	382,550	3,626,886
Unassigned	2,635,777	-	(8,914)	2,626,863
Total fund balances	<u>5,677,900</u>	<u>983,100</u>	<u>386,073</u>	<u>7,047,073</u>
Total liabilities and fund balances	<u>\$ 7,368,090</u>	<u>\$ 989,379</u>	<u>\$ 830,198</u>	<u>\$ 9,187,667</u>

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

City of Radford, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 7,047,073
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excludes \$38,849 in Internal Service Fund capital assets).	61,047,551
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	623,740
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	300,039
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(21,926,711)
Net assets of governmental activities	<u>\$ 47,091,692</u>

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

City of Radford, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 7,426,519	\$ -	\$ -	\$ 7,426,519
Other local taxes	3,613,029	-	-	3,613,029
Permits, privilege fees, and regulatory licenses	41,599	-	-	41,599
Fines and forfeitures	274,544	-	-	274,544
Revenue from the use of money and property	153,589	91	-	153,680
Charges for services	674,290	-	179,654	853,944
Miscellaneous	2,376,951	-	328,704	2,705,655
Recovered costs	2,723	-	97	2,820
Intergovernmental revenues:				
Commonwealth	4,217,164	-	2,658,240	6,875,404
Federal	692,412	-	891,567	1,583,979
Total revenues	<u>19,472,820</u>	<u>91</u>	<u>4,058,262</u>	<u>23,531,173</u>
EXPENDITURES				
Current:				
General government administration	2,084,305	-	-	2,084,305
Judicial administration	1,093,311	-	-	1,093,311
Public safety	5,885,489	-	269,920	6,155,409
Public works	839,302	-	2,154,771	2,994,073
Health and welfare	2,488,889	-	2,584	2,491,473
Education	5,021,506	-	21,108	5,042,614
Parks, recreation, and cultural	1,866,975	-	6,650	1,873,625
Community development	447,059	-	1,714,515	2,161,574
Capital projects	-	479,229	-	479,229
Debt service:				
Principal retirement	930,518	-	22,000	952,518
Interest and other fiscal charges	880,063	119,148	4,351	1,003,562
Total expenditures	<u>21,537,417</u>	<u>598,377</u>	<u>4,195,899</u>	<u>26,331,693</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,064,597)</u>	<u>(598,286)</u>	<u>(137,637)</u>	<u>(2,800,520)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,209,183	508,279	119,261	2,836,723
Transfers out	(119,261)	(420,022)	(34,253)	(573,536)
Bond issuance	-	598,183	-	598,183
Issuance of capital leases	157,354	-	-	157,354
Total other financing sources (uses)	<u>2,247,276</u>	<u>686,440</u>	<u>85,008</u>	<u>3,018,724</u>
Net change in fund balances	182,679	88,154	(52,629)	218,204
Fund balances - beginning	5,495,221	894,946	438,702	6,828,869
Fund balances - ending	<u>\$ 5,677,900</u>	<u>\$ 983,100</u>	<u>\$ 386,073</u>	<u>\$ 7,047,073</u>

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

City of Radford, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$	218,204
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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.		(628,746)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(65,350)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		196,981
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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.		(13,043)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		470
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Change in net assets of governmental activities	\$	<u>(291,484)</u>
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The notes to the financial statements are an integral part of this statement.

City of Radford, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds				Internal Service Fund
	Water and Sewer	Electric Fund	Solid Waste Fund	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 784,163	\$ 6,405,033	\$ 481,421	\$ 7,670,617	\$ 213,893
Accounts receivable, net of allowance for uncollectibles	362,579	2,244,904	126,722	2,734,205	1,987
Due from other funds	19,633	445,714	88,646	553,993	-
Inventories	213,182	314,188	-	527,370	69,686
Prepaid expenses	10,270	12,864	6,909	30,043	11,511
Total current assets	<u>1,389,827</u>	<u>9,422,703</u>	<u>703,698</u>	<u>11,516,228</u>	<u>297,077</u>
Noncurrent assets:					
Other assets:					
Deferred charges	20,252	-	-	20,252	-
Capital assets:					
Land	188,734	523,764	-	712,498	-
Utility plant and lines in service	29,333,098	16,764,319	-	46,097,417	-
Buildings and improvements	24,143	414,896	-	439,039	33,418
Machinery and equipment	1,361,629	5,337,830	1,038,138	7,737,597	296,113
Construction in progress	494,361	-	-	494,361	-
Less accumulated depreciation	(16,636,915)	(17,317,406)	(584,155)	(34,538,476)	(290,682)
Total capital assets	<u>14,765,050</u>	<u>5,723,403</u>	<u>453,983</u>	<u>20,942,436</u>	<u>38,849</u>
Total noncurrent assets	<u>14,785,302</u>	<u>5,723,403</u>	<u>453,983</u>	<u>20,962,688</u>	<u>38,849</u>
Total assets	<u>16,175,129</u>	<u>15,146,106</u>	<u>1,157,681</u>	<u>32,478,916</u>	<u>335,926</u>
LIABILITIES					
Current liabilities:					
Accounts payable	166,035	1,390,851	30,779	1,587,665	2,513
Salaries and wages payable	29,875	57,163	15,128	102,166	5,784
Customers' deposits	39,854	382,719	-	422,573	-
Due to other funds	315,234	-	-	315,234	17,581
Compensated absences - current portion	48,440	113,837	19,400	181,677	1,523
Bonds payable - current portion	793,720	51,427	-	845,147	-
Total current liabilities	<u>1,393,158</u>	<u>1,995,997</u>	<u>65,307</u>	<u>3,454,462</u>	<u>27,401</u>
Noncurrent liabilities:					
Compensated absences - net of current portion	16,147	37,946	6,467	60,560	8,486
Bonds payable - net of current portion	5,152,485	376,273	-	5,528,758	-
Total noncurrent liabilities	<u>5,168,632</u>	<u>414,219</u>	<u>6,467</u>	<u>5,589,318</u>	<u>8,486</u>
Total liabilities	<u>6,561,790</u>	<u>2,410,216</u>	<u>71,774</u>	<u>9,043,780</u>	<u>35,887</u>
NET ASSETS					
Invested in capital assets, net of related debt	8,818,845	5,295,703	453,983	14,568,531	38,849
Unrestricted	794,494	7,440,187	631,924	8,866,605	261,190
Total net assets	<u>\$ 9,613,339</u>	<u>\$ 12,735,890</u>	<u>\$ 1,085,907</u>	<u>\$ 23,435,136</u>	<u>\$ 300,039</u>

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

City of Radford, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds				Internal Service Funds
	Water and Sewer Fund	Electric Fund	Solid Waste Fund	Total	
OPERATING REVENUES					
Charges for services:					
Water sales	\$ 1,811,322	\$ -	\$ -	\$ 1,811,322	\$ -
Electric sales	-	24,609,998	-	24,609,998	-
Sanitation charges	-	-	1,152,425	1,152,425	-
Internal service charges	-	-	-	-	866,360
Sewer sales	2,081,087	-	-	2,081,087	-
Tap fees	11,765	-	-	11,765	-
Connection fees	27,268	-	-	27,268	-
Availability fees	104,070	-	-	104,070	-
Penalties	91,494	155,553	-	247,047	-
Miscellaneous revenue	3,108	43,610	-	46,718	-
Other revenues	-	41,022	-	41,022	-
Total operating revenues	4,130,114	24,850,183	1,152,425	30,132,722	866,360
OPERATING EXPENSES					
Personnel	980,547	1,812,613	506,039	3,299,199	226,828
Professional services	22,358	72,267	340	94,965	-
Automotive expenses	70,618	65,293	125,909	261,820	514,055
Office supplies and expenses	2,628	4,542	164	7,334	567
Risk management	24,476	24,090	10,457	59,023	3,959
Postal services	1,129	143	-	1,272	-
Telecommunications	16,534	10,413	351	27,298	720
Conferences and education	1,092	6,826	-	7,918	85
Dues and memberships	694	23,281	-	23,975	-
Heating service	7,330	-	-	7,330	1,805
Repairs and maintenance	101,840	515,184	2,616	619,640	31,966
Janitorial supplies	393	670	21	1,084	409
Tools	3,703	41,582	-	45,285	4,592
Lease/rentals	1,951	1,108	-	3,059	-
Agricultural supplies	868	-	-	868	-
Uniforms	4,179	18,899	2,019	25,097	543
Building expenses	3,632	740	5,320	9,692	29,510
Solid waste services	1,776	1,126	66,348	69,250	-
Electrical service	221,502	1,109	-	222,611	30,285
Supplies	10,024	-	-	10,024	-
Purchase of electricity	-	17,309,169	-	17,309,169	-
Services from other governments	1,584,425	-	160,459	1,744,884	-
Payment in lieu of taxes	582,899	1,313,786	108,330	2,005,015	-
Miscellaneous	4,795	24,893	434	30,122	3,076
Chemicals and gases	66,403	-	-	66,403	3,910
Depreciation	834,407	689,238	68,193	1,591,838	13,580
Total operating expenses	4,550,203	21,936,972	1,057,000	27,544,175	865,890
Operating income (loss)	(420,089)	2,913,211	95,425	2,588,547	470
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,543	-	-	1,543	-
Sale of surplus	1,329	-	-	1,329	-
Interest expense	(31,954)	(16,019)	-	(47,973)	-
Total nonoperating revenues (expenses)	(29,082)	(16,019)	-	(45,101)	-
Income before contributions and transfers	(449,171)	2,897,192	95,425	2,543,446	470
Capital contributions and construction grants	51,285	-	-	51,285	-
Transfers in	132,267	-	-	132,267	-
Transfers out	-	(2,395,454)	-	(2,395,454)	-
Change in net assets	(265,619)	501,738	95,425	331,544	470
Total net assets - beginning	9,878,958	12,234,152	990,482	23,103,592	299,569
Total net assets - ending	\$ 9,613,339	\$ 12,735,890	\$ 1,085,907	\$ 23,435,136	\$ 300,039

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

City of Radford, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds			Total	Internal Service Funds
	Water and Sewer Fund	Electric Fund	Solid Waste Fund		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 4,315,397	\$ 25,486,125	\$ 1,183,836	\$ 30,985,358	\$ -
Receipts from interfund services	-	-	-	-	866,855
Payments to suppliers	(2,705,780)	(21,166,448)	(521,643)	(24,393,871)	(638,358)
Payments to employees	(964,663)	(1,786,371)	(503,406)	(3,254,440)	(225,375)
Net cash provided by (used for) by operating activities	644,954	2,533,306	158,787	3,337,047	3,122
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	-	(2,395,454)	-	(2,395,454)	-
Transfers from other funds	132,267	-	-	132,267	-
Advances from other funds	137,322	(12,632)	-	124,690	17,581
Advances to other funds	(19,633)	(292,988)	(25,775)	(338,396)	-
Net cash provided by (used for) by noncapital financing activities	249,956	(2,701,074)	(25,775)	(2,476,893)	17,581
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Additions to utility plant, equipment (1)	(296,672)	(172,085)	-	(468,757)	(10,790)
Principal payments on bonds	(603,468)	(49,571)	-	(653,039)	-
Contributions in aid of construction	51,285	-	-	51,285	-
Proceeds from indebtedness	51,285	-	-	51,285	-
Interest payments	(29,748)	(16,019)	-	(45,767)	-
Net cash provided by (used for) by capital and related financing activities	(827,318)	(237,675)	-	(1,064,993)	(10,790)
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayment of Industrial Development Authority loan	-	1,100,000	-	1,100,000	-
Interest and dividends received	1,543	-	-	1,543	-
Other	1,329	-	-	1,329	-
Net cash provided by (used for) by investing activities	2,872	1,100,000	-	1,102,872	-
Net increase (decrease) in cash and cash equivalents	70,464	694,557	133,012	898,033	9,913
Cash and cash equivalents - beginning	713,699	5,710,476	348,409	6,772,584	203,980
Cash and cash equivalents - ending	\$ 784,163	\$ 6,405,033	\$ 481,421	\$ 7,670,617	\$ 213,893
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:					
Operating income (loss)	\$ (420,089)	\$ 2,913,211	\$ 95,425	\$ 2,588,547	\$ 470
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	834,407	689,238	68,193	1,591,838	13,580
(Increase) decrease in accounts receivable	180,073	606,249	31,411	817,733	495
(Increase) decrease in inventories	3,173	48,246	-	51,419	13,983
(Increase) decrease in prepaid expenses	685	621	277	1,583	(2,220)
Increase (decrease) in customer deposits	5,210	29,693	-	34,903	-
Increase (decrease) in operating payables	25,611	(1,780,194)	(39,152)	(1,793,735)	(24,639)
Increase (decrease) in salaries and wages payable	5,302	8,695	2,320	16,317	(29)
Increase (decrease) in accrued leave	10,582	17,547	313	28,442	1,482
Total adjustments	1,065,043	(379,905)	63,362	748,500	2,652
Net cash provided by (used for) by operating activities	\$ 644,954	\$ 2,533,306	\$ 158,787	\$ 3,337,047	\$ 3,122

(1) Includes capitalized interest of \$117,098 in the Water and Sewer Fund

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

City of Radford, Virginia
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 30,576
Total assets	<u>30,576</u>
 LIABILITIES	
Amounts held for social services clients	9,221
Amounts held for CSA program	21,355
Total liabilities	<u>\$ 30,576</u>

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

CITY OF RADFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

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

Jointly Governed Organizations - The City of Radford jointly governs the Pepper's Ferry Regional Wastewater Treatment Authority with the Board of Supervisors for the Counties of Pulaski and Montgomery and the Town Councils of the Towns of Dublin and Pulaski. The Authority was created to operate a wastewater equalization, pumping, treatment, and disposal system for its members. The City appoints two members to the Authority's board of directors. During the current fiscal year, the City of Radford paid \$1,584,246 to the Pepper's Ferry Regional Wastewater Treatment Authority.

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

A. Financial Reporting Entity (Continued)

The City of Radford is also a member of the New River Resource Authority, which it jointly governs with the County of Pulaski, the Town of Pulaski, the Town of Dublin, and Counties of Montgomery and Giles. The City of Radford appoints two members to the Authority's seven-member board of directors. The City of Radford paid \$121,838 in tipping fees to the New River Resource Authority during the current fiscal year.

The Counties of Bland, Carroll, Floyd, Giles, Grayson, Pulaski, and Wythe and the City of Radford created the New River Regional Jail Authority to operate a regional jail located in Dublin, Virginia. The primary source of funding for the Authority is a service charge based on the number of inmates from each jurisdiction. The City has no equity interest in the Authority but has offered a moral obligation for 6.6% of the Authority's debt payments. During the current fiscal year, the City paid \$544,609 to the New River Regional Jail Authority for incarceration services.

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The *capital projects fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

The government reports the following major proprietary funds:

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

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

The government reports the following non-major proprietary funds:

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

Additionally, the government reports the following fund types:

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Grants Fund and Highway Maintenance Fund are reported as non-major special revenue funds.

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

D. Assets, liabilities, and net assets or equity (Continued)

2. Receivables and payables

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,045,197 at June 30, 2012. The allowance consists of delinquent taxes in the amount of \$99,174, delinquent water and sewer bills of \$126,002, delinquent solid waste fees of \$44,242, and delinquent electric bills of \$775,779.

5. Use of Estimates

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

6. Capital assets

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

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

D. Assets, liabilities, and net assets or equity (Continued)

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

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

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

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The City accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

D. Assets, liabilities, and net assets or equity (Continued)

9. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

10. Inventories and prepaid items

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

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

11. Fund equity

The City of Radford, Virginia follows provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement provides fund balance categories to make the nature and extent of the constraints placed on a government's fund balance transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

D. Assets, liabilities, and net assets or equity (Continued)

11. Fund equity (Continued)

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

Note 2-Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$21,926,711) difference for the primary government are as follows:

	Primary Government
Bonds payable	\$ (20,350,159)
Premium on bond issuance	(353,420)
Accrued interest payable	(312,010)
Capital lease purchase	(396,758)
OPEB obligation	(51,528)
Compensated absences - long-term portion	(462,836)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u><u>\$ (21,926,711)</u></u>

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Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “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.” The details of this (\$628,746) difference for the primary government are as follows:

	Primary Government
Capital outlays	\$ 1,694,386
Depreciation expenses	(2,323,132)
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (628,746)</u>

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$196,981 difference in the primary government are as follows:

	Primary Government
Debt Issued or incurred:	
Bond Issuance	\$ (755,537)
Principal repayments:	
General obligation debt	<u>952,518</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 196,981</u>

Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

- C. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Another element of that reconciliation states, “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.” The details of this (\$13,043) difference for the primary government are as follows:

	Primary Government
(Increase) decrease in compensated absences - long-term portion	\$ (51,770)
Amortization of bond premiums	18,056
(Increase) decrease in OPEB liability	(9,291)
(Increase) decrease in accrued interest	29,962
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (13,043)

Note 3-Stewardship, Compliance, and Accountability:

- A. Budgetary information

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

1. Prior to March 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Capital Projects Fund, Highway Maintenance, Grants Fund and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only City Council can revise appropriations for each fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Operating Fund is integrated only at the level of legal adoption.

Note 3-Stewardship, Compliance, and Accountability: (Continued)

B. Budgetary information(Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all City units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is part of the City's accounting system.

C. Excess of expenditures over appropriations

For the year ended June 30, 2012, no expenditures exceeded appropriations.

D. Deficit fund equity

At June 30, 2012, the transit fund ended the year with deficit fund equity.

Note 4-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 local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Note 4-Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The City has not adopted an investment policy for credit risk. The City's rated debt investments as of June 30, 2012 were rated by Standard and Poor's rating scale and the ratings are presented below.

City's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
LGIP	\$ 5,021,356
SNAP	35,613

The Local Government Investment Pool (LGIP) is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7. The fair value of the positions in the external investment pools (LGIP and SNAP) is the same as the value of the pool shares. The State Non-arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

Note 5-Due from Other Governmental Units:

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

	Primary Government
<u>Commonwealth of Virginia:</u>	
Local sales tax	\$ 141,853
Local communication tax	130,061
Categorical aid-other	134,735
Non-categorical aid	15,760
Categorical aid-Virginia Public Assistance	59,865
Categorical aid-Comprehensive Services Act	162,263
<u>Federal Government:</u>	
Categorical aid-Virginia Public Assistance	60,459
Categorical aid-other	175,504
Total	\$ 880,500

Note 6-Interfund Transfers/Component Unit Contributions:

Interfund transfers for the year ended June 30, 2012, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 2,209,183	\$ 119,261
Capital Projects Fund	508,279	420,022
Grants Fund	2,860	34,253
Transit Fund	116,401	-
Electric Fund	-	2,395,454
Water and Sewer Fund	132,267	-
Total	<u>\$ 2,968,990</u>	<u>\$ 2,968,990</u>

Primary government contributions to component units for the year ended June 30, 2012, consisted of the following and include the transfer of funds for debt-financed projects:

Component Unit:	
School Board	<u>\$ 4,957,466</u>

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General Obligation				
Bonds	\$ 20,605,534	\$ 598,183	\$ (853,558)	\$ 20,350,159
Unamortized Premium	371,476	-	(18,056)	353,420
Lease Purchase	338,364	157,354	(98,960)	396,758
OPEB obligation	42,237	19,898	(10,607)	51,528
Compensated Absences	506,544	446,180	(379,908)	572,816
Total	<u>\$ 21,864,155</u>	<u>\$ 1,221,615</u>	<u>\$ (1,361,089)</u>	<u>\$ 21,724,681</u>

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

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 782,023	\$ 896,849
2014	805,560	866,505
2015	810,665	834,680
2016	618,691	805,392
2017	639,545	777,191
2018-2022	3,481,537	3,407,284
2023-2027	4,145,789	2,486,445
2028-2032	3,746,349	1,484,099
2033-2037	1,976,998	813,327
2038-2042	1,101,336	563,964
2043-2047	1,344,728	320,572
2048-2052	896,938	53,652
Totals	<u>\$ 20,350,159</u>	<u>\$ 13,309,960</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Debt: (Continued)

Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Notes:						
GO Bond	3.59%	9/12/2003	2019	\$ 1,559,255	\$ 147,860	\$ 21,816
GO Bond	2.97%	4/7/2004	2015	2,202,000	646,738	215,529
GO Bond	4.6-5.1%	5/15/2008	2034	8,120,000	7,595,000	195,000
GO Bond	3.6-5.35%	12/11/2008	2029	5,797,690	5,067,439	250,861
GO Bond	Libor + .02%	7/15/2010	2025	425,000	403,000	24,000
GO Bond	4.00%	5/7/2010	2043	6,500,000	6,490,122	74,817
Subtotal GO Bonds and Notes					\$ 20,350,159	\$ 782,023
Add: Bond Premium	n/a	n/a	n/a	n/a	243,918	-
Bond Premium	n/a	n/a	n/a	n/a	109,502	-
Total GO Bonds and Notes					\$ 20,703,579	\$ 782,023
Other Obligations:						
Capital Lease	n/a	n/a	n/a	n/a	\$ 396,758	\$ 95,026
OPEB Obligation	n/a	n/a	n/a	n/a	51,528	-
Comp. Absences	n/a	n/a	n/a	n/a	572,816	448,622
Total Long-term Debt					\$ 21,724,681	\$ 1,325,671

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Debt: (Continued)

Primary Government - Enterprise Activity Indebtedness:

The following is a summary of long-term debt transactions of the Enterprise Funds for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Revenue Bonds	\$ 956,818	\$ 51,285	\$ (38,437)	\$ 969,666
General Obligation Bonds	6,018,841	-	(614,602)	5,404,239
Compensated Absences	213,795	188,788	(160,346)	242,237
Total	\$ 7,189,454	240,073	\$ (813,385)	\$ 6,616,142

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

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

Year Ending June 30,	Water/Wastewater Fund			
	Revenue Bonds		General Obligation	
	Principal	Interest	Principal	Interest
2013	\$ 38,437	\$ -	\$ 755,283	\$ 166,547
2014	38,437	-	777,839	138,761
2015	38,437	-	801,215	110,155
2016	38,437	-	825,442	80,698
2017	38,437	-	749,784	50,361
2018-2022	192,183	-	1,042,277	28,285
2023-2027	179,605	-	24,699	-
2028-2032	150,258	-	-	-
2033-2037	150,258	-	-	-
2038-2042	105,177	-	-	-
Totals	\$ 969,666	\$ -	\$ 4,976,539	\$ 574,807

Note 7-Long-Term Debt: (Continued)

Primary Government - Enterprise Activity Indebtedness: (Continued)

Year Ending June 30,	Electric Fund	
	General Obligation	
	Principal	Interest
2013	\$ 51,427	\$ 14,109
2014	53,250	12,286
2015	55,139	10,397
2016	57,094	8,442
2017	59,119	6,417
2018-2022	151,671	7,178
Totals	<u>\$ 427,700</u>	<u>\$ 58,829</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Debt: (Continued)

Primary Government - Enterprise Activity Indebtedness: (Continued)

Details of long-term indebtedness:

General Obligation Bonds:						
GO Bond	2.97%	8/1/1996	2016	\$ 2,500,000	\$ 524,235	\$ 125,000
GO Bond	3.59%	9/12/2003	2019	6,440,745	3,659,687	539,966
GO Bond	3.49%	12/7/2004	2020	1,196,530	668,229	80,348
GO Bond	0.00%	7/30/2004	2024	337,660	124,388	9,969
Total General Obligation Bonds					<u>\$ 4,976,539</u>	<u>\$ 755,283</u>
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 64,587	\$ 48,440
Total Long-term Debt-Water/Sewer Fund					<u>\$ 6,010,792</u>	<u>\$ 842,160</u>
Electric Fund						
General Obligation Bonds:						
GO Bond	3.49%	12/7/2004	2020	\$ 763,470	\$ 427,700	\$ 51,427
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 151,783	\$ 113,837
Total Long-term Debt-Electric Fund					<u>\$ 579,483</u>	<u>\$ 165,264</u>
Other Funds						
Other Obligations:						
Comp. Absences	n/a	n/a	n/a	n/a	\$ 25,867	\$ 19,400
Total Long-term Debt-Other Funds					<u>\$ 25,867</u>	<u>\$ 19,400</u>
Grand Total Long-term debt					<u><u>\$ 6,616,142</u></u>	<u><u>\$ 1,026,824</u></u>

Note 8-Employee Retirement System and Pension Plans:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent 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 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 have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or at age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at 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 who have no service credits before July 1, 2010 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 5 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.

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 employer. 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.

Note 8-Employee Retirement System and Pension Plans: (Continued)

A. Plan Description (Continued)

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 Web site at <http://www.varetire.org/Pdf/Publications/2011-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. In addition, the City 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 City’s contribution rate for the fiscal year ended 2012 was 9.15% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the City of Radford, Virginia’s annual pension cost of \$1,191,804 (which includes \$421,132 employee portion assumed by employer) was equal to the City of Radford, Virginia’s required and actual contributions.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost * (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 1,191,804	100%	\$ -
June 30, 2011	1,189,537	100%	-
June 30, 2010	1,200,614	100%	-

* Includes employer costs and employee costs assumed by the City.

Note 8-Employee Retirement System and Pension Plans: (Continued)

C. Annual Pension Cost: (Continued)

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees 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. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City'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 City's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 was 20 years.

D. Funding Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 75.60% funded. The actuarial accrued liability for benefits was \$43,831,544, and the actuarial value of assets was \$33,135,088, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,696,456. The covered payroll (annual payroll of active employees covered by the plan) was \$8,516,287, and ratio of the UAAL to the covered payroll was 125.60%.

The schedule of funding progress, presented as Required Supplementary Information 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.

Note 9-Other Postemployment Benefits (OPEB):

From an accrual accounting perspective, the cost of post-employment 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. In adopting the requirements of GASB Statement No. 45, the City recognizes the cost of post-employment 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 City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability. As allowable by GASB Statement No. 45, the City calculates their OPEB obligation using an alternative approach and certain simplified assumptions.

Note 9-Other Postemployment Benefits (OPEB): (Continued)

A. Plan Description

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

B. Funding Policy

The City currently pays for post-retirement health care benefits on a pay-as-you-go basis. The City currently has 45 employees that are eligible for the program. In addition, for retirees of the City, 100 percent of premiums are the responsibility of the retiree. The rates were as follows at June 30, 2012:

Participants	Monthly Premium
Employee	\$ 522

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with 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

For 2012, the City’s annual OPEB cost (expense) was \$19,898 and the ARC was \$19,910. The obligation calculation is as follows:

Annual required contribution	\$ 19,910
Interest on net OPEB obligation	1,689
Adjustment to annual required contribution	(1,701)
Annual OPEB cost (expense)	19,898
Contributions made	10,607
Increase in net OPEB obligation	9,291
Net OPEB obligation - beginning of year	42,237
Net OPEB obligation - ending of year	\$ 51,528

Note 9-Other Postemployment Benefits (OPEB): (Continued)

C. Annual OPEB Cost (continued)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 19,898	53%	\$ 51,528
6/30/2011	23,711	67%	42,237
6/30/2010	21,958	22%	34,436

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2012 (the most recent valuation date), was as follows:

Actuarial accrued liability (AAL)	\$ 309,429
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 309,429
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 2,011,984
UAAL as a percentage of covered payroll	15.38%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in 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 revision 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.

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Note 9-Other Postemployment Benefits (OPEB): (Continued)

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 June 30, 2012, actuarial valuation, the entry age normal actuarial cost method was used. Under this method, stable employer contributions are produced in amounts that increase at the same rate as the employer's payroll. The actuarial assumptions included: inflation at 3.0%, an investment rate of return at 4.0%, and a health care trend rate of 5.80% graded to 6.00%. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2012, was 25.5 years.

Note 10-Deferred/Unearned Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$827,009 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled \$203,269 at June 30, 2012.

Uncollected Taxes - Property taxes receivable that are not collected within 60 days after year-end are reflected as deferred revenues. These taxes totaled \$580,132 at June 30, 2012.

EMS Fees - EMS fees receivable that are not collected within 60 days after year-end are reflected as deferred revenues. These taxes totaled \$43,608 at June 30, 2012

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government: (including internal service funds)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,593,925	\$ -	\$ -	\$ 2,593,925
Construction in progress	201,461	83,304	(11,300)	273,465
Total capital assets not being depreciated	<u>\$ 2,795,386</u>	<u>\$ 83,304</u>	<u>\$ (11,300)</u>	<u>\$ 2,867,390</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,566,656	\$ 579,408	\$ -	\$ 37,146,064
Infrastructure	50,401,051	27,240	-	50,428,291
Machinery and equipment	10,556,234	1,026,524	(22,900)	11,559,858
Total capital assets being depreciated	<u>\$ 97,523,941</u>	<u>\$ 1,633,172</u>	<u>\$ (22,900)</u>	<u>\$ 99,134,213</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (4,334,772)	\$ (776,752)	\$ -	\$ (5,111,524)
Infrastructure	(27,375,782)	(838,108)	-	(28,213,890)
Machinery and equipment	(6,890,837)	(721,852)	22,900	(7,589,789)
Total accumulated depreciation	<u>\$ (38,601,391)</u>	<u>\$ (2,336,712)</u>	<u>\$ 22,900</u>	<u>\$ (40,915,203)</u>
Total capital assets being depreciated, net	<u>\$ 58,922,550</u>	<u>\$ (703,540)</u>	<u>\$ -</u>	<u>\$ 58,219,010</u>
Governmental activities capital assets, net	<u>\$ 61,717,936</u>	<u>\$ (620,236)</u>	<u>\$ (11,300)</u>	<u>\$ 61,086,400</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012Note 11-Capital Assets: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 712,498	\$ -	\$ -	\$ 712,498
Construction in progress	2,460,555	213,972	(2,180,166)	494,361
Total capital assets not being depreciated	<u>\$ 3,173,053</u>	<u>\$ 213,972</u>	<u>\$ (2,180,166)</u>	<u>\$ 1,206,859</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 439,039	\$ -	\$ -	\$ 439,039
Machinery and equipment	7,574,516	163,081	-	7,737,597
Plant and infrastructure	43,825,547	2,271,870	-	46,097,417
Total capital assets being depreciated	<u>\$ 51,839,102</u>	<u>\$ 2,434,951</u>	<u>\$ -</u>	<u>\$ 54,274,053</u>
Less: accumulated depreciation for:				
Buildings and structures	\$ (138,510)	\$ (12,648)	\$ -	\$ (151,158)
Machinery and equipment	(6,173,297)	(227,776)	-	(6,401,073)
Plant and infrastructure	(26,634,831)	(1,351,414)	-	(27,986,245)
Total accumulated depreciation	<u>\$ (32,946,638)</u>	<u>\$ (1,591,838)</u>	<u>\$ -</u>	<u>\$ (34,538,476)</u>
Total capital assets being depreciated, net	<u>\$ 18,892,464</u>	<u>\$ 843,113</u>	<u>\$ -</u>	<u>\$ 19,735,577</u>
Business-type activities capital assets, net	<u>\$ 22,065,517</u>	<u>\$ 1,057,085</u>	<u>\$ (2,180,166)</u>	<u>\$ 20,942,436</u>

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Note 11-Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:	
General government administration	\$ 189,466
Judicial administration	20,182
Public safety	464,779
Public works	933,353
Health and welfare	10,433
Education	315,370
Parks, recreation, and culture	294,513
Community Development	95,036
Internal service funds	<u>13,580</u>
 Total depreciation expense-governmental activities	 <u>\$ 2,336,712</u>
 Business type activities:	
Water and Sewer Fund	\$ 834,407
Electric Fund	689,238
Solid Waste Fund	<u>68,193</u>
 Total depreciation expense-business type activities	 <u>\$ 1,591,838</u>

Certain capital assets have been transferred to the water and sewer fund that have been fully depreciated. Thus, the asset cost and accumulated depreciation were reported as additions in the current year.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 12-Capital Leases:

The City has entered into lease agreements to finance the acquisition of a Fire Truck and police vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments at their date of inception.

The costs and accumulated depreciation associated with assets acquired through capital leases is as follows:

	Fire Truck	6 Police Vehicles	Total
Machinery & Equipment	\$ 900,638	\$ 163,041	\$ 1,063,679
Accumulated Depreciation	(117,058)	(10,414)	(127,472)
 Total	 \$ 783,580	 \$ 152,627	 \$ 936,207

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

Fiscal Year Ended	Leases
2013	\$ 110,280
2014	110,166
2015	54,892
2016	54,771
2017	54,645
2018	54,515
Total minimum lease payments	439,269
Less: amount representing interest	(42,511)
Present value of minimum lease payments	<u>\$ 396,758</u>

Note 13-Risk Management:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 14-Contingent Liabilities:

Federal programs in which the City and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Ann Howard, Clerk of Circuit Court	\$	190,000
Janet H. Jones, Treasurer		500,000
Cathy Flinchum, Commissioner of Revenue		3,000

Note 16 - Commitments and Contingencies:

The City leases real estate, which it uses to provide additional public parking downtown. The lease terms call for monthly payments of \$3,678 with potential increases at every five-year renewal. The rental increases will be based on the consumer price index. The City may renew the lease for an additional five years after the current lease expires. The renewal terms will expire in 2017.

The City was involved in major construction projects during the fiscal year, as presented below:

Project	Contract Amount	Contract Amount Outstanding at June 30, 2012
Division 3-Radford Water Improvements	\$ 979,000	\$ 115,837
Public Safety Building	5,599,977	310,466

Note 17 - Arbitrage Rebate Compliance:

As of June 30, 2012 and for the year then ended, the City was not liable for any amounts due under current rules governing arbitrage earnings.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 18-Restricted and Committed Funds/Net Assets:

Governmental Activities/Funds:	<u>General Fund</u>	<u>Grants Fund</u>	<u>Street Maintenance Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Restricted:					
Hazmat operations	\$ 67,496	\$ -	\$ -	\$ -	\$ 67,496
Fire donations	102,337	-	-	-	102,337
Police department	32,956	-	-	-	32,956
Four for life program	66,182	-	-	-	66,182
Fire programs	215,031	-	-	-	215,031
Recreation donations	39,683	-	-	-	39,683
Library donations	5,107	-	-	-	5,107
Courthouse maintenance	15,046	-	-	-	15,046
Law library	22,955	-	-	-	22,955
Courtroom security	10,267	-	-	-	10,267
Volunteer service awards	31,785	-	-	-	31,785
Capital projects	-	-	-	35,431	35,431
Total restricted balances	\$ 608,845	\$ -	\$ -	\$ 35,431	\$ 644,276
Governmental Funds:					
Committed funds:					
Library fines/copier fees/donation	\$ 58,940	\$ -	\$ -	\$ -	\$ 58,940
Beautification donations	14,627	-	-	-	14,627
Inmate booking	16,982	-	-	-	16,982
Project lifesaver	1,341	-	-	-	1,341
DMV revenues	40,074	-	-	-	40,074
School Board	2,164,703	-	-	-	2,164,703
Grants fund	-	69,300	-	-	69,300
Highway maintenance	-	-	313,250	-	313,250
Capital projects	-	-	-	947,669	947,669
Total committed balances	\$ 2,296,667	\$ 69,300	\$ 313,250	\$ 947,669	\$ 3,626,886

Required Supplementary Information

City of Radford, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 7,135,158	\$ 7,135,158	\$ 7,426,519	\$ 291,361
Other local taxes	3,499,662	3,499,662	3,613,029	113,367
Permits, privilege fees, and regulatory licenses	34,960	34,960	41,599	6,639
Fines and forfeitures	210,200	210,200	274,544	64,344
Revenue from the use of money and property	166,456	166,456	153,589	(12,867)
Charges for services	686,140	686,140	674,290	(11,850)
Miscellaneous	2,337,243	2,467,116	2,376,951	(90,165)
Recovered costs	2,838	2,838	2,723	(115)
Intergovernmental revenues:				
Commonwealth	4,204,220	4,257,692	4,217,164	(40,528)
Federal	849,198	849,198	692,412	(156,786)
Total revenues	19,126,075	19,309,420	19,472,820	163,400
EXPENDITURES				
Current:				
General government administration	2,030,706	2,049,909	2,084,305	(34,396)
Judicial administration	1,118,755	1,124,220	1,093,311	30,909
Public safety	5,925,195	6,030,139	5,885,489	144,650
Public works	765,361	829,540	839,302	(9,762)
Health and welfare	2,501,444	2,623,444	2,488,889	134,555
Education	5,474,884	5,474,884	5,021,506	453,378
Parks, recreation, and cultural	1,800,862	1,811,882	1,866,975	(55,093)
Community development	525,813	453,231	447,059	6,172
Debt service:				
Principal retirement	874,185	929,342	930,518	(1,176)
Interest and other fiscal charges	1,011,798	1,011,798	880,063	131,735
Total expenditures	22,029,003	22,338,389	21,537,417	800,972
Excess (deficiency) of revenues over (under) expenditures	(2,902,928)	(3,028,969)	(2,064,597)	964,372
OTHER FINANCING SOURCES (USES)				
Transfers in	2,902,928	3,026,842	2,209,183	(817,659)
Transfers out	-	(213,420)	(119,261)	94,159
Issuance of capital leases	-	157,354	157,354	-
Total other financing sources (uses)	2,902,928	2,970,776	2,247,276	(723,500)
Net change in fund balances	-	(58,193)	182,679	240,872
Fund balances - beginning	-	-	5,495,221	5,495,221
Fund balances - ending	\$ -	\$ (58,193)	\$ 5,677,900	\$ 5,736,093

Note: GAAP serves as the budgetary basis of accounting

City of Radford, Virginia
Required Supplementary Information

Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2012

Primary Government: City 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)
6/30/2011	\$ 33,135,088	\$ 43,831,544	\$ 10,696,456	75.60%	\$ 8,516,287	125.60%
6/30/2010	32,921,457	41,880,630	8,959,173	78.61%	8,524,036	105.10%
6/30/2009	33,098,020	38,107,136	5,009,116	86.86%	8,801,240	56.91%

City Retirees Healthcare Plan

Valuation as of(1)	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)
6/30/2012	\$ -	\$ 309,429	\$ 309,429	0.00%	\$ 2,011,984	15.38%
6/30/2011	-	367,844	367,844	0.00%	1,953,383	18.83%
6/30/2009	-	336,403	336,403	0.00%	2,340,250	14.37%

1. Information has only been available for two years.

Other Supplementary Information

City of Radford, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 91	\$ 91
Intergovernmental revenues:				
Federal	102,569	102,569	-	(102,569)
Total revenues	102,569	102,569	91	(102,478)
EXPENDITURES				
Capital projects	818,105	821,246	479,229	342,017
Debt service:				
Interest and other fiscal charges	-	246,000	119,148	126,852
Total expenditures	818,105	1,067,246	598,377	468,869
Excess (deficiency) of revenues over (under) expenditures	(715,536)	(964,677)	(598,286)	366,391
OTHER FINANCING SOURCES (USES)				
Transfers in	-	220,524	508,279	287,755
Transfers out	-	(113,576)	(420,022)	(306,446)
Issuance of bonds	231,287	480,428	598,183	117,755
Total other financing sources (uses)	231,287	587,376	686,440	99,064
Net change in fund balances	(484,249)	(377,301)	88,154	465,455
Fund balances - beginning	484,249	597,825	894,946	297,121
Fund balances - ending	\$ -	\$ 220,524	\$ 983,100	\$ 762,576

City of Radford, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	<u>Special Revenue Funds</u>			
	<u>Grants Fund</u>	<u>Highway Maintenance Fund</u>	<u>Transit Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	11,058	\$ 425,153	\$ -	\$ 436,211
Receivables (net of allowance for uncollectibles):				
Accounts receivable	4,683	67,684	79,746	152,113
Due from other governmental units	122,420	-	107,017	229,437
Prepaid items	1,415	11,022	-	12,437
Total assets	<u>139,576</u>	<u>503,859</u>	<u>186,763</u>	<u>830,198</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	66,394	107,441	70,547	244,382
Accrued wages payable	2,467	32,193	-	34,660
Accrued vacation and sick pay	-	10,786	-	10,786
Due to other funds		29,167	-	29,167
Reconciled overdraft	-	-	95,212	95,212
Deferred revenue	-	-	29,918	29,918
Total liabilities	<u>68,861</u>	<u>179,587</u>	<u>195,677</u>	<u>444,125</u>
Fund balances:				
Nonspendable	1,415	11,022	-	12,437
Committed	69,300	313,250	-	382,550
Unassigned	-	-	(8,914)	(8,914)
Total fund balances	<u>70,715</u>	<u>324,272</u>	<u>(8,914)</u>	<u>386,073</u>
Total liabilities and fund balances	<u>\$ 139,576</u>	<u>\$ 503,859</u>	<u>\$ 186,763</u>	<u>\$ 830,198</u>

City of Radford, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds			
	<u>Grants Fund</u>	<u>Highway Maintenance Fund</u>	<u>Transit Fund</u>	<u>Total</u>
REVENUES				
Charges for services	\$ -	\$ 167,739	\$ 11,915	\$ 179,654
Miscellaneous	6,134	-	322,570	328,704
Recovered costs	-	97	-	97
Intergovernmental revenues:				
Commonwealth	83,989	1,982,828	591,423	2,658,240
Federal	421,804	-	469,763	891,567
Total revenues	<u>511,927</u>	<u>2,150,664</u>	<u>1,395,671</u>	<u>4,058,262</u>
EXPENDITURES				
Current:				
Public safety	269,920	-	-	269,920
Public works	5,121	2,149,650	-	2,154,771
Health and welfare	2,584	-	-	2,584
Education	21,108	-	-	21,108
Parks, recreation, and cultural	6,650	-	-	6,650
Community development	193,529	-	1,520,986	1,714,515
Debt service:				
Principal retirement	22,000	-	-	22,000
Interest and other fiscal charges	4,351	-	-	4,351
Total expenditures	<u>525,263</u>	<u>2,149,650</u>	<u>1,520,986</u>	<u>4,195,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,336)</u>	<u>1,014</u>	<u>(125,315)</u>	<u>(137,637)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,860	-	116,401	119,261
Transfers out	(34,253)	-	-	(34,253)
Total other financing sources (uses)	<u>(31,393)</u>	<u>-</u>	<u>116,401</u>	<u>85,008</u>
Net change in fund balances	(44,729)	1,014	(8,914)	(52,629)
Fund balances - beginning	115,444	323,258	-	438,702
Fund balances - ending	<u>\$ 70,715</u>	<u>\$ 324,272</u>	<u>\$ (8,914)</u>	<u>\$ 386,073</u>

City of Radford, Virginia
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2012

	Grants Fund			Highway Maintenance Fund			Transit Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	Budgeted Amounts		Actual	Budgeted Amounts		Actual	
	Original	Final		Original	Final		Original	Final		
REVENUES										
Charges for services	\$ -	\$ -	\$ -	\$ 38,100	\$ 174,244	\$ 167,739	\$ -	\$ 10,500	\$ 11,915	\$ 1,415
Miscellaneous	5,000	5,000	6,134	-	-	-	-	328,608	322,570	(6,038)
Recovered costs	-	-	-	-	-	97	-	-	-	-
Intergovernmental revenues:										
Commonwealth	403	89,447	83,989	1,911,779	1,911,779	1,982,828	71,049	691,471	591,423	(100,048)
Federal	290,355	645,538	421,804	5,793	5,793	-	(5,793)	868,928	469,763	(399,165)
Total revenues	295,758	739,985	511,927	1,955,672	2,091,816	2,150,664	58,848	1,899,507	1,395,671	(503,836)
EXPENDITURES										
Current:										
Public safety	97,474	333,113	269,920	-	-	-	-	-	-	-
Public works	-	4,850	5,121	2,017,089	2,156,847	2,149,650	7,197	-	-	-
Health and welfare	2,818	2,818	2,584	-	-	-	-	-	-	-
Education	-	21,865	21,108	-	-	-	-	-	-	-
Parks, recreation, and cultural	6,631	6,631	6,650	-	-	-	-	-	-	-
Community development	198,234	355,097	193,529	-	-	-	-	2,015,908	1,520,986	494,922
Debt service:										
Principal retirement	-	22,000	22,000	-	-	-	-	-	-	-
Interest and other fiscal charges	-	5,870	4,351	-	-	-	-	-	-	-
Total expenditures	305,157	752,244	525,263	2,017,089	2,156,847	2,149,650	7,197	2,015,908	1,520,986	494,922
Excess (deficiency) of revenues over (under) expenditures	(9,399)	(12,259)	(13,336)	(61,417)	(65,031)	1,014	66,045	(116,401)	(125,315)	(8,914)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	2,860	2,860	-	-	-	-	-	116,401	116,401
Transfers out	-	(34,253)	(34,253)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(31,393)	(31,393)	-	-	-	-	-	116,401	116,401
Net change in fund balances	(9,399)	(43,652)	(44,729)	(61,417)	(65,031)	1,014	66,045	-	(8,914)	(8,914)
Fund balances - beginning	9,399	43,652	115,444	61,247	61,247	323,258	262,011	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 70,715	\$ (170)	\$ (3,784)	\$ 324,272	\$ 328,056	\$ -	\$ (8,914)	\$ (8,914)

FIDUCIARY FUNDS - AGENCY FUNDS

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

City of Radford, Virginia
 Statement of Changes in Assets and Liabilities
 Fiduciary Funds
 For the Year Ended June 30, 2012

	Agency Funds			
	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 5,209	\$ 62,165	\$ 58,153	\$ 9,221
CSA Regional Program	20,392	15,650	14,687	21,355
Total assets	25,601	77,815	72,840	30,576
LIABILITIES				
Amounts held for others:				
Social services clients	5,209	62,165	58,153	9,221
CSA Regional Program	20,392	15,650	14,687	21,355
Total liabilities	\$ 25,601	\$ 77,815	\$ 72,840	\$ 30,576

Supporting Schedules

City of Radford, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,850,464	\$ 5,850,464	\$ 5,869,720	\$ 19,256
Real and personal public service corporation taxes	115,921	115,921	182,421	66,500
Personal property taxes	566,541	566,541	620,848	54,307
Mobile home taxes	2,800	2,800	3,641	841
Machinery and tools taxes	312,728	312,728	420,658	107,930
Furniture and fixtures	211,204	211,204	234,941	23,737
Penalties and interest	75,500	75,500	94,290	18,790
Total general property taxes	<u>\$ 7,135,158</u>	<u>\$ 7,135,158</u>	<u>\$ 7,426,519</u>	<u>\$ 291,361</u>
Other local taxes:				
Local sales and use taxes	\$ 903,216	\$ 903,216	\$ 900,741	\$ (2,475)
Consumers' utility taxes	534,446	534,446	533,966	(480)
Tobacco tax	84,000	84,000	76,141	(7,859)
Business license taxes	425,000	425,000	458,918	33,918
Franchise license tax	55,000	55,000	37,656	(17,344)
Motor vehicle licenses	185,000	185,000	197,397	12,397
Bank stock taxes	125,000	125,000	157,526	32,526
Taxes on recordation and wills	85,000	85,000	94,276	9,276
Hotel and motel room taxes	176,000	176,000	168,237	(7,763)
Restaurant food taxes	927,000	927,000	988,171	61,171
Total other local taxes	<u>\$ 3,499,662</u>	<u>\$ 3,499,662</u>	<u>\$ 3,613,029</u>	<u>\$ 113,367</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 3,600	\$ 3,600	\$ 4,858	\$ 1,258
Transfer fees	210	210	253	43
Zoning fees	2,000	2,000	800	(1,200)
Permits and other licenses	29,150	29,150	35,688	6,538
Total permits, privilege fees, and regulatory licenses	<u>\$ 34,960</u>	<u>\$ 34,960</u>	<u>\$ 41,599</u>	<u>\$ 6,639</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 210,200	\$ 210,200	\$ 274,544	\$ 64,344
Revenue from use of money and property:				
Revenue from use of money	\$ 12,000	\$ 12,000	\$ -	\$ (12,000)
Revenue from use of property	154,456	154,456	153,589	(867)
Total revenue from use of money and property	<u>\$ 166,456</u>	<u>\$ 166,456</u>	<u>\$ 153,589</u>	<u>\$ (12,867)</u>

City of Radford, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 26,025	\$ 26,025	\$ 24,915	\$ (1,110)
Charges for courthouse maintenance	5,500	5,500	7,701	2,201
Charges for courtroom security	30,000	30,000	42,320	12,320
Charges for Collection fees	44,850	44,850	45,322	472
Miscellaneous jail and inmate fees	3,930	3,930	5,666	1,736
Charges for Commonwealth's Attorney	1,050	1,050	3,707	2,657
Charges for rescue services	422,000	422,000	384,778	(37,222)
Animal protection services	1,500	1,500	2,059	559
Charges for parks and recreation	96,600	96,600	86,155	(10,445)
Bus tickets	10,000	10,000	24,862	14,862
Charges for DMV Registrations	15,000	15,000	18,157	3,157
Other charges for services	8,760	8,760	7,768	(992)
Charges for law library	3,250	3,250	3,486	236
Charges for library	17,675	17,675	17,394	(281)
Total charges for services	<u>\$ 686,140</u>	<u>\$ 686,140</u>	<u>\$ 674,290</u>	<u>\$ (11,850)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 212,125	\$ 232,821	\$ 84,705	\$ (148,116)
Revenue sharing payments - Montgomery	145,000	145,000	152,526	7,526
Revenue sharing payments - Pulaski	70,000	70,000	56,757	(13,243)
Gifts and donations	10,444	14,280	77,948	63,668
Payments in lieu of taxes	1,899,674	2,005,015	2,005,015	-
Total miscellaneous revenue	<u>\$ 2,337,243</u>	<u>\$ 2,467,116</u>	<u>\$ 2,376,951</u>	<u>\$ (90,165)</u>
Recovered costs:				
Insurance recoveries	\$ 338	\$ 2,838	\$ 2,723	\$ (115)
Other recovered costs	2,500	-	-	-
Total recovered costs	<u>\$ 2,838</u>	<u>\$ 2,838</u>	<u>\$ 2,723</u>	<u>\$ (115)</u>
Total revenue from local sources	<u>\$ 14,072,657</u>	<u>\$ 14,202,530</u>	<u>\$ 14,563,244</u>	<u>\$ 360,714</u>

City of Radford, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 23,000	\$ 21,754	\$ -	\$ (21,754)
Mobile home titling tax	1,200	1,200	735	(465)
Motor vehicle rental tax	10,000	10,000	41,951	31,951
Communications tax	816,634	816,634	761,553	(55,081)
State tax on deeds	31,060	29,837	29,849	12
Personal property tax relief funds	625,657	625,657	625,657	-
Total noncategorical aid	<u>\$ 1,507,551</u>	<u>\$ 1,505,082</u>	<u>\$ 1,459,745</u>	<u>\$ (45,337)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 235,552	\$ 235,552	\$ 242,780	\$ 7,228
Sheriff	275,212	264,302	279,191	14,889
Commissioner of revenue	70,269	69,764	69,694	(70)
Treasurer	78,305	77,584	78,475	891
Registrar/electoral board	37,550	35,440	40,083	4,643
Clerk of the Circuit Court	176,902	172,280	181,582	9,302
Reduction in state aid	-	-	(81,875)	(81,875)
Total shared expenses	<u>\$ 873,790</u>	<u>\$ 854,922</u>	<u>\$ 809,930</u>	<u>\$ (44,992)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 606,154	\$ 606,154	\$ 579,677	\$ (26,477)
Comprehensive services act	467,945	561,851	559,228	(2,623)
Assistance to local police departments	468,885	442,786	468,832	26,046
VHDA funds	50,000	50,000	39,915	(10,085)
VJCCA funds	12,629	12,061	10,199	(1,862)
Library grant	139,246	131,816	139,129	7,313
Wireless E-911 payment state grant	39,000	39,000	40,000	1,000
Emergency services funds	30,000	45,000	52,297	7,297
Spay and Neuter Grant	20	20	88	68
Fire program	-	-	49,085	49,085
4-for-life funds	9,000	9,000	9,039	39
Total other categorical aid	<u>\$ 1,822,879</u>	<u>\$ 1,897,688</u>	<u>\$ 1,947,489</u>	<u>\$ 49,801</u>
Total categorical aid	<u>\$ 2,696,669</u>	<u>\$ 2,752,610</u>	<u>\$ 2,757,419</u>	<u>\$ 4,809</u>
Total revenue from the Commonwealth	<u>\$ 4,204,220</u>	<u>\$ 4,257,692</u>	<u>\$ 4,217,164</u>	<u>\$ (40,528)</u>

City of Radford, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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 federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 849,198	\$ 849,198	\$ 692,412	\$ (156,786)
Total categorical aid	<u>\$ 849,198</u>	<u>\$ 849,198</u>	<u>\$ 692,412</u>	<u>\$ (156,786)</u>
Total revenue from the federal government	<u>\$ 849,198</u>	<u>\$ 849,198</u>	<u>\$ 692,412</u>	<u>\$ (156,786)</u>
Total General Fund	<u>\$ 19,126,075</u>	<u>\$ 19,309,420</u>	<u>\$ 19,472,820</u>	<u>\$ 163,400</u>
Special Revenue Funds:				
Grants Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 1,759	\$ 1,759
USTA grant	5,000	5,000	4,375	(625)
Total miscellaneous revenue	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 6,134</u>	<u>\$ 1,134</u>
Total revenue from local sources	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 6,134</u>	<u>\$ 1,134</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Crime victim assistance	\$ -	\$ 84,194	\$ 79,139	\$ (5,055)
Litter control	-	4,850	4,850	-
Law enforcement grants	403	403	-	(403)
Total categorical aid	<u>\$ 403</u>	<u>\$ 89,447</u>	<u>\$ 83,989</u>	<u>\$ (5,458)</u>
Total revenue from the Commonwealth	<u>\$ 403</u>	<u>\$ 89,447</u>	<u>\$ 83,989</u>	<u>\$ (5,458)</u>

City of Radford, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Grants Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Hud entitlement grants	\$ 196,977	\$ 381,710	\$ 215,492	\$ (166,218)
Safe neighborhood grant	57,517	129,309	75,711	(53,598)
Edward Byrne Law Enforcement Grant	-	10,013	10,013	-
State Homeland Security Program	30,463	85,463	85,159	(304)
Community oriented policing	1,448	1,448	1,448	-
State and community highway safety	3,950	15,730	12,874	(2,856)
Juvenile justice and delinquency prevention	-	21,865	21,107	(758)
Total categorical aid	<u>\$ 290,355</u>	<u>\$ 645,538</u>	<u>\$ 421,804</u>	<u>\$ (223,734)</u>
Total revenue from the federal government	<u>\$ 290,355</u>	<u>\$ 645,538</u>	<u>\$ 421,804</u>	<u>\$ (223,734)</u>
Total Grants Fund	<u>\$ 295,758</u>	<u>\$ 739,985</u>	<u>\$ 511,927</u>	<u>\$ (228,058)</u>
Highway Maintenance Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 170	\$ 170	\$ -	\$ (170)
Charges for services:				
Charges for street maintenance	\$ 3,100	\$ 139,244	\$ 136,905	\$ (2,339)
Right of way fees	35,000	35,000	30,834	(4,166)
Total charges for services	<u>\$ 38,100</u>	<u>\$ 174,244</u>	<u>\$ 167,739</u>	<u>\$ (6,505)</u>
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 97	\$ 97
Total revenue from local sources	<u>\$ 38,270</u>	<u>\$ 174,414</u>	<u>\$ 167,836</u>	<u>\$ (6,578)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Highway maintenance funds	\$ 1,911,779	\$ 1,911,779	\$ 1,982,828	\$ 71,049
Total revenue from the Commonwealth	<u>\$ 1,911,779</u>	<u>\$ 1,911,779</u>	<u>\$ 1,982,828</u>	<u>\$ 71,049</u>

City of Radford, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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>
Highway Maintenance Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Disaster relief	\$ 5,793	\$ 5,793	\$ -	\$ (5,793)
Total revenue from the federal government	\$ 5,793	\$ 5,793	\$ -	\$ (5,793)
Total Highway Maintenance Fund	\$ 1,955,842	\$ 2,091,986	\$ 2,150,664	\$ 58,678
Transit Fund				
Revenue from local sources:				
Charges for services:				
Fares	\$ -	\$ 10,500	\$ 11,915	\$ 1,415
Miscellaneous revenue:				
Contributions from Radford University	\$ -	\$ 328,608	\$ 322,570	\$ (6,038)
Total revenue from local sources	\$ -	\$ 339,108	\$ 334,485	\$ (4,623)
Revenue from the Commonwealth:				
Categorical aid:				
State transit funds	\$ -	\$ 691,471	\$ 591,423	\$ (100,048)
Total revenue from the Commonwealth	\$ -	\$ 691,471	\$ 591,423	\$ (100,048)
Revenue from the federal government:				
Categorical aid:				
Formula grants for other than urbanized areas	\$ -	\$ 868,928	\$ 469,763	\$ (399,165)
Total revenue from the federal government	\$ -	\$ 868,928	\$ 469,763	\$ (399,165)
Total Transit Fund	\$ -	\$ 1,899,507	\$ 1,395,671	\$ (503,836)

City of Radford, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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>
Capital Projects Fund:				
City Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 91	\$ 91
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91</u>	<u>\$ 91</u>
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
American recovery grant	\$ 102,569	\$ 102,569	\$ -	\$ (102,569)
Total categorical aid	<u>\$ 102,569</u>	<u>\$ 102,569</u>	<u>\$ -</u>	<u>\$ (102,569)</u>
Total revenue from the federal government	<u>\$ 102,569</u>	<u>\$ 102,569</u>	<u>\$ -</u>	<u>\$ (102,569)</u>
Total City Capital Projects Fund	<u>\$ 102,569</u>	<u>\$ 102,569</u>	<u>\$ 91</u>	<u>\$ (102,478)</u>
Total Primary Government	<u>\$ 21,480,244</u>	<u>\$ 24,143,467</u>	<u>\$ 23,531,173</u>	<u>\$ (612,294)</u>

City of Radford, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
City Council	\$ 60,664	\$ 46,604	\$ 49,260	\$ (2,656)
General and financial administration:				
City Clerk	\$ 17,080	\$ 17,080	\$ 18,961	\$ (1,881)
City Manager	234,081	234,940	225,716	9,224
Commissioner of revenue	162,368	161,863	160,171	1,692
Assessor	43,896	43,896	34,778	9,118
Billing and service	266,358	282,555	284,511	(1,956)
Treasurer	318,942	333,227	342,920	(9,693)
Legal services	48,000	48,000	106,762	(58,762)
Human resources	103,218	100,641	97,186	3,455
Independent auditor	38,880	38,680	38,600	80
Information technology	392,028	396,316	389,668	6,648
Finance	242,989	246,015	240,768	5,247
Total general and financial administration	<u>\$ 1,867,840</u>	<u>\$ 1,903,213</u>	<u>\$ 1,940,041</u>	<u>\$ (36,828)</u>
Board of elections:				
Electoral board and officials	\$ 22,225	\$ 22,225	\$ 23,690	\$ (1,465)
Registrar	79,977	77,867	71,314	6,553
Total board of elections	<u>\$ 102,202</u>	<u>\$ 100,092</u>	<u>\$ 95,004</u>	<u>\$ 5,088</u>
Total general government administration	<u>\$ 2,030,706</u>	<u>\$ 2,049,909</u>	<u>\$ 2,084,305</u>	<u>\$ (34,396)</u>
Judicial administration:				
Courts:				
Circuit court	\$ 44,778	\$ 44,778	\$ 46,423	\$ (1,645)
General district court	23,965	32,560	28,820	3,740
Sheriff	467,306	468,798	467,912	886
Law library	8,000	8,000	603	7,397
Clerk of the circuit court	274,418	269,796	248,286	21,510
Total courts	<u>\$ 818,467</u>	<u>\$ 823,932</u>	<u>\$ 792,044</u>	<u>\$ 31,888</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 300,288	\$ 300,288	\$ 301,267	\$ (979)
Total judicial administration	<u>\$ 1,118,755</u>	<u>\$ 1,124,220</u>	<u>\$ 1,093,311</u>	<u>\$ 30,909</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,932,201	\$ 3,046,941	\$ 3,052,884	\$ (5,943)

City of Radford, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 742,442	\$ 754,035	\$ 758,372	\$ (4,337)
Ambulance and rescue services	673,654	673,654	721,774	(48,120)
Regional Hazmat Response	30,329	45,329	42,517	2,812
Total fire and rescue services	<u>\$ 1,446,425</u>	<u>\$ 1,473,018</u>	<u>\$ 1,522,663</u>	<u>\$ (49,645)</u>
Correction and detention:				
Regional jail	\$ 717,943	\$ 680,934	\$ 544,609	\$ 136,325
Juvenile corrections	65,296	64,728	67,425	(2,697)
Total correction and detention	<u>\$ 783,239</u>	<u>\$ 745,662</u>	<u>\$ 612,034</u>	<u>\$ 133,628</u>
Inspections:				
Building inspector	\$ 94,878	\$ 94,878	\$ 92,672	\$ 2,206
Code enforcement	62,632	62,632	64,378	(1,746)
Total inspections	<u>\$ 157,510</u>	<u>\$ 157,510</u>	<u>\$ 157,050</u>	<u>\$ 460</u>
Other protection:				
Animal control	\$ 92,260	\$ 93,448	\$ 94,323	\$ (875)
Medical examiner	80	80	80	-
E-911 system	447,457	447,457	425,225	22,232
GIS mapping	66,023	66,023	21,230	44,793
Total other protection	<u>\$ 605,820</u>	<u>\$ 607,008</u>	<u>\$ 540,858</u>	<u>\$ 66,150</u>
Total public safety	<u>\$ 5,925,195</u>	<u>\$ 6,030,139</u>	<u>\$ 5,885,489</u>	<u>\$ 144,650</u>
Public works:				
Engineering:				
General Engineering	\$ 159,681	\$ 159,681	\$ 156,145	\$ 3,536
Maintenance of general buildings and grounds:				
General properties	\$ 605,680	\$ 669,859	\$ 683,157	\$ (13,298)
Total public works	<u>\$ 765,361</u>	<u>\$ 829,540</u>	<u>\$ 839,302</u>	<u>\$ (9,762)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 72,080	\$ 72,080	\$ 72,080	\$ -
Mental health and mental retardation:				
Mental health services	\$ 38,503	\$ 38,503	\$ 38,503	\$ -
Health agencies	5,853	5,853	5,853	-
Total mental health and mental retardation	<u>\$ 44,356</u>	<u>\$ 44,356</u>	<u>\$ 44,356</u>	<u>\$ -</u>

City of Radford, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Welfare administration and programs	\$ 1,637,051	\$ 1,637,051	\$ 1,489,627	\$ 147,424
Comprehensive services act	604,684	726,684	741,589	(14,905)
Property tax relief for the elderly	63,700	63,700	63,164	536
Social service agencies	79,573	79,573	78,073	1,500
Total welfare	<u>\$ 2,385,008</u>	<u>\$ 2,507,008</u>	<u>\$ 2,372,453</u>	<u>\$ 134,555</u>
Total health and welfare	<u>\$ 2,501,444</u>	<u>\$ 2,623,444</u>	<u>\$ 2,488,889</u>	<u>\$ 134,555</u>
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 6,417	\$ 6,417	\$ 6,417	\$ -
School bus operations	39,534	39,534	57,623	(18,089)
Contribution to City School Board	5,428,933	5,428,933	4,957,466	471,467
Total education	<u>\$ 5,474,884</u>	<u>\$ 5,474,884</u>	<u>\$ 5,021,506</u>	<u>\$ 453,378</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 493,897	\$ 512,347	\$ 520,358	\$ (8,011)
Maintenance of parks	167,137	167,137	174,917	(7,780)
Recreation center and playgrounds	435,196	435,196	475,585	(40,389)
Total parks and recreation	<u>\$ 1,096,230</u>	<u>\$ 1,114,680</u>	<u>\$ 1,170,860</u>	<u>\$ (56,180)</u>
Cultural enrichment:				
Glencoe museum	\$ 19,906	\$ 19,906	\$ 21,847	\$ (1,941)
Library:				
Library expenses	\$ 684,726	\$ 677,296	\$ 674,268	\$ 3,028
Total parks, recreation, and cultural	<u>\$ 1,800,862</u>	<u>\$ 1,811,882</u>	<u>\$ 1,866,975</u>	<u>\$ (55,093)</u>
Community development:				
Planning and community development:				
Planning	\$ 47,748	\$ 47,748	\$ 47,240	\$ 508
Community development	266,743	192,861	192,351	510
Zoning board	600	600	600	-
Tourism	77,516	78,816	72,691	6,125
Economic development	82,338	82,338	80,829	1,509
VHDA program	50,868	50,868	53,348	(2,480)
Total planning and community development	<u>\$ 525,813</u>	<u>\$ 453,231</u>	<u>\$ 447,059</u>	<u>\$ 6,172</u>
Total community development	<u>\$ 525,813</u>	<u>\$ 453,231</u>	<u>\$ 447,059</u>	<u>\$ 6,172</u>

City of Radford, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 874,185	\$ 929,342	\$ 930,518	\$ (1,176)
Interest and other fiscal charges	1,011,798	1,011,798	880,063	131,735
Total debt service	<u>\$ 1,885,983</u>	<u>\$ 1,941,140</u>	<u>\$ 1,810,581</u>	<u>\$ 130,559</u>
Total General Fund	<u>\$ 22,029,003</u>	<u>\$ 22,338,389</u>	<u>\$ 21,537,417</u>	<u>\$ 800,972</u>
Non Major Special Revenue Funds:				
Grants Fund:				
Public safety:				
Law enforcement and traffic control:				
Victim witness assistance	\$ -	\$ 84,194	\$ 79,136	\$ 5,058
Safe neighborhood grant	57,517	129,309	75,711	53,598
Impaired driver and speed enforcement	4,740	18,876	15,449	3,427
Police department	2,254	12,771	11,965	806
Citizens Alerting System	2,500	2,500	2,500	-
Total law enforcement and traffic control	<u>\$ 67,011</u>	<u>\$ 247,650</u>	<u>\$ 184,761</u>	<u>\$ 62,889</u>
Fire and rescue services:				
Fire department	\$ 30,463	\$ 85,463	\$ 85,159	\$ 304
Total public safety	<u>\$ 97,474</u>	<u>\$ 333,113</u>	<u>\$ 269,920</u>	<u>\$ 63,193</u>
Public Works:				
Maintenance of general buildings and grounds:				
Litter control	\$ -	\$ 4,850	\$ 5,121	\$ (271)
Health and welfare:				
Welfare:				
Energy assistance program	\$ 2,818	\$ 2,818	\$ 2,584	\$ 234
Education:				
Education:				
Education grant expenses	\$ -	\$ 21,865	\$ 21,108	\$ 757

City of Radford, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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>
Non Major Special Revenue Funds: (Continued)				
Grants Fund: (Continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Bikeway/walkway grant	\$ 5,987	\$ 5,987	\$ 5,987	\$ -
Wildwood park grant	644	644	663	(19)
Total parks and recreation	<u>\$ 6,631</u>	<u>\$ 6,631</u>	<u>\$ 6,650</u>	<u>\$ (19)</u>
Total parks, recreation and cultural	<u>\$ 6,631</u>	<u>\$ 6,631</u>	<u>\$ 6,650</u>	<u>\$ (19)</u>
Community development:				
Planning and community development:				
Tourism	\$ 1,257	\$ 1,257	\$ 5,668	\$ (4,411)
HUD grant expenditures	196,977	353,840	187,861	165,979
Total planning and community development	<u>\$ 198,234</u>	<u>\$ 355,097</u>	<u>\$ 193,529</u>	<u>\$ 161,568</u>
Total community development	<u>\$ 198,234</u>	<u>\$ 355,097</u>	<u>\$ 193,529</u>	<u>\$ 161,568</u>
Debt service:				
Principal retirement	\$ -	\$ 22,000	\$ 22,000	\$ -
Interest and other fiscal charges	-	5,870	4,351	1,519
Total debt service	<u>\$ -</u>	<u>\$ 27,870</u>	<u>\$ 26,351</u>	<u>\$ 1,519</u>
Total Grants Fund	<u>\$ 305,157</u>	<u>\$ 752,244</u>	<u>\$ 525,263</u>	<u>\$ 226,981</u>
Highway Maintenance Fund:				
Public works:				
Maintenance of streets, highways and bridges:				
General administration	\$ 148,998	\$ 149,123	\$ 122,319	\$ 26,804
Highway maintenance and repairs - state	1,668,895	1,678,884	1,704,812	(25,928)
Highway maintenance and repairs - local	84,396	218,540	222,505	(3,965)
Street lights	64,000	64,000	71,045	(7,045)
Snow and ice removal	42,300	37,800	21,025	16,775
Storm drainage	8,500	8,500	7,944	556
Total maintenance of streets, highways, and bridges	<u>\$ 2,017,089</u>	<u>\$ 2,156,847</u>	<u>\$ 2,149,650</u>	<u>\$ 7,197</u>
Total Highway Maintenance Fund	<u>\$ 2,017,089</u>	<u>\$ 2,156,847</u>	<u>\$ 2,149,650</u>	<u>\$ 7,197</u>

City of Radford, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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>
Non Major Special Revenue Funds: (Continued)				
Transit Fund:				
Community Development:				
Planning and community development:				
City transit service	\$ -	\$ 2,015,908	\$ 1,520,986	494,922
Total Transit Fund	\$ -	\$ 2,015,908	\$ 1,520,986	\$ 494,922
Capital Projects Fund:				
City Capital Projects Fund:				
Capital Projects:				
Accounting system	\$ 28,458	\$ 28,458	\$ -	\$ 28,458
Tyler Avenue landscaping	24,890	24,890	-	24,890
Traffic Engineering	150,000	150,000	179	149,821
Public Safety Building	231,287	234,428	359,869	(125,441)
Second Avenue Improvements	24,134	24,134	46,449	(22,315)
Water System Improvements	234,837	234,837	12	234,825
Park Road/Tyler Avenue	-	-	2,198	(2,198)
Storm drainage projects	11,967	11,967	33,667	(21,700)
Park and recreation improvements	12,532	12,532	36,855	(24,323)
Multipurpose fields	100,000	100,000	-	100,000
Total capital projects	\$ 818,105	\$ 821,246	\$ 479,229	\$ 342,017
Debt service:				
Interest and other fiscal charges	\$ -	\$ 246,000	\$ 119,148	\$ 126,852
Total Capital Projects Fund	\$ 818,105	\$ 1,067,246	\$ 598,377	\$ 468,869
Total Primary Government	\$ 25,169,354	\$ 28,330,634	\$ 26,331,693	\$ 1,998,941

Statistical Information

Statistical Section

This part of the annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.	82
Revenue Capacity These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	90
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.	94

Sources: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2004; schedules presenting government-wide information include information beginning in that year.

Table 1

CITY OF RADFORD, VIRGINIA
 Net Assets by Component
 Last Nine Fiscal Years (1)
 (accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Invested in capital assets, net of related debt	\$ 43,807,253	\$ 44,663,347	\$ 43,781,921	\$ 42,433,941	\$ 41,450,815	\$ 41,059,783	\$ 41,472,798	\$ 40,402,563	\$ 39,986,063
Restricted	-	-	1,685,598	1,009,830	1,062,107	3,661,446	509,733	615,847	644,276
Unrestricted	8,692,182	7,336,310	6,883,870	7,065,810	7,815,581	7,150,443	6,210,599	6,364,767	6,461,353
Total governmental activities net assets	\$ 52,499,435	\$ 51,999,657	\$ 52,351,389	\$ 50,509,581	\$ 50,328,503	\$ 51,871,672	\$ 48,193,130	\$ 47,383,177	\$ 47,091,692
Business-type activities									
Invested in capital assets, net of related debt	\$ 14,720,065	\$ 14,728,216	\$ 16,175,798	\$ 16,843,671	\$ 16,103,927	\$ 15,087,089	\$ 15,534,890	\$ 15,089,859	\$ 14,568,531
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	15,962,103	14,300,902	12,029,539	11,584,577	10,019,591	8,487,728	7,354,066	8,013,733	8,866,605
Total business-type activities net assets	\$ 30,682,168	\$ 29,029,118	\$ 28,205,337	\$ 28,428,248	\$ 26,123,518	\$ 23,574,817	\$ 22,888,956	\$ 23,103,592	\$ 23,435,136
Primary government									
Invested in capital assets, net of related debt	\$ 58,527,318	\$ 59,391,563	\$ 59,957,719	\$ 59,277,612	\$ 57,554,742	\$ 56,146,872	\$ 57,007,688	\$ 55,492,422	\$ 54,554,594
Restricted	-	-	1,685,598	1,009,830	1,062,107	3,661,446	509,733	615,847	644,276
Unrestricted	24,654,285	21,637,212	18,913,409	18,650,387	17,835,172	15,638,171	13,564,665	14,378,500	15,327,958
Total primary government net assets	\$ 83,181,603	\$ 81,028,775	\$ 80,556,726	\$ 78,937,829	\$ 76,452,021	\$ 75,446,489	\$ 71,082,086	\$ 70,486,769	\$ 70,526,828

(1) Information only available for the last 9 years

CITY OF RADFORD, VIRGINIA
Changes in Net Assets
Last Nine Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities:									
General government administration	\$ 1,372,022	\$ 1,623,166	\$ 1,945,248	\$ 2,360,446	\$ 2,318,049	\$ 2,378,072	\$ 2,288,017	\$ 2,114,955	\$ 2,257,781
Judicial administration	973,938	1,075,179	573,620	644,504	633,173	1,183,737	1,155,145	1,108,911	1,112,641
Public safety	4,680,184	4,742,489	5,520,190	5,991,991	6,173,244	5,930,185	6,387,807	6,244,619	6,338,892
Public works	4,315,976	4,153,349	3,961,164	4,084,908	4,137,294	4,055,643	3,319,506	3,316,104	3,583,272
Health and welfare	1,847,742	1,777,103	1,882,803	1,970,492	1,944,040	2,025,890	2,291,061	2,269,438	2,501,597
Education	5,551,742	5,180,623	5,407,165	5,202,606	4,545,629	5,226,904	8,334,559	4,812,897	5,357,984
Parks, recreation and cultural	1,756,193	1,798,586	1,633,402	1,994,060	2,065,662	2,155,156	2,163,466	2,012,187	2,170,790
Community development	521,674	624,028	682,569	409,533	633,057	691,360	669,451	1,606,945	1,739,173
Interest on long-term debt	124,503	150,448	146,425	147,438	329,475	274,934	771,041	883,852	955,544
Total governmental activities expenses	\$ 21,143,974	\$ 21,124,971	\$ 21,752,586	\$ 22,805,978	\$ 22,779,623	\$ 23,921,881	\$ 27,380,053	\$ 24,369,908	\$ 26,017,674
Business-type activities:									
Water, sewer and electric	\$ 17,674,579	\$ 18,006,466	\$ 23,263,810	\$ 22,812,759	\$ 25,218,048	\$ 23,105,211	\$ 22,800,818	\$ 24,881,044	\$ 27,590,819
Total primary government expenses	\$ 38,818,553	\$ 39,131,437	\$ 45,016,396	\$ 45,618,737	\$ 47,997,671	\$ 47,027,092	\$ 50,180,871	\$ 49,250,952	\$ 53,608,493
Program Revenues									
Governmental activities:									
Charges for services:									
General government administration	\$ 1,058,798	\$ 1,329,804	\$ 7,177	\$ 58,932	\$ 48,451	\$ 22,399	\$ 18,747	\$ 21,622	\$ 25,925
Judicial administration	-	-	222,413	260,657	285,218	344,345	250,380	276,672	341,451
Public safety	94,082	120,966	221,980	100,777	192,931	81,143	518,563	465,363	547,947
Public works	-	-	64,424	39,898	81,847	53,824	91,946	39,030	175,440
Parks, recreation and cultural	-	-	130,180	121,197	96,481	132,350	121,802	109,586	122,932
Community development	-	-	-	7,029	-	-	-	-	-
Operating grants and contributions	5,892,877	4,886,597	5,606,816	5,223,351	5,427,508	5,610,577	5,964,394	6,333,219	6,999,638
Capital grants and contributions	16,481,772	-	70,000	-	-	1,573,485	-	-	-
Total governmental activities program revenues	\$ 23,527,529	\$ 6,337,367	\$ 6,322,990	\$ 5,811,841	\$ 6,132,436	\$ 7,818,123	\$ 6,965,832	\$ 7,245,492	\$ 8,213,333
Business-type activities:									
Charges for services:									
Water, sewer and electric	\$ 19,659,884	\$ 18,632,716	\$ 24,096,263	\$ 24,560,742	\$ 25,415,487	\$ 23,975,402	\$ 24,164,804	\$ 26,369,886	\$ 30,132,722
Operating grants and contributions	58,350	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	24,000	-	-	302,236	548,025	51,285
Total business-type activities program revenues	\$ 19,718,234	\$ 18,632,716	\$ 24,096,263	\$ 24,584,742	\$ 25,415,487	\$ 23,975,402	\$ 24,467,040	\$ 26,917,911	\$ 30,184,007
Total primary government program revenues	\$ 43,245,763	\$ 24,970,083	\$ 30,419,253	\$ 30,396,583	\$ 31,547,923	\$ 31,793,525	\$ 31,432,872	\$ 34,163,403	\$ 38,397,340
Net (expense) / revenue									
Governmental activities	\$ 2,383,555	\$ (14,787,604)	\$ (15,429,596)	\$ (16,994,137)	\$ (16,647,187)	\$ (16,103,758)	\$ (20,414,221)	\$ (17,124,416)	\$ (17,804,341)
Business-type activities	2,043,655	626,250	832,453	1,771,983	197,439	870,191	1,666,222	2,036,867	2,593,188
Total primary government net (expense)/revenue	\$ 4,427,210	\$ (14,161,354)	\$ (14,597,143)	\$ (15,222,154)	\$ (16,449,748)	\$ (15,233,567)	\$ (18,747,999)	\$ (15,087,549)	\$ (15,211,153)

CITY OF RADFORD, VIRGINIA
Changes in Net Assets
Last Nine Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 6,174,376	\$ 6,408,134	\$ 6,430,299	\$ 6,314,847	\$ 6,449,758	\$ 7,062,754	\$ 7,234,689	\$ 7,329,530	\$ 7,317,561
Local sales and use taxes	750,107	813,065	965,875	975,485	556,671	868,943	831,986	873,384	900,741
Restaurant food taxes	672,466	735,982	793,819	817,395	875,065	884,160	891,213	952,416	988,171
Motor vehicle taxes	169,959	174,864	175,151	175,935	9,165	178,489	185,808	196,726	197,397
Consumers' utility taxes	1,010,437	1,012,815	945,106	774,046	577,377	553,552	556,629	560,347	533,966
Communications taxes	-	-	-	-	856,242	777,974	-	-	-
Business license taxes	327,250	351,235	374,131	381,208	403,624	423,557	398,683	414,298	458,918
Other local taxes	834,807	1,085,415	950,047	1,094,144	528,469	548,750	473,263	538,664	533,836
Payments in lieu of taxes	1,658,840	2,005,827	1,509,949	1,849,123	1,765,114	1,843,822	1,765,114	1,688,205	2,005,015
Unrestricted grants and contributions	696,841	717,899	761,835	734,481	679,593	685,764	1,465,078	1,500,937	1,459,745
Unrestricted revenues from use of money and property	163,184	261,285	391,265	525,636	682,758	460,751	143,927	150,447	153,680
Miscellaneous	135,615	152,875	267,854	253,721	299,910	411,416	304,016	284,625	700,640
Gain (Loss) on disposal of capital assets	-	-	(5,985)	-	(17,429)	7,660	127,883	2,050	-
Transfers	1,264,734	2,452,773	2,131,814	2,113,763	2,779,603	2,939,335	2,357,390	1,822,834	2,263,187
Total governmental activities	\$ 13,858,616	\$ 16,172,169	\$ 15,691,160	\$ 16,009,784	\$ 16,466,109	\$ 17,646,927	\$ 16,735,679	\$ 16,314,463	\$ 17,512,857
Business-type activities:									
Unrestricted revenues from use of money and property	\$ 85,238	\$ 173,473	\$ 475,580	\$ 564,691	\$ 277,434	\$ 75,504	\$ 5,307	\$ 603	\$ 1,543
Special items	-	-	-	-	-	(555,061)	-	-	-
Transfers	(1,264,734)	(2,452,773)	(2,131,814)	(2,113,763)	(2,779,603)	(2,939,335)	(2,357,390)	(1,822,834)	(2,263,187)
Total business-type activities	\$ (1,179,496)	\$ (2,279,300)	\$ (1,656,234)	\$ (1,549,072)	\$ (2,502,169)	\$ (3,418,892)	\$ (2,352,083)	\$ (1,822,231)	\$ (2,261,644)
Total primary government	\$ 12,679,120	\$ 13,892,869	\$ 14,034,926	\$ 14,460,712	\$ 13,963,940	\$ 14,228,035	\$ 14,383,596	\$ 14,492,232	\$ 15,251,213
Change in Net Assets									
Governmental activities	\$ 16,242,171	\$ 1,384,565	\$ 261,564	\$ (984,353)	\$ (181,078)	\$ 1,543,169	\$ (3,678,542)	\$ (809,953)	\$ (291,484)
Business-type activities	864,159	(1,653,050)	(823,781)	222,911	(2,304,730)	(2,548,701)	(685,861)	214,636	331,544
Total primary government	\$ 17,106,330	\$ (268,485)	\$ (562,217)	\$ (761,442)	\$ (2,485,808)	\$ (1,005,532)	\$ (4,364,403)	\$ (595,317)	\$ 40,060

(1) Information only available for the last 9 years

Table 3

CITY OF RADFORD, VIRGINIA
 Governmental Activities Tax Revenues by Source
 Last Nine Fiscal Years (1)
 (accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax		Restaurant Food Tax	Business License Tax	Other Local Taxes		Total
				License	Tax			Local	Taxes	
2012	\$ 7,317,561	\$ 900,741	\$ 533,966	\$ 197,397	\$ 988,171	\$ 458,918	\$ 533,836	\$ 10,930,590		
2011	7,329,530	873,384	560,347	196,726	952,416	414,298	538,664	10,865,365		
2010	7,234,689	831,986	556,629	185,808	891,213	398,683	473,263	10,572,271		
2009	7,062,754	868,943	553,552	178,489	884,160	423,557	548,750	10,520,205		
2008	6,412,871	556,671	577,377	9,165	875,065	403,624	528,469	9,363,242		
2007	6,314,847	975,485	774,046	175,935	817,395	381,208	1,094,144	10,533,060		
2006	6,430,299	965,875	945,106	175,151	793,819	374,131	950,047	10,634,428		
2005	6,408,134	813,065	1,012,815	174,864	735,982	351,235	1,085,415	10,581,510		
2004	6,174,376	750,107	1,010,437	169,959	672,466	327,250	834,807	9,939,402		

(1) Information only available for the last 9 years.

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

Table 4

CITY OF RADFORD, VIRGINIA
Fund Balances of Governmental Funds
Last Nine Fiscal Years (1)
(modified accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201,236	\$ 136,611
Restricted/Reserved	1,090,171	745,993	995,721	951,942	942,554	315,938	474,302	580,416	608,845
Committed	-	-	-	-	-	-	-	2,201,052	2,296,667
Unassigned/Unreserved	2,804,426	4,043,768	5,127,134	5,044,842	5,871,156	5,548,378	5,008,887	2,512,517	2,635,777
Total general fund	\$ 3,894,597	\$ 4,789,761	\$ 6,122,855	\$ 5,996,784	\$ 6,813,710	\$ 5,864,316	\$ 5,483,189	\$ 5,495,221	\$ 5,677,900
All other governmental funds									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,725	12,437
Restricted/Reserved	1,996,941	1,118,193	689,877	57,888	14,832,676	3,345,508	35,431	35,431	35,431
Committed	-	-	-	-	-	-	-	1,281,492	1,330,219
Unreserved/Unassigned, reported in:									
Special revenue funds	680,842	714,686	403,544	712,425	161,187	380,649	405,161	-	(8,914)
Capital projects funds	1,062,093	1,514,872	1,299,892	1,321,000	995,198	1,462,206	930,892	-	-
Total all other governmental funds	\$ 3,739,876	\$ 3,347,751	\$ 2,393,313	\$ 2,091,313	\$ 15,989,061	\$ 5,188,363	\$ 1,371,484	\$ 1,333,648	\$ 1,369,173

(1) Information only available for the last 9 years

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

CITY OF RADFORD, VIRGINIA
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years (1)
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues									
General property taxes	\$ 6,077,108	\$ 6,259,607	\$ 6,286,313	\$ 6,348,319	\$ 6,412,871	\$ 7,012,100	\$ 7,141,132	\$ 7,017,704	\$ 7,426,519
Other local taxes	3,765,026	4,173,376	4,204,129	4,218,213	3,806,613	4,235,425	3,337,582	3,535,835	3,613,029
Permits, privilege fees and regulatory licenses	18,669	16,706	35,670	52,901	36,706	20,985	37,917	35,757	41,599
Fines and forfeitures	94,082	120,966	214,933	255,274	279,394	261,418	195,704	224,244	274,544
Revenue from use of money and property	163,184	254,888	401,149	525,636	682,758	460,751	143,927	150,447	153,680
Charges for services	327,467	454,525	395,571	280,315	388,828	351,658	767,817	652,272	853,944
Miscellaneous	1,719,247	2,127,196	1,777,803	2,102,844	2,128,360	2,255,238	2,069,130	1,972,830	2,705,655
Recovered costs	-	-	37,752	35,406	57,465	100,376	55,660	59,580	2,820
Intergovernmental:									
Commonwealth	5,376,354	5,195,809	5,085,311	5,060,611	5,164,626	6,845,977	6,209,947	6,338,627	6,875,404
Federal	1,269,903	423,487	1,353,340	897,221	942,475	1,023,849	1,219,525	1,495,529	1,583,979
Total revenues	\$ 18,811,040	\$ 19,026,560	\$ 19,791,971	\$ 19,776,740	\$ 19,900,096	\$ 22,567,777	\$ 21,178,341	\$ 21,482,825	\$ 23,531,173
Expenditures									
General government administration	\$ 1,690,272	\$ 1,541,620	\$ 1,987,141	\$ 2,093,512	\$ 2,203,116	\$ 2,289,018	\$ 2,141,757	\$ 2,006,186	\$ 2,084,305
Judicial administration	936,641	1,032,956	556,137	713,455	661,831	1,178,428	1,125,737	1,082,538	1,093,311
Public safety	4,488,778	4,207,220	5,547,830	6,010,285	6,021,053	6,767,752	6,314,326	6,699,588	6,155,409
Public works	2,601,901	2,452,558	2,599,204	2,852,697	2,834,267	2,900,711	2,672,561	2,667,712	2,994,073
Health and welfare	1,839,950	1,766,903	1,823,156	1,976,883	1,939,683	2,038,092	2,278,482	2,253,374	2,491,473
Education	5,262,913	5,180,623	5,004,055	5,185,634	7,038,821	16,192,846	8,518,439	4,498,458	5,042,614
Parks, recreation and cultural	1,484,951	1,468,947	1,657,571	1,739,036	1,775,060	1,856,042	1,857,756	1,778,938	1,873,625
Community development	1,617,066	772,577	677,889	404,312	635,677	691,469	670,136	1,077,646	2,161,574
Capital projects	752,524	2,282,705	1,431,006	863,249	722,764	1,279,040	1,727,243	4,784,258	479,229
Debt service:									
Principal retirement	202,360	389,135	333,844	339,002	349,521	7,902,282	819,987	856,066	952,518
Bond issuance cost	16,707	-	-	-	11,780	-	-	-	-
Interest and other fiscal charges	144,907	156,050	144,972	140,509	129,629	126,456	817,932	872,830	1,003,562
Total expenditures	\$ 21,038,970	\$ 21,251,294	\$ 21,762,805	\$ 22,318,574	\$ 24,323,202	\$ 43,222,136	\$ 28,944,356	\$ 28,577,594	\$ 26,331,693
Excess of revenues over (under) expenditures	\$ (2,227,930)	\$ (2,224,734)	\$ (1,970,834)	\$ (2,541,834)	\$ (4,423,106)	\$ (20,654,359)	\$ (7,766,015)	\$ (7,094,769)	\$ (2,800,520)

CITY OF RADFORD, VIRGINIA
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years (1)
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other financing sources (uses)									
Transfers in	\$ 1,622,069	\$ 2,840,545	\$ 2,534,769	\$ 3,404,099	\$ 3,674,085	\$ 3,951,150	\$ 2,860,859	\$ 1,830,949	\$ 2,836,723
Transfers out	(304,835)	(262,772)	(402,955)	(1,290,336)	(894,482)	(1,012,193)	(503,469)	(8,115)	(573,536)
Issuance of general obligation bonds	1,555,000	-	-	-	15,910,378	5,926,515	1,082,736	5,244,081	598,183
Refunding bonds issued	2,206,455	-	-	-	-	-	-	-	-
Payments on refunding of bonds	(2,280,934)	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	447,800	13,838	-	-	157,354
Sale of capital assets	-	-	-	-	-	24,957	127,883	2,050	-
Total other financing sources (uses)	\$ 2,797,755	\$ 2,577,773	\$ 2,131,814	\$ 2,113,763	\$ 19,137,781	\$ 8,904,267	\$ 3,568,009	\$ 7,068,965	\$ 3,018,724
Net change in fund balances	\$ 569,825	\$ 353,039	\$ 160,980	\$ (428,071)	\$ 14,714,675	\$ (11,750,092)	\$ (4,198,006)	\$ (25,804)	\$ 218,204
Debt service as a percentage of noncapital expenditures	1.71%	2.87%	2.36%	2.23%	2.03%	19.14%	6.02%	7.27%	7.57%

(1) Information only available for the last 9 years

Table 6

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumers' Utility Tax	Motor Vehicle License Tax		Restaurant Food Tax	Business License Tax	Other Local Taxes	Total	Percentage Change from Prior Year
				Motor Vehicle License Tax	Restaurant Food Tax					
2012	\$ 7,426,519	\$ 900,741	\$ 533,966	\$ 197,397	\$ 988,171	\$ 458,918	\$ 533,836	\$ 11,039,548	4.61%	
2011	7,017,704	873,384	560,347	196,726	952,416	414,298	538,664	10,553,539	0.71%	
2010	7,141,132	831,986	556,629	185,808	891,213	398,683	473,263	10,478,714	0.09%	
2009	7,012,100	868,943	553,552	178,489	884,160	423,557	548,750	10,469,551	11.82%	
2008	6,412,871	556,671	577,377	9,165	875,065	403,624	528,469	9,363,242	-11.39%	
2007	6,348,319	975,485	774,046	175,935	817,395	381,208	1,094,144	10,566,532	0.73%	
2006	6,286,313	965,875	945,106	175,151	793,819	374,131	950,047	10,490,442	0.55%	
2005	6,259,607	813,065	1,012,815	174,864	735,982	351,235	1,085,415	10,432,983	6.00%	
2004	6,077,108	750,107	1,010,437	169,959	672,466	327,250	834,807	9,842,134	9.10%	
2003	5,525,086	761,830	992,253	171,037	557,575	305,908	707,673	9,021,362	5.04%	

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

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service	Total Taxable		Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
						Assessed Value	Value		
2012	\$ 787,822,090	\$ 53,499,297	\$ 545,379	\$ 39,032,130	\$ 23,780,929	\$ 904,679,825	\$ 904,679,825	100.00%	
2011	792,140,290	49,448,088	555,501	32,966,578	23,171,319	898,281,776	898,281,776	100.00%	
2010	780,509,940	47,670,845	579,471	35,629,683	19,423,669	883,813,608	883,813,608	100.00%	
2009	785,296,540	53,562,342	576,215	45,265,604	15,757,184	900,457,885	900,457,885	100.00%	
2008	718,790,240	51,680,310	812,966	45,975,680	16,701,061	833,960,257	833,960,257	100.00%	
2007	651,350,340	52,306,524	841,554	42,103,216	17,883,260	764,484,894	764,484,894	100.00%	
2006	646,978,740	50,411,878	819,150	43,067,600	19,380,191	760,657,559	760,657,559	100.00%	
2005	639,553,745	46,498,898	819,156	49,309,000	22,287,508	758,468,307	758,468,307	100.00%	
2004	578,281,745	50,421,721	968,870	50,298,125	21,050,924	701,021,385	701,021,385	100.00%	
2003	518,723,480	49,589,020	986,020	50,340,000	20,230,442	639,868,962	639,868,962	100.00%	

Source: Commissioner of Revenue

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

Fiscal Years	Direct Rates			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2012	\$ 0.76	\$ 2.44	\$ 0.76	\$ 1.76
2011	0.76	2.44	0.76	1.76
2010(3)	0.73-0.76	2.44	0.73-0.76	1.76
2009(2)	0.64-0.73	2.44	0.64-0.73	1.76
2008	0.63	2.44	0.63	1.76
2007	0.73	2.44	0.73	1.76
2006	0.73	2.44	0.73	1.76
2005	0.73	2.44	0.73	1.76
2004	0.70	2.44	0.70	1.76
2003	0.80	2.44	0.80	1.76

(1) Per \$100 of assessed value

(2) In Fiscal Year 2009 the tax rate increased \$0.09 between billing 2nd half of 2008 and 1st half of 2009.

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

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount*	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 7,903,419	\$ 7,658,768	96.90%	\$ -	\$ 7,658,768	96.90%
2011	7,775,418	7,338,433	94.38%	270,134	7,608,567	97.85%
2010	7,698,150	7,599,999	98.73%	91,660	7,691,659	99.92%
2009	7,668,216	7,502,632	97.84%	85,939	7,588,571	98.96%
2008	7,097,736	6,825,946	96.17%	114,045	6,939,991	97.78%
2007	6,930,573	6,830,912	98.56%	61,470	6,892,382	99.45%
2006	6,909,447	6,736,261	97.49%	36,801	6,773,062	98.03%
2005	6,547,030	6,538,966	99.88%	75,551	6,614,517	101.03%
2004	6,474,998	6,387,779	98.65%	63,392	6,451,171	99.63%
2003	5,896,155	5,761,795	97.72%	124,654	5,886,449	99.84%

Source: Commissioner of Revenue, City Treasurer's office

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

*Includes collections and assessments under the State's PPTRA program

City of Radford, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal(2)	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2011-12	\$ 952,518	\$ 1,003,562	1,956,080	\$ 26,331,693	7.43%
2010-11	856,066	872,830	1,728,896	28,577,594	6.05%
2009-10	819,987	817,932	1,637,919	28,944,356	5.66%
2008-09	402,282	126,456	528,738	35,722,136	1.48%
2007-08	349,521	141,409	490,930	24,323,202	2.02%
2006-07	339,002	140,509	479,511	22,318,574	2.15%
2005-06	333,844	144,972	478,816	21,762,805	2.20%
2004-05	389,135	156,050	545,185	16,532,953	3.30%
2003-04	201,163	131,892	333,055	16,444,217	2.03%
2002-03	121,847	111,502	233,349	12,352,761	1.89%

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

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

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

Fiscal Years	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita
	General Obligation Bonds	Literary Fund Loans	Capital Leases	Revenue Bonds	General Obligation Bonds			
2012	\$ 20,350,159	\$ -	\$ 396,758	\$ 969,666	\$ 5,404,239	\$	\$ 27,120,822	\$ 1,653
2011	20,605,434	-	338,364	956,818	6,018,841		27,919,457	1,702
2010	16,175,099	-	380,783	130,420	6,616,682		23,302,984	1,487
2009	15,871,273	-	421,860	138,353	7,204,505		23,635,991	1,508
2008	17,936,087	-	447,800	146,738	7,763,188		26,293,813	1,678
2007	2,665,608	-	-	155,122	8,315,458		11,136,188	711
2006	3,004,610	-	-	68,358	8,835,799		11,908,767	760
2005	3,332,721	-	5,734	-	9,276,275		12,614,730	805
2004	3,649,383	500,158	78,009	-	8,076,512		12,304,062	809
2003	2,280,934	884,515	168,499	-	2,363,909		5,697,857	377

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

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (2)	Ratio of Net General Obligation Debt to Assessed Value (1)	Net Bonded Debt per Capita
2012	\$ 25,754,398	\$ -	\$ 25,754,398	2.85%	\$ 1,570
2011	26,624,275	-	26,624,275	2.96%	1,623
2010	22,791,781	-	22,791,781	2.58%	1,454
2009	23,075,778	-	23,075,778	2.56%	1,473
2008	25,699,275	-	25,699,275	3.08%	1,640
2007	10,981,066	-	10,981,066	1.44%	701
2006	11,840,409	-	11,840,409	1.56%	756
2005	12,608,996	-	12,608,996	1.66%	805
2004	11,725,895	-	11,725,895	1.67%	771
2003	5,529,358	-	5,529,358	0.86%	366

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

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

CITY OF RADFORD, VIRGINIA
 Legal Debt Margin Information
 Last Nine Fiscal Years (1)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 57,828,175	\$ 63,955,375	\$ 64,697,874	\$ 65,135,034	\$ 71,879,024	\$ 78,529,654	\$ 78,050,994	\$ 79,214,029	\$ 78,782,209
Total net debt applicable to limit	11,725,895	12,608,996	11,840,409	10,981,066	25,699,275	23,075,778	22,791,781	26,624,275	25,754,398
Legal debt margin	\$ 46,102,280	\$ 51,346,379	\$ 52,857,465	\$ 54,153,968	\$ 46,179,749	\$ 55,453,876	\$ 55,259,213	\$ 52,589,754	\$ 53,027,811
Total net debt applicable to the limit as a percentage of debt limit	20.28%	19.72%	18.30%	16.86%	35.75%	29.38%	29.20%	33.61%	32.69%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 787,822,090
Total assessed value	\$ 787,822,090
Debt limit (10% of total assessed value)	\$ 78,782,209
Net debt applicable to limit	25,754,398
Legal debt margin	\$ 53,027,811

(1) Information only available for the last 9 years.

CITY OF RADFORD, VIRGINIA
Pledged-Revenue Coverage
Last Nine Fiscal Years (1)

Fiscal Year	Water and Sewer Revenue Bonds					Coverage
	Water and Sewer Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2012	\$ 4,130,114	\$ 3,715,796	\$ 414,318	\$ 603,468	\$ 31,954	0.65
2011	4,202,208	3,683,675	518,533	573,378	34,678	0.85
2010	4,256,817	3,753,602	503,215	547,637	36,738	0.86
2009	3,966,054	3,803,991	162,063	567,068	79,046	0.25
2008	4,536,597	3,714,652	821,945	518,342	133,995	1.26
2007	4,073,279	3,459,438	613,841	503,187	188,011	0.89
2006	3,879,754	3,104,556	775,198	252,530	196,411	1.73
2005	3,284,763	3,274,957	9,806	340,917	19,277	0.03
2004	3,542,066	3,078,530	463,536	727,942	49,284	0.60

(1) Information only available for the last 9 years.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Radford, Virginia as of and for the year ended June 30, 2012, which collectively comprise the City of Radford, Virginia's basic financial statements and have issued our report thereon dated November 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Radford, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Radford, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Radford, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Radford, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Radford, Virginia's financial statements are free of 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*.

We noted certain matters that we reported to management of the City of Radford, Virginia in a separate letter dated November 12, 2012.

This report is intended solely for the information and use of City Council, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Fauser, Cox Associates

Blacksburg, Virginia

November 12, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the City of Radford, Virginia's 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 City of Radford, Virginia's major federal programs for the year ended June 30, 2012. The City of Radford, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Radford, Virginia's management. Our responsibility is to express an opinion on the City of Radford, Virginia's compliance based on our audit.

The City of Radford, Virginia's basic financial statements include the operations of the Component-unit Radford City School Board, which received \$1,683,623 in federal awards which is not included in the schedule during the year ended June 30, 2012. Our audit, described below, did not include the operations of the Component-unit Radford City School Board because the School Board issued a separate report that included a schedule of their federal awards and our report thereon.

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 City of Radford, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Radford, Virginia's compliance with those requirements.

In our opinion, the City of Radford, Virginia complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the City of Radford, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Radford, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 City of Radford, Virginia's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Fauser, Cox Associates

Blacksburg, Virginia
November 12, 2012

CITY OF RADFORD, VIRGINIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF AGRICULTURE:</i>			
Direct Payments:			
ARRA - Community Facilities Loans and Grants	10.780	NA	\$ 598,183
Pass Through Payments:			
<i>State Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/ 0010111/ 0040110/0040111	<u>125,893</u>
Total Department of Agriculture			<u>724,076</u>
<i>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</i>			
Pass Through Payments:			
<i>State Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950110/0950111	10,697
Temporary Assistance for Needy Families	93.558	0400110/0400111	136,290
Refugee and Entrant Assistance-State Administered Programs	93.566	0500109/0500110	192
Low-Income Home Energy Assistance	93.568	0600410/0600411	8,595
Child Care and Development Block Grant (Child Care Cluster)	93.575	0770110/0770111	22,691
Stephanie Tubbs Jones Child Welfare Services-State Grants	93.645	0900110/0900111	401
Child Care Mandatory and Matching Funds of the Child care and Development Funds (Child Care Cluster)	93.596	0760110/0760111	39,510
Chafee Education and Training Vouchers Program	93.599	93599	930
Foster Care - Title IV-E	93.658	1100110/ 1100111	134,473
Adoption Assistance	93.659	1120110/1120111	49,788
Social Services Block Grant	93.667	1000110/1000111	81,784
Chafee Foster Care Independence Program	93.674	9150110/ 9150111	1,306
Children's Health Insurance Program	93.767	0540110/0540111	3,657
Medical Assistance Program	93.778	1200110/1200111	<u>76,205</u>
Total Department of Health and Human Services			<u>566,519</u>
<i>U. S. DEPARTMENT OF HOMELAND SECURITY:</i>			
Pass Through Payments:			
<i>State Department of Emergency Management:</i>			
State Homeland Security Program	97.073	52707/52708	<u>85,159</u>
<i>DEPARTMENT OF JUSTICE:</i>			
Pass Through Payments:			
<i>State Department of Criminal Justice Services:</i>			
Title V and Delinquency Prevention Program	16.548	unknown	21,107
Edward Byrne Memorial Justice Assistance Grant Program	16.738	unknown	10,013
ARRA - Public Safety Partnership and Community Policing Grants	16.710	unknown	1,448
Project Safe Neighborhoods	16.609	unknown	<u>75,711</u>
Total Department of Justice			<u>108,279</u>

CITY OF RADFORD, VIRGINIA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</i>			
Direct Payments:			
Community Development Block Grants/Entitlement Grants	14.218	NA	\$ 215,492
Total Department of Housing and Urban Development			<u>215,492</u>
<i>DEPARTMENT OF TRANSPORTATION:</i>			
Pass Through Payments:			
<i>State Department of Motor Vehicles:</i>			
Formula Grants for Other Than Urbanized Areas	20.509	unknown	469,763
State and Community Highway Safety	20.600	50245/51151	<u>12,874</u>
Total Department of Transportation			<u>482,637</u>
<i>ENVIRONMENTAL PROTECTION AGENCY:</i>			
Pass Through Payments:			
Virginia Resources Authority:			
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	2F-09358309-0	<u>102,570</u>
Total Environmental Protection Agency			<u>102,570</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,284,732</u></u>

Note A-Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Radford, Virginia under programs of the federal government for the year ended June 30, 2012. 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 City of Radford, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Radford, Virginia.

Note B-Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB 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 number are presented where available.

Note C-Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 692,412
General Fund - Debt Financed Projects	598,183
Grants Fund	421,804
Transit Fund	469,763
Utility Fund-Loan Proceed Expenditures	<u>102,570</u>
Total primary government	<u>\$ 2,284,732</u>

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.780	ARRA - Community Facilities Loans and Grants
20.509	Formula Grants for Other Than Urbanized Areas

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 to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior findings related to federal programs.