

# School Board of the City of Roanoke, Virginia Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



## PHOTO CREDITS

Cover and Section Dividers: Our students and staff  
Photographs by the Roanoke City Schools Department of Community Relations

**School Board of the City of Roanoke, Virginia,**  
A Component Unit of the City of Roanoke, Virginia

**Comprehensive Annual Financial Report**  
For the Year Ended June 30, 2013

Roanoke City School Board

Todd Putney, Vice Chairman  
William B. Hopkins, Jr.  
Mae G. Huff  
Annette Lewis  
Suzanne P. Moore  
Lori E. Vaught  
Richard Willis

Dr. Rita D. Bishop, Superintendent

**Prepared by the Accounting Department and  
The Deputy Superintendent of Operations**

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# INTRODUCTORY SECTION



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**October 31, 2013**

## **The School Board of the City of Roanoke, Virginia and Citizens of the City of Roanoke**

The Comprehensive Annual Financial Report (CAFR) for the School Board of the City of Roanoke, Virginia (School Board), a Component Unit of the City of Roanoke, Virginia, for the fiscal year ended June 30, 2013, is herein submitted. Please note that the School Board is more commonly known as "Roanoke City Public Schools" or "RCPS."

The report contains a complete set of basic financial statements presented in conformity with U. S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards by a firm of licensed certified public accountants. The GASB requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A), which can be found following the report of the independent auditors. The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The report was prepared by the School Board's Accounting Department in conjunction with the Deputy Superintendent of Operations.

The School Board is considered a discretely presented component unit of the City of Roanoke (City) and, accordingly, the financial position and results of operations of the School Board are reflected in the Comprehensive Annual Financial Report of the City. The City is an independent full-service municipality with sole government taxing power within its boundaries. The School Board is a legally separate entity, which is fiscally dependent upon the City. The City Council of the City of Roanoke (City Council) appoints the seven members of the School Board, as well as, makes the annual appropriation for the School Board's operating budget. The City levies taxes for School Board operations, issues debt for capital projects, and retains ownership of school property and buildings. The City Council is prohibited, however, from exercising control over School Board expenditures at the functional and budgetary line item levels of School Board funds.

Budgetary comparison schedules for the General and Food Services funds can be found in the Required Supplementary Information Section of the CAFR.

This report consists of management's representations concerning the finances of the School Board of the City of Roanoke, Virginia. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the School Board has established a comprehensive internal control framework that is designed both to protect the School Board's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the School Board's basic financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh the benefits, the School Board's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

The independent audit of the basic financial statements of the School Board was performed in conjunction with a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The School Board is required to undergo an annual single audit in conformity with the provisions of the *Single Audit Act Amendments of 1996* and the U. S. 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 compliance for each major program and on internal control over compliance are included in this report.

## **Profile of the School District**

Roanoke City Public Schools is a progressive urban school district nestled in the heart of the Blue Ridge Mountains in the City of Roanoke, Virginia. Roanoke, the largest city in the Commonwealth of Virginia (Commonwealth) west of Richmond, is located at the southern end of the Shenandoah Valley, approximately 170 miles west of Richmond and 235 miles southwest of Washington, DC. Roanoke's 2012 estimated population as per the US Census Bureau of 97,469 accounts for just under 32% of the population in its metropolitan statistical area (MSA), which includes the neighboring city of Salem, Town of Vinton and the Counties of Roanoke, Botetourt, Craig and Franklin.

During the 2012-13 school years, RCPS provided a comprehensive program of study for 13,192 students in grades Kindergarten through 12 annually. In 2012-13, there were seventeen elementary schools, five middle schools, two high schools, the Roanoke Valley Governor's School for Science and Technology, a vocational school, two alternative education facilities, adult education programs, and preschool programs for low income families.

Roanoke's student population represents a diversity of cultures and ethnic groups. Approximately 44% of students are black, 40% are white, and 16% are Hispanic or other.

In 2012-13, 72.77% of RCPS students qualified for free or reduced price school lunch, where eligibility is determined based on poverty level. At fifteen of Roanoke's twenty-six instructional sites, over 75% of the student populations qualified for free or reduced price school lunch; at twenty-four schools, over 50% of students were eligible for the program.

Sixty-six percent (66%) of students passed their English SOL test in 2013, up from 62% just seven years ago. Sixty-eight percent (68%) of RCPS students passed the Math SOL test in 2013 as compared to 65% the previous year. A decreased number of students passed the writing SOL test in 2013 at 67% versus 83% in FY 2012.

The Roanoke City Public Schools strategic plan for 2009-14 has affirmed that the school division's mission is to "graduate students prepared for life in a rapidly changing world." The plan also establishes RCPS' vision, which is "to be a model for urban public education." This vision means that our students will have the skills to be successful and the opportunities to reach their full potential regardless of poverty, ethnicity, disabilities, or other challenges. Only a few urban places in the country have been able to achieve this and they are usually individual schools as opposed to entire school districts. RCPS believes that we owe it to our children to set a very high bar.

The decisions, direction, and actions of RCPS are guided by eight core beliefs, as follows:

- Our diversity is a source of strength
- Our schools must be safe
- All students are capable of meeting high expectations
- We are accountable for our students' success
- Every individual in RCPS contributes to our students' success
- We have a responsibility to work collaboratively with our families
- Respect, trust, and honest communication are the foundation of successful and productive relationships
- The vitality of our community depends on a strong school system

**“Strong Students. Strong Schools. Strong City.”** The School Board established the following priorities for the 2012-13 school years:

- Achieve full state accreditation and meet federal annual measurable objectives (AMO) targets.
- Ensure the safest schools for our students and staff.
- Attract, train, and retain the best staff for our urban Division.
- Ensure efficient use, maintenance, and improvement of the Division’s facilities and infrastructure.
- Enhance arts, athletics and extracurricular activities.

**Narrowing the Achievement Gap.** Roanoke City Public Schools is working to help all students achieve and improve with a special focus on closing achievement gaps between subgroups of students. In total, 10 of 24 schools met Federal Accountability and 16 of 24 are fully accredited. To achieve Federal Accountability under No Child Left Behind, elementary and middle schools must meet 36 objectives and high schools must meet 45 objectives for student achievement. State accreditation is determined by the overall percentage of student who pass SOL tests in four core subject areas: English, Mathematics, History and Science. Schools making Federal Accountability and/or achieving state accreditation based on 2012-13 student achievement data are listed on the following chart.

**Roanoke City Public Schools**  
**Accreditation and Federal Accountability Status for 2013-14**  
Based on 2012-13 Student Achievement

School	Accreditation Status	Federal Accountability Status
Crystal Spring Elementary	Fully Accredited	Yes
Fairview Elementary	Fully Accredited	No
Fallon Park Elementary	Fully Accredited	No
Fishburn Park Elementary	Fully Accredited	Yes
Garden City Elementary	Accredited with Warning in English	No
Grandin Court Elementary	Fully Accredited	No
Highland Park Elementary	Fully Accredited	No
Hurt Park Elementary	Accredited with Warning in English and Mathematics	No
Lincoln Terrace Elementary	Accredited with Warning in English	Yes
Monterey Elementary	Fully Accredited	No
Morningside Elementary	Accredited with Warning in English	Yes
Preston Park Elementary	Fully Accredited	No
Roanoke Academy	Accredited with Warning in English	Yes
Round Hill Elementary	Accredited with Warning in English	No
Virginia Heights Elementary	Fully Accredited	Yes
Wasena Elementary	Fully Accredited	Yes
Westside Elementary	Accredited with Warning in English	No
Lucy Addison Middle	Fully Accredited	No
James Breckinridge Middle	Fully Accredited	Yes
Stonewall Jackson Middle	Fully Accredited	No
James Madison Middle	Fully Accredited	Yes
Woodrow Wilson Middle	Fully Accredited	Yes
Patrick Henry High	Fully Accredited	No
William Fleming High	Accredited with Warning in Mathematics	No

## SAT Results 2013 Roanoke City Public Schools

Three hundred twenty four (324) Roanoke city students took the SAT Reasoning Test. The division's mean (average) verbal score, now called Critical Reading, was four hundred seventy-three (473), the mean mathematics score was four hundred sixty-eight (468) and the mean writing score was four hundred fifty-three (453). Data in this report are for high school graduates in the school year 2012-2013. Information is summarized for seniors who took the SAT at any time during their high school years through June, 2013. If a student took the test more than once, the most recent score is used.

### Comparison of Roanoke City with Virginia and United States on SAT—2013

The proportion of students by ethnic group who took the SAT in 2013:

	<u>Roanoke</u>	<u>Virginia</u>	<u>U.S.</u>
White	45%	58%	50%
African American	44%	20%	13%
Other Ethnicities	11%	22%	37%

### Mean (average) scores of all students tested (*and change from 2012*):

	Roanoke		Virginia		U.S.	
	Mean 2013/2012	Change from 2012	Mean 2013/2012	Change from 2012	Mean 2013/2012	Change from 2012
<b>Critical Reading</b>	473/475	-2	516/510	+6	496/496	0
<b>Mathematics</b>	468/465	+3	514/512	+2	514/514	0
<b>Writing</b>	453/458	-5	498/495	+3	488/488	0
<b>Total Score</b>	1394/1398	-4	1528/1517	+11	1498/1498	0

### Mean (average) scores of tested students by ethnicity (*and change from 2012*):

	Roanoke				Virginia				U.S.			
	Black		White		Black		White		Black		White	
	Mean	Change	Mean	Change	Mean	Change	Mean	Change	Mean	Change	Mean	Change
<b>Critical Reading</b>	410	+1	544	-9	440	+7	540	+2	431	+3	527	0
<b>Mathematics</b>	407	+8	537	-8	432	+5	534	-1	429	+1	534	-2
<b>Writing</b>	395	-1	521	-12	424	+6	521	+1	418	+1	515	0
<b>Total Score</b>	1212	+8	1603	-29	1296	+18	1595	+2	1278	+5	1576	-2

### Mean (average) scores of students tested by high school (*and change from 2012*):

	Patrick Henry		William Fleming	
	Mean	Change	Mean	Change
<b>Critical Reading</b>	496	-3	431	-7
<b>Mathematics</b>	492	+4	425	-5
<b>Writing</b>	480	-2	403	-19
<b>Total Score</b>	1468	-1	1259	-31

**SAT I: Reasoning Test Scores for Graduating Seniors  
Roanoke City Public Schools 1994-2013**

**Table I. Mean Scores on SAT**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Mean (average) <b>Verbal</b> SAT Score	396	400	477	483	484	507	493	500	502	487	507	512	481*	485*	474*	484*	480*	469*~	475	473
Mean (average) <b>Mathematics</b> SAT Score	440	437	472	477	477	487	482	487	482	482	496	500	473	475	464	472	472	464~	465	468
<b>Writing</b>													475	469	464	460	461	450~	458	453
<b>Total</b>	836	837	949	960	961	994	975	987	984	969	1003	1012	1429	1429	1402	1416	1413	1383	1398	1394
													*Verbal is now Critical Reading							

Average performance of Roanoke City students as a group on SAT has increased over time from 1994 to 2013. There was a statistical “recentering of scores” in 1996 that had a partial impact on the sizeable gain that year. A third component (writing) was added to the SAT in 2006. ~SAT data historically has included students who took the SAT at any point in high school through March of their senior year. Starting with 2011 the SAT data includes all students who tested through June of their senior year.

**Table II. Mean Scores on SAT by Ethnic Group**

	<i>Black</i>												<i>White</i>											
	02	03	04	05	06	07	08	09	10	11	12	13	02	03	04	05	06	07	08	09	10	11	12	13
Mean (average) <b>Verbal</b> SAT Score	406	406	420	434	416*	414*	411*	416	423	409~	409	410	557	528	536	540	532*	548*	541*	548*	545*	541*~	554	545
Mean (average) <b>Mathematics</b> SAT Score	395	402	408	424	404	404	405	403	407	398~	399	407	530	519	528	532	520	534	527	534	536	537~	545	537
<b>Writing</b>					405	395	405	396	401	391~	396	395					531	536	529	521	523	515~	533	521
<b>Total</b>	801	808	828	858	1225	1213	1221	1212	1231	1198	1204	1212	1087	1047	1064	1072	1583	1618	1597	1603	1604	1593	1632	1603
													*Verbal is now Critical Reading						*Verbal is now Critical Reading					

## 2013 ACT Results Roanoke City Public Schools

Participation in ACT testing among Roanoke City Public School graduates decreased slightly. During 2013 ninety-seven (97) seniors took the ACT compared with one hundred twenty seven (127) in 2012. When compared to last year, the percentage of Roanoke City students meeting college readiness benchmarks this year increased in the areas of English, Mathematics and Science.

**Total participants: 97**

**Patrick Henry High School: 60**

**William Fleming High School: 37**

### Percentage of Students Meeting College Readiness Benchmarks 2013 (2012)

	Patrick Henry 2013 (2012)	William Fleming 2013 (2012)	District 2013 (2012)	State 2013 (2012)	National 2013 (2012)
<b>English Composition</b>	72 (69)	38 (43)	59 (57)	76(76)	64 (67)
<b>College Algebra</b>	50 (48)	24 (16)	40 (34)	57 (56)	44 (46)
<b>Reading</b>	57 (61)	30 (32)	49 (48)	57 (63)	44 (52)
<b>Science</b>	38 (41)	19 (9)	31 (27)	47 (38)	36 (31)
<b>Composite</b>	32 (31)	14 (7)	25 (20)	37 (25)	26 (25)

**Benchmarks: English=18; Math=22; Reading=21; Science=24**

### Comparison of Average ACT Scores

	English		Mathematics		Reading		Science		Composite	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>PH</b>	21.0	22.0	21.7	22.1	22.2	23.2	21.2	22.2	21.6	22.5
<b>Fleming</b>	15.8	18.0	18.3	17.9	18.5	18.8	18.6	18.6	17.9	18.4
<b>RCPS</b>	19.0	20.2	20.4	20.2	20.8	21.3	20.1	20.6	20.2	20.7
<b>Virginia</b>	22.3	22.1	22.5	22.3	23.1	22.7	22.2	21.9	22.6	22.4
<b>National</b>	20.2	20.5	20.9	21.1	21.1	21.3	20.7	20.9	20.9	21.1

## **Factors Affecting Financial Condition**

The information presented in the basic financial statements is best understood when it is considered from the broader perspective of the specific environment within which the School Board operates.

### **Economic Condition and Outlook**

The District's ability to fund adequately its major educational initiatives is significantly affected by the City's economic outlook. For fiscal year 2012, the City and the District instituted a new funding formula agreement, replacing an agreement that had been in place for at least twenty years. Under the prior agreement – the first such agreement initiated in the Commonwealth of Virginia – the Schools received 36.42% of property and other identified local taxes levied by the City of Roanoke. This amount was supplemented by additional amounts allocated annually at the discretion of the City Council. Under the new formula between the City and Schools, (a) the Schools receive 40% of an expanded "basket" of property and other local tax receipts levied by the City of Roanoke and (b) the schools pay 100% of the debt service associated with school projects (up from approximately 50%). This simplified arrangement has the effect of increasing both revenues and expenses for the Schools, with the net financial effect being approximately neutral.

In fiscal years 2011 and 2012, the City implemented a special 2% meals tax, the proceeds from which went entirely to the Schools. This two-year tax, which generated more than \$4 million of revenue for the Schools each year, expired on June 30, 2012 and was not renewed.

State revenues other than state sales tax remain well below fiscal year 2009 levels. Although a modest increase in state revenues is anticipated in fiscal year 2014, this increase is partially offset by the required use of proceeds to fund a 2% salary increase for Standards of Quality funded employees.

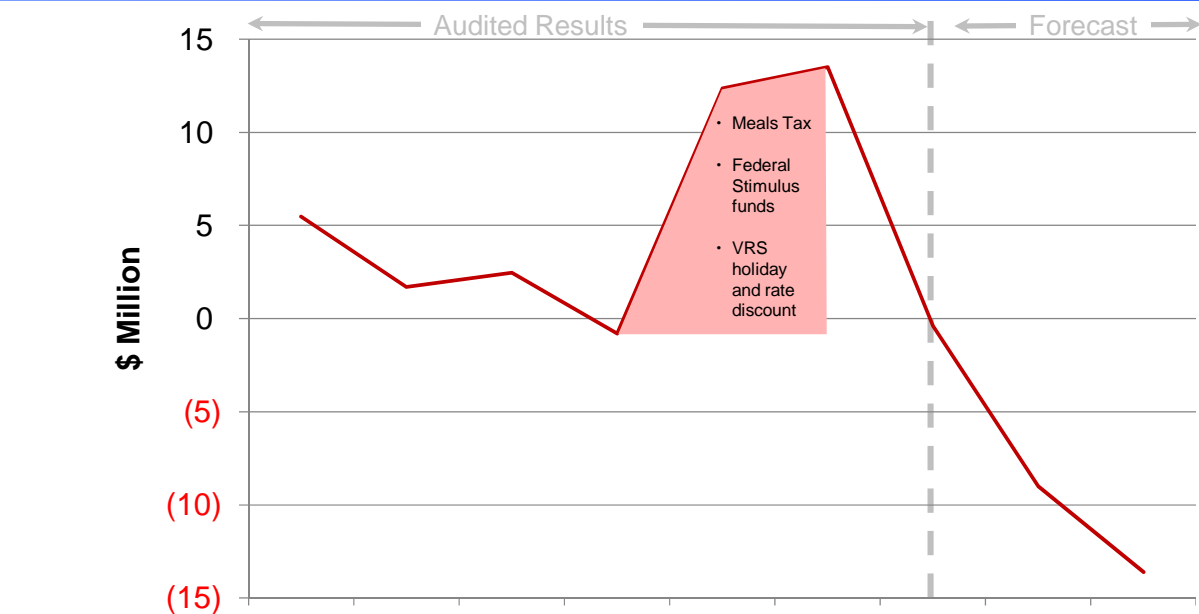
At the Federal level, Sequestration has caused reductions in the District's funding for certain grant programs. The District believes that the programs funded by the Federal government are important to student success. Consequently, the 2013-14 General Fund budget provides for a one-time set aside of \$1.75 million to allow continuation of these programs until alternate arrangements for funding can be made. Even if Sequestration ends, the District does not expect funding for most Federal programs to be restored to prior levels.

In light of the above – and in order to continue providing instruction at the level necessary to sustain the improvements achieved over the past several years – the Schools expect to be in a deficit spending position during fiscal years 2014 and 2015 if current trends continue. The following chart illustrates the projected impact of this deficit spending on total fund balance:



# Roanoke City Public Schools

## Change in Total Fund Balance



	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Change in Total Fund Bal	+\$ 5.5	+\$ 1.7	+\$ 2.5	-\$ 0.8 *	+\$12.4	+\$13.5	-\$ 0.4	-\$ 9.0	-\$ 13.6
Total Fund Bal	\$ 6.6	\$ 8.3	\$10.8	\$10.0	\$22.4	\$35.9	\$35.5	\$ 26.5	\$12.9
Committed Fund Bal	\$ 2.1	\$ 4.3	\$ 5.0	\$ 8.6	\$ 9.6	\$13.1	\$ 9.5	\$ 5.4	\$ 5.4
Unassigned Fund Bal	\$ 4.5	\$ 4.0	\$ 5.8	\$ 1.4	\$12.7	\$22.8	\$26.0	\$21.1	\$ 7.5

\* In response to guidance provided by KPMG, in 2008-09, a one-time adjustment was made to the "Committed for Workers' Compensation" portion of fund balance.



## **Accounting System and Budgetary Controls**

The School Board has established a comprehensive internal control framework designed to both safeguard the district's assets against loss from unauthorized use or theft and to properly record and adequately document transactions in order to compile information for the presentation of the School Board's financial statements in conformity with GAAP.

The School Board maintains budgetary controls to ensure compliance with the annual appropriated categorical budget adopted by the School Board. In accordance with state law, the advertised and adopted budget is submitted to City Council for adoption and appropriation. City Council includes the School Board adopted budget with the City budget, which is in turn advertised and adopted by May 15. The School Board exercises management control over the budget at the cost center level within each fund, however the budget is legally adopted at the fund level. The School Board also maintains an encumbrance accounting system as an additional method of accomplishing budgetary control. Activities of the General Fund and Food Service Fund are included in the annual appropriated budget. Multi-year programs are adopted separately for the School Grants Fund.

## **General Operations**

Management's Discussion and Analysis, which is contained in the financial section of this report, provides a discussion of financial results for fiscal years 2012 and 2013 as well as summaries of the government-wide financial statements.

## **Auditing**

The School Board appoints an Audit Committee comprised of at least one School Board member. The Audit Committee acts in an advisory capacity to the School Board in all matters relating to the School Board's financial records. The Municipal Auditor assists the Audit Committee in a continuing review of the internal control and financial operations of the School Board and schools, and regularly reports his findings to the Audit Committee.

Federal and state agencies also perform audits and reviews of School Board programs and financial records. The School Board's basic financial statements are audited annually by an independent public accounting firm, including a single audit of expenditures of federal awards. The current year independent auditor's reports are included in the Financial and the Compliance Sections of this report.

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## Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board of the City of Roanoke, Virginia, for its comprehensive annual financial report for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In addition, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School Board of the City of Roanoke, Virginia, for its comprehensive annual financial report for the fiscal year ended June 30, 2012. The Certificate of Excellence program is similar to the GFOA Certificate of Achievement program and is an international award recognizing excellence in the preparation and issuance of school system financial reports.

In order to be awarded a Certificate of Achievement, a school board must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both U. S. generally accepted accounting principles and applicable legal requirements.

The GFOA Certificate of Achievement and the ASBO Certificate of Excellence are valid for a period of one year only. The School Board issued its first comprehensive annual financial report for fiscal year 1994, and the receipt of both certificates for nineteen consecutive years is a positive statement about the quality of accounting services provided by the Office of Fiscal Services. We believe our current report continues to conform to the Certificate of Achievement and Certificate of Excellence program requirements, and we are submitting it to both agencies for certification.

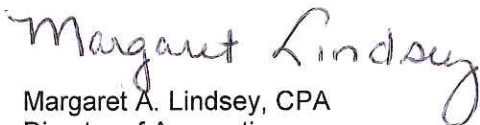
Sincerely,



Rita D. Bishop, Ed.D.  
Superintendent of Schools



Curtis D. Baker  
Deputy Superintendent of Operations

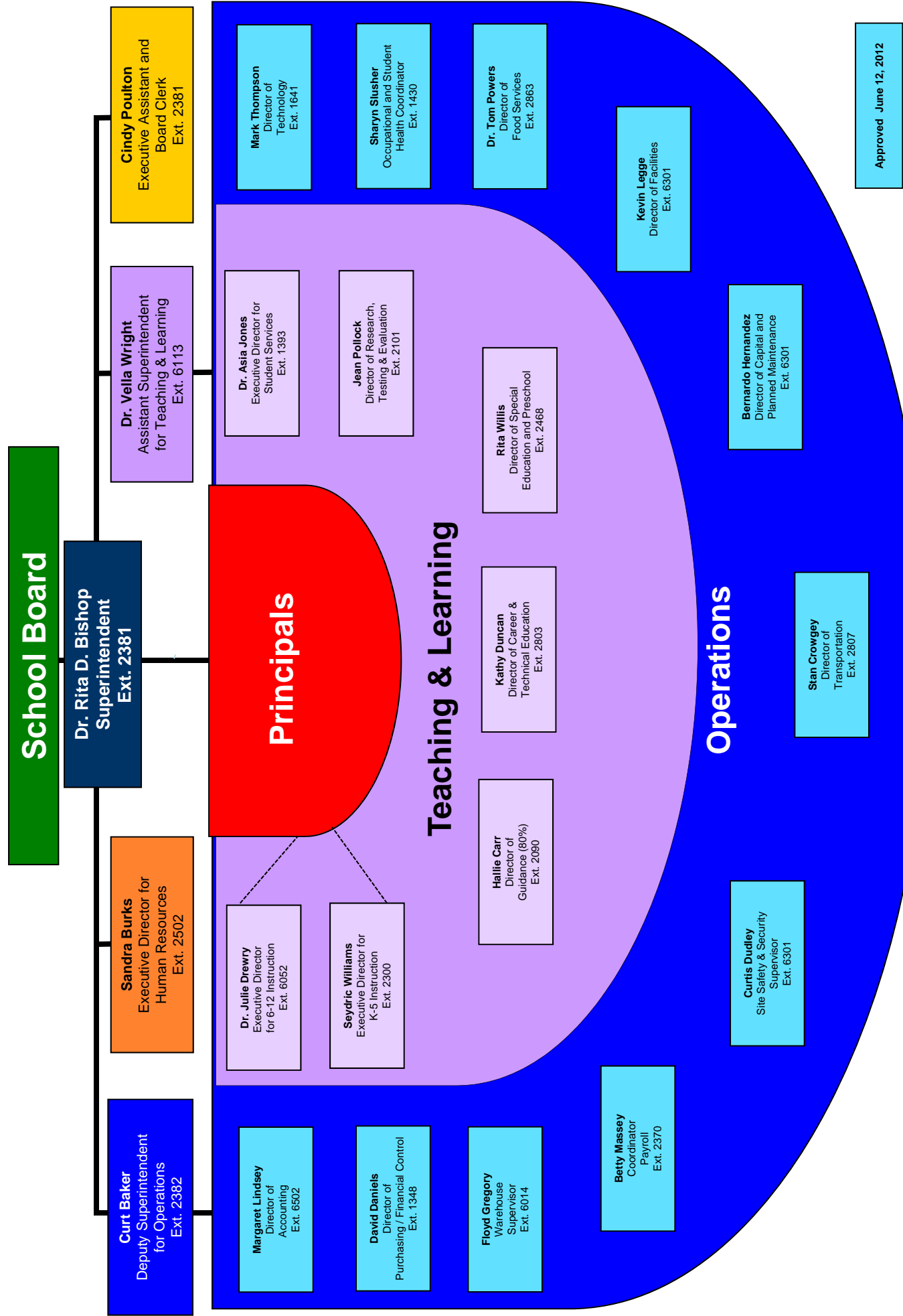


Margaret A. Lindsey, CPA  
Director of Accounting



# Roanoke City Public Schools

## 2012-13 Chart of Organization





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**School Board of the City  
of Roanoke, Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**



Executive Director/CEO

# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

## School Board of the City of Roanoke, Virginia

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2012*

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading "Ron McCulley", written over a horizontal line.

Ron McCulley, CPPB, RSBO  
President

A handwritten signature in black ink, reading "John D. Musso", written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director

**Roanoke City Public Schools  
Officers and Principal Administrators  
(As of June 30, 2013)**

**Roanoke City School Board**

Todd A. Putney	Vice Chairman
William B. Hopkins, Jr.	Member
Mae G. Huff	Member
Annette Lewis	Member
Suzanne P. Moore	Member
Lori E. Vaught	Member
Richard Willis	Member
Cynthia H. Poulton	Clerk of the Board

**Superintendent of Schools**

Rita D. Bishop, Ed.D.	Superintendent
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**Executive Staff**

Curtis D. Baker	Deputy Superintendent of Operations
Vella S. Wright, Ed.D.	Assistant Superintendent for Teaching and Learning
Asia R. Jones, Ed.D.	Executive Director, Student Services
Julie Drewry, Ph.D.	Executive Director, 6 - 12 Instruction
Seydric Williams	Executive Director, K - 5 Instruction
Sandra Burks	Executive Director, Human Resources
Jean Pollock	Director of Research, Testing, and Evaluation

Roanoke City Public Schools  
40 Douglass Ave  
Roanoke, Virginia 24012  
Telephone: (540) 853-2502

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# FINANCIAL SECTION



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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Roanoke, Virginia (the "School Board"), a component unit of the City of Roanoke, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and *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 from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and the Schedules of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 31, 2013

**The School Board of the City of Roanoke, Virginia**  
**A Component Unit of the City of Roanoke, Virginia**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

As management of the School Board of the City of Roanoke, Virginia (School Board), we offer readers of the financial statements this narrative overview and analysis for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Financial Highlights**

- Assets exceeded liabilities at the close of the most recent fiscal year by \$34,949,264 (net position). Of this amount, \$2,760,872 was invested in capital assets, leaving unrestricted net position totaling \$32,188,392. Unrestricted net position is normally used to meet the School Board's ongoing obligations to citizens and creditors.
- Net position decreased by \$716,200, a 2.0% decrease from the prior fiscal year-end balance. Total assets increased by \$966,136. Total liabilities increased by \$1,682,366. The change in total assets was due to an increase in cash and cash equivalents of \$1,839,372, an increase in Due from City of Roanoke of \$1,115,436, an increase in prepaid expenses of \$252,602, an increase in accounts receivable of \$96,392, a decrease in notes receivable of \$495,000, a decrease in Due from Other Governments of \$1,717,201, a decrease in Due from Other Sources of \$98,397, and a decrease in net book value of capital assets of \$27,068. The change in total liabilities was due to an increase in accounts payable and accrued expenses of \$2,286,228; a decrease in unearned revenue of \$404,798, an increase in the claims payable of \$376,174, an decrease in long-term liabilities specifically for workman's compensation of \$526,133, a decrease in long term liabilities due within one year of \$2,640, a decrease in compensated absences payable of \$7,168, and a decrease of \$39,327 in Other Postemployment Benefits (OPEB) liability.
- The general fund experienced a net operating decrease of \$1,873,032 due in part to a decrease in funding from the City of Roanoke and the Federal Government. The food service fund experienced a net operating decrease of \$340,995 primarily due to an increase in food costs and payroll related expenditures.
- Overall revenues were approximately \$176.6 million, \$1.1 million less than expenditures. The excess of expenditures greater than revenues was primarily the result of reduced funding with the conclusion of the extra meals tax at the local level.
- The total cost of basic programs was approximately \$177.1 million. Since a portion of those costs were paid with charges, fees and intergovernmental aid, the net cost to the School Board to operate basic programs was \$127.2 million.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$26.0 million, or 17.3% of total general fund expenditures. Restrictions of fund balance are placed by sources external to RCPS while the School Board may make commitments of fund balance.
- As required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which the Schools adopted as of July 1, 2007, the Schools actuarially determined the liability associated with other postemployment benefits (OPEB) for retirees. The Schools have committed a portion of its fund balance for the annual required contribution of \$1,773,322 as of the end of fiscal year 2013.

## Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The School Board's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School Board's finances, in a manner similar to a private-sector enterprise.

The Statement of Net Position presents information on all of the School Board's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

The Statement of Activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements distinguish functions of the School Board that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the School Board include all activities of the School Board. The School Board does not operate any business-type (proprietary fund) activities.

**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 School Board, like other state and local governments and other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School Board can be divided into two categories: governmental funds and fiduciary fund.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School Board's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School Board maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the three funds, all of which are considered to be major funds. The funds are the School Board's general fund, food service fund, and school grants fund.

The School Board adopts an annual appropriated budget for its general and food service funds. A budgetary comparison schedule has been provided as required supplementary information for each of these funds to demonstrate compliance with budgetary requirements.



**Fiduciary Fund.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School Board's programs. The School Board's fiduciary fund consists of the school activity fund.

**Notes to the Basic Financial Statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-wide Financial Analysis

#### The School Board of the City of Roanoke, Virginia's Summary of Net Position Governmental Activities

		June 30,	
		2013	2012
Current and other assets	\$	48,474,529	\$ 47,481,325
Capital Assets, net		2,760,872	2,787,940
<b>Total assets</b>		<b>51,235,401</b>	<b>50,269,265</b>
Current and other liabilities		11,123,523	8,868,559
Long-term liabilities		5,162,614	5,735,242
<b>Total liabilities</b>		<b>16,286,137</b>	<b>14,603,801</b>
Net investment in capital assets		2,760,872	2,787,940
Unrestricted		32,188,392	32,877,524
<b>Total net position</b>	<b>\$</b>	<b>34,949,264</b>	<b>\$ 35,665,464</b>

Net position may serve, over time, as a useful indicator of a district's financial position. In the case of the School Board, assets exceeded liabilities by \$34,949,264 at the close of the most recent fiscal year.

Current and other assets increased during the fiscal year by \$993,204. The increase was primarily comprised of increases of \$1,839,372 in cash and cash equivalents and due from the City of Roanoke of \$1,115,436 offset by decreases of \$1,717,201 in due from other governments along with a decrease in notes receivable of \$495,000. The note receivable resulted from the sale of school buses to the transportation contractor in FY 09 and was paid in full at the close of the fiscal year.

The School Board's investment in capital assets, machinery and equipment net of accumulated depreciation, in the amount of \$2,760,872 represents 7.9% of net position. The School Board uses these capital assets to provide services to students; consequently, these assets are not available for future spending. It should be noted that these assets reflect outlays made during the current fiscal year and previous years. No debt service exists for the reported capital assets.

Current and other liabilities increased by \$2,254,964. The net increase for this category was primarily comprised of an increase of \$2,286,228 in accounts payable and accrued expenses and an increase of \$376,174 in claims payable. This was offset by a decrease in unearned revenue of \$404,798.

Long-term liabilities decreased by \$572,628. The net decrease for this category was comprised of a decrease of \$526,133 in the liability for workers' compensation benefits along with a decrease of \$39,327 in the liability for other postemployment benefits.

The School Board's unrestricted net position, in the amount of \$32,188,392 (92.1% of net position) represents resources that are available to be used to meet the School Board's ongoing obligations to students, staff, and creditors. The decrease of unrestricted net position from the prior year in the amount of \$689,132 consisted primarily of an excess of expenses over revenues.

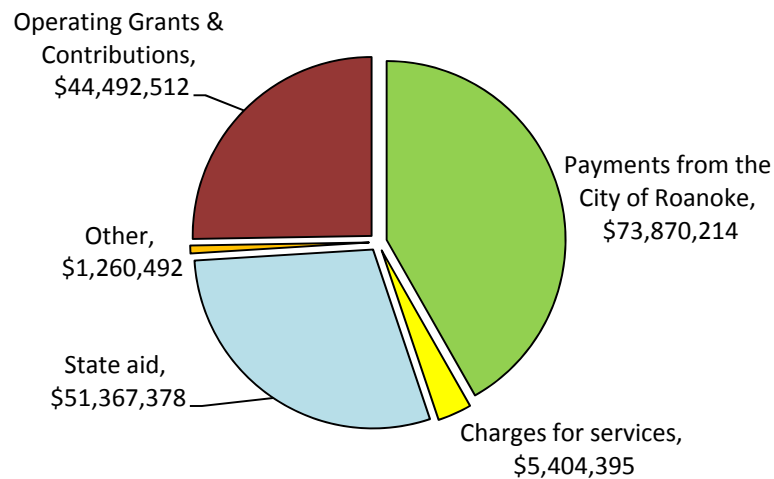
**Governmental Activities.** Governmental activities resulted in a decrease in the School Board's net position of \$716,200 during the current fiscal year. Key elements of the change in net position are as follows:



- Expenses for total governmental activities exceeded program revenues by \$127.2 million. The division's expenses by program have been netted against revenues that directly fund that program, resulting in the net cost of the program activity. The net cost of instructional activities, \$70.6 million, comprises 55.5% of total governmental activities. The net cost of operations, maintenance, and facilities was \$13.3 million, or 10.4% of total governmental activities. The net costs of other functional activities were: athletics \$1.4 million or 1.1%; transportation, \$9.6 million or 7.5%, payments to the primary government for debt service, \$16.0 million or 12.5%, support services, \$16.2 million or 12.7%. At fiscal year end, food services had an operating loss in net position of \$241,913 or 0.2% of the government-wide net cost. Expenses for FY 2013 increased \$6.1 million in total compared to the prior year, with a \$4.3 million increase in the cost of instructional programs and a \$1.6 million increase in the cost of support services and a \$.6 million increase in the cost of food service; this increase was partially offset by a decrease of \$.3 million in transportation cost.
- General revenues not identifiable to specific functions or programs totaled \$126.5 million or \$716,200 less than the net cost of the division's programs. Total revenues for FY 2013 decreased \$7.8 million from the prior year. Program revenues decreased by \$5.6 million or 10.0% and general revenue collections decreased by \$2.3 million or 2.0%. The change in general revenue collection consisted of an increase in state aid not restricted to specific programs of \$2.2 million or 4.6%, and a decrease in payments from the City of Roanoke of \$4.5 million or 5.7% from the prior year.
- The acquisitions of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. Net capital assets, accordingly, decreased by \$27,068, the amount by which depreciation expense exceeded capital asset purchases in the current period and the net book value of capital assets disposed. Net capital asset decreases of \$998,530 (equipment additions of \$743,581 less retirements of \$1,742,111) were offset by a net decrease in accumulated depreciation for the year of \$971,462.
- Decrease in compensated absences liability which affects expenses amounted to \$9,808.

# Revenues and Expenses Summaries – Governmental Activities:

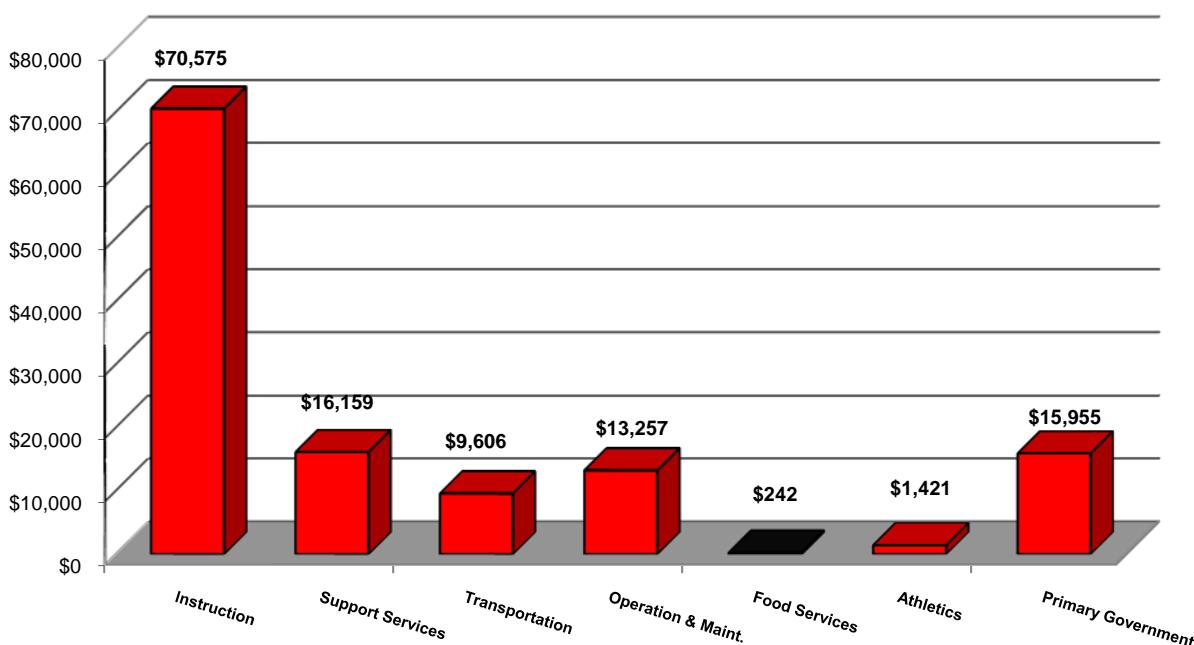
## Revenues by Source – Governmental Activities:



## The School Board of the City of Roanoke, Virginia's Summary of Changes in Net Position Governmental Activities

	Year Ended June 30,	
	2013	2012
Revenues:		
Program Revenues:		
Charges for services	\$ 5,404,395	\$ 4,908,968
Operating grants and contributions	44,492,512	50,542,428
General Revenues:		
Payments from the City of Roanoke	73,870,214	78,351,405
State aid not restricted to specific programs	51,367,378	49,125,626
Grants not restricted to specific programs	15,809	18,695
Interest Income on Investments	68,365	35,626
Other(Miscellaneous on Exhibit 2)	1,176,318	1,253,544
<b>Total Revenues</b>	<b>176,394,991</b>	<b>184,236,292</b>
Expenses:		
Instruction	113,261,181	109,743,995
Support Services	16,484,846	14,022,764
Transportation	9,671,918	10,024,200
Operation & Maintenance of Plant	13,338,890	13,060,376
Food Services	6,816,374	6,231,331
Athletics	1,583,315	1,557,556
Payments to City of Roanoke	15,954,665	16,348,972
<b>Total Expenses</b>	<b>177,111,191</b>	<b>170,989,194</b>
Change in net position	(716,200)	13,247,098
Net position - Beginning of year	35,665,464	22,418,366
Net position - End of year	<b>\$ 34,949,264</b>	<b>\$ 35,665,464</b>

### Net Cost of Programs - Governmental Activities (In Thousands):



### Financial Analysis of the Governmental Funds

As noted earlier, the School Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund** – The focus of the School Board's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School Board's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School Board's total governmental funds reported an ending fund balance of \$37,859,677, a decrease of \$1,083,903 in comparison with the prior year. Of that amount, \$1,197,024 was non-spendable, zero was restricted, \$8,563,023 was committed, \$2,100,558 was assigned, and \$25,999,072 was unassigned.

The general fund is the chief operating fund of the School Board. At the end of the current fiscal year, total fund balance of the general fund was \$35,453,393. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. The fiscal year 2013 total fund balance represents 23.6% of total general fund expenditures, compared to the prior year total fund balance which represented 26.1% of total general fund expenditures.

The fund balance of the School Board's general fund decreased \$442,908 during the current fiscal year, substantially less than the budgeted decrease of 4.6 million. Key factors in this change are as follows:

- Expenditures exceeded revenues (excluding transfers) by \$1,873,032 or approximately 1.3% of total revenues. Revenues fell short of the amended budget by \$1.96 million. State revenue, excluding state sales tax fell short of the amended budget by \$3.0 million. Expenditures were less than the amended budget due to a variety of reduced costs in fiscal year 2013.
- Transfers to the school grants fund for program local match funds, in the amount of \$667,402, reflect the commitment of the School Board to pursue grants and other special revenue sources that enhance the educational programs of the division.

The food service fund balance reflects an excess of expenditures over revenues (excluding transfers) of \$340,995 which was the result of increased cost for food and for partial outsourcing of food service staffing.

The school grants fund does not reflect a fund balance, as the majority of the grants are reimbursed after the expenditure of funds has occurred. Revenue is recognized at the time that the outlays are identified; therefore, no fund balances are generated in the school grants fund.

### **Capital Asset Administration**

Land, buildings, structures, and construction in progress are owned by the City of Roanoke on behalf of the Roanoke City Public Schools and, as such, are not included in the basic financial statements of the School Board of the City of Roanoke.

The School Board's investment in capital assets for its governmental activities as of June 30, 2013, totaled \$2,760,872 (net of accumulated depreciation). The investment in capital assets includes equipment only. The total decrease in the School Board's gross balance of capital assets for the current fiscal year was \$743,581, netted against the retirement of assets with a net book value of \$203,685 and depreciation expense for the year of \$566,964, resulting in a net decrease in capital assets of \$27,068. More detailed information about capital assets can be found in Notes I-D-3, II, and III-C of the basic financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Total General Fund and Food Services operating revenue in 2013-14 is forecast to increase versus 2012-13 by \$6,456,925 (budget-to-budget). This net decrease in revenue is derived as follows:

- State Revenues: + \$ 2.98 million
- Sales Tax Revenues: + \$ 0.80 million
- Federal Revenues: - \$ 0.10 million
- City Revenues: + \$ 1.74 million
- Food Service Revenues: + \$ 1.04 million

\* Includes \$700,000 from the Food Service Fund Balance

Since RCPS issues a balanced budget each year, and total General Fund and Food Services expenditures in 2013-14 are forecast to increase versus 2012-13 by \$11.6 (budget-to-budget), RCPS has budgeted an additional \$5.2 million to be drawn down from unassigned fund balance than budgeted in 2012-2013. The most significant changes on the expenditure side are as follows:

- Compensation increases: RCPS has implemented salary increases for all employees in 2013-14 that will result in increased costs, including mandatory benefits and taxes paid by the employer, of \$2.5 million for instructional staff and \$0.5 million for administrative and classified staff. These increases do not include additional increases (described below) associated with Virginia Retirement System (VRS) rule changes.
- VRS changes – employer contributions. The rate charged to employers for the retirement portion of VRS has been increased from 6.33% in 2011-12 to 11.66% in 2012-13. The component of VRS paid as life insurance on behalf of employees has been increased from 0.60% in 2011-12 to 1.11% in 2012-13. The component of VRS attributed to retiree health credit has increased from 0.28% to 1.19%. Combined, these increases will increase RCPS expenditures by \$4.3 million.
- VRS changes – employee contributions. Pursuant to legislation passed by the Virginia General Assembly in 2012, and consistent with its strategy of increasing employee contribution rates by the 1% per annum (with an additional “hold harmless” increase), the School Board approved the following VRS employee contribution rates for 2013-14:

<b>Professional Employees 40217</b>		
<b>Type of Employee</b>	<b>Employer Paid Member Contribution</b>	<b>Employee Paid Member Contribution</b>
<b>Plan 1</b>	3%	2%
<b>Plan 2</b>	3%	2%
<b>Hired after 6/1/2013</b>	0%	5%

<b>Non-Professional Employees 55617</b>		
<b>Type of Employee</b>	<b>Employer Paid Member Contribution</b>	<b>Employee Paid Member Contribution</b>
<b>Plan 1</b>	3%	2%
<b>Plan 2</b>	3%	2%
<b>Hired after 6/1/2013</b>	0%	5%

This unfunded state mandate permanently increased RCPS expenditures by more than \$220,000 in 2012-13 and will result in a further permanent increase of more than \$225,000 in 2013-14.

- Medical Expenses: RCPS anticipates that a combination of inflation and increases in the cost of stop loss insurance and administrative fees will increase medical expenses by 12% in 2013-14, an increase of approximately \$1.75 million.
- Other Expenses: At the time of the 2013-14 budget adoption, RCPS anticipated the following changes in 2013-14 expenditures versus 2012-13:

One Time Expenditures:

Item	One Time
Purchase of textbooks	2.00
Delivery of Special Education services	1.00
Capital program support	1.00
Site Security	0.25
Hurt Park playground	0.06
<b>TOTAL</b>	<b>4.31</b>

Recurring Expenditures:

Item	Permanent
Expenditures previously covered by grants returning to General Fund	1.75
Governor recommended salary increase	1.70
RCPS+ initiative	1.00
Medical Expenses	0.81
Transportation costs, including improved routing and a contractual price escalator	0.76
Incentives to attract and retain mathematics teachers	0.50
<b>TOTAL</b>	<b>6.52</b>

One transaction of particular note subsequent to year end, becoming effective on July 1, 2014, is a renewal of a transportation service agreement with Mountain Valley Transportation.

The five-year term of Original Agreement, as amended, expires on June 30, 2014; however, the Original Agreement provides that RCPS and Krapf/Mountain Valley will enter into an exclusive negotiation period for the purposes of renewal for the period commencing July 1, 2014 and continuing until June 30, 2019.

The parties carried out the negotiation and reached agreement, which was approved by the Board on September 10, 2013.

Key changes in terms in the renewal agreement are as follows:

- ✓ No price increase in the first year of the Renewal Agreement

All prices in the 2014-15 fiscal year will be the same as the prices in effect for the 2013-14 fiscal year.

- ✓ Subsequent year price escalation tied to an index

After the 2014-15 fiscal year, rates will be adjusted annually. The percentage increase of each rate will be equal to the annual calendar year percent change in the "Washington-Baltimore, DC-

MD-VA-WV" Area Consumer Price Index for All Urban Consumers ("CPI") as published by the United State Department of Labor.

The rate of increase for any given year, however, will be no less than two percent (2%) and no more than five percent (5%).

Under the Original Agreement, a fixed escalation percentage was prescribed.

✓ Age of Fleet

Under the Renewal Agreement, no bus will be in service for more than thirteen (13) years with the average age of the fleet not to exceed seven (7) years. No gasoline powered vehicles will be in service for more than ten (10) years with the average age of the fleet not to exceed five (5) years.

Under the Original Agreement, Mountain Valley was required to purchase fifteen (15) new vehicles each year.

✓ Security Cameras

Under the Renewal Agreement, all buses must have at least three (3) digital cameras. The cost of acquisition, installation, and maintenance of the cameras is the sole responsibility of Mountain Valley.

Under the Original Agreement, most buses were required to have two (2) digital cameras. Substitute buses were not required to have any cameras.

✓ Global Positioning System ("GPS")

Under the Renewal Agreement, all vehicles must have real time GPS tracking. All costs associated with this system are borne by Mountain Valley.

Under the Original Agreement, most buses were required to have GPS tracking. (Substitute buses were not required to have such tracking.) Additionally the cost of real time GPS tracking was shared by the parties.

✓ Special Equipment

Under the Renewal Agreement, Mountain Valley will provide and maintain all "Star Seats," and safety harnesses required for the safe transport of preschool and special needs students. RCPS will provide and maintain all booster seats and child seats.

These items were not addressed in the Original Agreement and therefore were the sole responsibility of RCPS.

***Highlights of Results Achieved Under the Original Agreement:***

While it is recognized that the Original Agreement will continue through June 30, 2014, the following are to-date highlights of the relationship with Mountain Valley / Krapf:

✓ The age of fleet has been reduced substantially

2008-09: 12.0 years  
2011-12: 8.5 years  
2012-13: 7.2 years  
2013-14: 6.3 years

Assuming that the average cost of a bus is about \$85,000, the value of the 75 buses purchased under the Original Agreement is \$6.375 million.

✓ Fuel efficiency

The gas mileage for buses acquired before 2002 was 4 to 5 miles per gallon. Gas mileage for newer buses is at least 9 to 10 miles per gallon.

Mountain Valley estimates that fuel savings over the five years of the Original Agreement will total \$2.8 million.

✓ Fuel tank installation

At the start of the term of the Original Agreement, Mountain Valley installed, at its own expense, a 10,000 gallon fuel tank at our Transportation facility. Previously, drivers needed to complete an 8.2 mile round-trip to fill up their buses at a City facility. Fuel savings over the term of the Original Agreement are estimated at about \$165,000. This does not include the value of the driver time saved by not making this trip.

Additionally, the fuel tank has enabled RCPS to enter into fuel purchase transactions of sufficient size to forward purchase its fuel, which, in turn, has enabled the school division to lock in future prices. As a result, all fuel price volatility for transportation has been eliminated from the annual budgeting process.

✓ Improved training of drivers

Prior to privatization, drivers were required to complete 24 hours of classroom instruction and 24 hours of behind-the-wheel instruction as a prerequisite for hire. Mountain Valley has continued this practice; however, the firm also conducts extensive ongoing and remedial training of drivers that far exceeds prior RCPS practices.

✓ Improved discipline on the buses

The installation of cameras and real-time GPS has fundamentally altered, for the better, the behavior practices on our buses.

✓ Other cost-avoidance or non-monetary benefits

- Significantly reduced human resources work.

Two hundred eleven (211) employees, approximately 10% of all RCPS employees at the time – exited RCPS as a result of the privatization. As a result, essentially all human resources work associated with transportation (e.g., sourcing and hiring candidates, administering benefits, addressing employee relations issues, and discipline) became the responsibility of Mountain Valley.

Note: As required in the Original Agreement, Mountain Valley extended offers of employment to all bus drivers and bus aides then-employed by RCPS who met the minimum standards established by the Commonwealth of Virginia and Mountain Valley. For all other transportation employees of RCPS, Mountain Valley extended an interview for employment.

- Significantly reduced payroll processing work.
- Reduced exposure to unemployment and workers compensation claims
- Significantly improved driver professionalism



### **Requests for Information**

This financial report is designed to provide a general overview of the School Board's finances for all those with an interest in the School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Superintendent for the School Board of the City of Roanoke, Virginia, P. O. Box 13145, Roanoke, Virginia, 24031, and telephone number (540) 853-2381

Additional information may be obtained using the internet at: <http://www.rcps.info>

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Statement of Net Position**  
**June 30, 2013**

<b><u>Assets</u></b>	<b><u>Governmental Activities</u></b>
Cash and Cash Equivalents	\$ 38,804,757
Accounts Receivable	135,987
Due From City of Roanoke	2,025,855
Due From Other Governments	6,310,466
Due From Other Sources	440
Prepays	1,197,024
Capital Assets, net	2,760,872
Total Assets	<u>51,235,401</u>
<b><u>Liabilities</u></b>	
Accounts Payable and Accrued Expenses	4,294,117
Unearned Revenue	614,434
Claims Payable	5,391,798
Long-Term Liabilities Due Within One Year	823,174
Long-Term Liabilities:	
Workman's Compensation	2,369,967
Compensated Absences Payable	2,236,954
Other Postemployment Benefits	555,693
Total Liabilities	<u>16,286,137</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	2,760,872
Unrestricted	32,188,392
Total Net Position	<u><u>\$ 34,949,264</u></u>

See accompanying notes to the basic financial statements.

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

<b>Functions</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expenses)</b>
		<b>Charges for</b>	<b>Operating</b>	<b>Revenue and</b>
		<b>Services</b>	<b>Grants and</b>	<b>Changes in</b>
			<b>Contributions</b>	<b>Net Position</b>
				<b>Governmental</b>
				<b>Activities</b>
Instruction:				
Regular Instruction	\$ (71,040,393)	\$ 675	\$ 22,155,280	\$ (48,884,438)
Special Education	(21,348,563)	3,314,639	12,045,524	(5,988,400)
Vocational Instruction	(2,379,914)	-	873,365	(1,506,549)
Gifted	(1,563,645)	-	372,691	(1,190,954)
Guidance	(3,726,495)	445,441	1,205,052	(2,076,002)
Media Services	(1,232,170)	-	922,239	(309,931)
School Administration	(9,128,177)	-	499,427	(8,628,750)
District-Wide Instructional Programs	(2,841,824)	36,707	815,051	(1,990,066)
Support Services:				
Administration	(12,319,863)	158,267	92,789	(12,068,807)
Attendance and Health Services	(4,164,983)	-	75,101	(4,089,882)
Transportation	(9,671,918)	66,138	-	(9,605,780)
Operation & Maintenance of Plant	(13,338,890)	74,037	7,741	(13,257,112)
Food Services	(6,816,374)	1,146,209	5,428,252	(241,913)
Athletics	(1,583,315)	162,282	-	(1,421,033)
Debt Service	(15,954,665)	-	-	(15,954,665)
Total Governmental Activities	<u>\$ (177,111,189)</u>	<u>\$ 5,404,395</u>	<u>\$ 44,492,512</u>	<u>(127,214,282)</u>
General Revenues:				
				73,870,214
				51,367,376
				15,809
				1,176,318
				68,365
Total General Revenues				<u>126,498,082</u>
Change in Net Position				(716,200)
Net Position - Beginning of Year				<u>35,665,464</u>
Net Position - End of Year				<u>\$ 34,949,264</u>

See accompanying notes to the basic financial statements.

## THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

Balance Sheet  
Governmental Funds  
June 30, 2013

<u>Assets</u>	<u>General Fund</u>	<u>Food Service Fund</u>	<u>School Grants Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 36,294,582	\$ 2,510,175	\$ -	\$ 38,804,757
Accounts Receivable	96,363	39,624	-	135,987
Due From City of Roanoke	2,025,855	-	-	2,025,855
Due From Other Governments	2,134,817	71,390	4,104,259	6,310,466
Due From Other Sources	-	-	440	440
Due From Other Funds	3,205,376	-	-	3,205,376
Prepays	1,197,024	-	-	1,197,024
Total Assets	<u>\$ 44,954,017</u>	<u>\$ 2,621,189</u>	<u>\$ 4,104,699</u>	<u>\$ 51,679,905</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ 4,013,224	\$ 112,815	\$ 168,078	\$ 4,294,117
Claims Payable	5,157,869	102,090	131,839	5,391,798
Due to Other Funds	-	-	3,205,376	3,205,376
Deferred Revenue	329,531	-	599,406	928,937
Total Liabilities	<u>9,500,624</u>	<u>214,905</u>	<u>4,104,699</u>	<u>13,820,228</u>
Fund Balances:				
Non-spendable:	1,197,024	-	-	1,197,024
Committed:				
Committed for Workers' Compensation	2,064,241	305,726	-	2,369,967
Committed for Other Postemployment Benefits	1,773,322	-	-	1,773,322
Committed for Employee Compensation Increase	3,000,000	-	-	3,000,000
Committed for Transportation Sinking Fund	250,000	-	-	250,000
Committed for Textbook Adoption	1,169,734	-	-	1,169,734
Assigned:	-	2,100,558	-	2,100,558
Unassigned:	25,999,072	-	-	25,999,072
Total Fund Balances	<u>35,453,393</u>	<u>2,406,284</u>	<u>-</u>	<u>37,859,677</u>
Total Liabilities and Fund Balances	<u>\$ 44,954,017</u>	<u>\$ 2,621,189</u>	<u>\$ 4,104,699</u>	

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

Receivables on the Statement of Net Position that do not provide current financial resources are reported as unearned revenues in the funds. 314,503

Capital assets used in governmental activities are not current financial resources 2,760,872

The following three reconciling items are not due and payable in the current period and therefore are not reported in the funds.  
Compensated absences payable (3,060,128)

Workers' compensation claims payable - long term portion is not due and payable in the current period, and therefore, is not reported as a liability in the governmental funds. (2,369,967)

Other postemployment benefits payable (555,693)

Net position of governmental activities \$ 34,949,264

See accompanying notes to the basic financial statements.

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>School Grants Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Investment Income	\$ 63,923	\$ 4,442	\$ -	\$ 68,365
Intergovernmental:				
City of Roanoke	73,555,711	-	-	73,555,711
Commonwealth of Virginia	68,692,113	129,307	2,819,636	71,641,056
Federal Government	-	5,232,866	18,243,237	23,476,103
Other Agencies	10,232	-	698,492	708,724
Charges for Services	4,095,903	1,124,458	-	5,220,361
Athletics	162,282	-	-	162,282
Miscellaneous	1,671,320	21,751	49,813	1,742,884
Total Revenues	<u>148,251,484</u>	<u>6,512,824</u>	<u>21,811,178</u>	<u>176,575,486</u>
Expenditures:				
Current - Education:				
Instruction	98,159,083	-	19,470,689	117,629,772
Administration, Technology, Attendance & Health	11,403,272	-	1,106,807	12,510,079
Transportation	9,668,779	-	-	9,668,779
Operation & Maintenance of Plant	13,355,402	-	37,479	13,392,881
Food Services	-	6,853,819	66,079	6,919,898
Athletics	1,583,315	-	-	1,583,315
Payments to City of Roanoke	15,954,665	-	-	15,954,665
Total Expenditures	<u>150,124,516</u>	<u>6,853,819</u>	<u>20,681,054</u>	<u>177,659,389</u>
Revenues Over (Under) Expenditures	<u>(1,873,032)</u>	<u>(340,995)</u>	<u>1,130,124</u>	<u>(1,083,903)</u>
Other Financing Sources (Uses):				
Transfers From Other Funds	2,097,526	-	667,402	2,764,928
Transfers To Other Funds	(667,402)	(300,000)	(1,797,526)	(2,764,928)
Other Financing Sources (Uses), Net	<u>1,430,124</u>	<u>(300,000)</u>	<u>(1,130,124)</u>	<u>-</u>
Net Change in Fund Balances	(442,908)	(640,995)	-	(1,083,903)
Fund Balances, Beginning of Year	<u>35,896,301</u>	<u>3,047,279</u>	<u>-</u>	<u>38,943,580</u>
Fund Balances, End of Year	<u>\$ 35,453,393</u>	<u>\$ 2,406,284</u>	<u>\$ -</u>	<u>\$ 37,859,677</u>
Net Change in Fund Balances				\$ (1,083,903)
Amounts reported for governmental activities in the Statement of Activities are different due to:				
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.				314,503
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense and losses on disposals exceeded capital asset purchases in the current period.				(27,068)
Notes receivable are reported in the Statement of Net Position at inception. Any subsequent amount received as payment is in the Statement of Revenues, Expenditures, and Changes in Fund Balances as revenue.				(495,000)
Decreases in compensated absences payable reported in the Statement of Activities, represent a use of current financial resources and therefore are reported as expenditures in governmental funds. Amounts were previously recorded in the statement of activities.				9,808
Decreases in long-term Worker's Compensation do not represent a use of current financial resources, and therefore, are not reported in governmental funds.				526,133
Decrease in other postemployment benefits payable, reported in the Statement of Activities, does not represent a use of current financial resources and therefore is not reported in the governmental funds.				<u>39,327</u>
Change in net position of governmental activities				<u>\$ (716,200)</u>

See accompanying notes to the basic financial statements.

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2013**

	<b><u>Agency Fund</u></b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	<u>\$ 1,087,760</u>
<b><u>Liabilities</u></b>	
Accounts Payable	27,422
Due to Students	<u>1,060,338</u>
Total Liabilities	<u>\$ 1,087,760</u>
See accompanying notes to the basic financial statements.	

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The School Board of the City of Roanoke, Virginia (School Board) is a corporate body operating under the constitution of Virginia and the *Code of Virginia*. The City Council appoints the seven members of the School Board to serve three-year terms. The School Board is responsible for setting the educational policies of the Roanoke City Public Schools and employs a superintendent to implement the School Board's policies.

The School Board receives funding from local taxes collected and allocated by the City of Roanoke, Virginia (City) using a funding formula whereby certain local taxes were apportioned in the amount of 40.0% to the schools. It also receives funding from tuition and fees, and from state and federal aid. Beginning in fiscal year 2012, the apportionment rate changed to 40% (from 36.42%) with the School Board assuming responsibility for additional debt service previously serviced by the City of Roanoke. The School Board is considered to be a component unit of the City because the City Council approves the School Board's budget, levies the necessary taxes to finance operations, and issues debt on behalf of the School Board. The School Board is fiscally dependent on the City and its operations are funded in part by payments from the City's general fund. The City Council is prohibited, however, from exercising control over School Board expenditures at the functional and budgetary line item levels.

The financial statements of the School Board have been prepared in conformity with U. S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

All activities over which the School Board exercises financial accountability have been combined to form the School Board reporting entity. Financial accountability is determined by financial interdependency, selection of governing board, designation of management, responsibility for financial matters and the ability to significantly influence operations. Such activities include the general operations and support services of the School Board and school food services. The School Board has no component units.

**B. Government-wide and Fund Financial Statements.**

**Management's Discussion and Analysis (MD&A)** - MD&A introduces the basic financial statements and provides an analytical overview of the School Board's financial activities in a narrative format. An analysis of the School Board's overall financial position and results of operations is included to assist users in assessing whether the financial position has improved or deteriorated as a result of the year's activities.

**Government-wide Financial Statements** - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School Board. The effect of interfund activity has been removed from these statements. The interfund services provided and used, however, are not eliminated in the process of consolidation. Governmental activities are normally supported by taxes and intergovernmental revenues. The School Board does not operate any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individually major governmental funds are reported as separate columns in the fund financial statements.

**Budgetary Comparison Schedules** - These schedules are presented to demonstrate whether resources were obtained and used in accordance with the district's legally adopted budgets. The School Board revises the original budget over the course of the year for various reasons as necessary. Under the current reporting model, budgetary information continues to be provided, and includes comparisons of the district's original adopted budget to the final budget and actual results.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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 School Board considers non-grant related 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, expenditures related to compensated absences are recorded only when payment is due.

Interest income and grant revenue associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the district.

Agency fiduciary funds are unlike all other types of funds, reporting only assets and liabilities, and are reported on the accrual basis.

The School Board reports the following major governmental funds:

The *General Fund* is the School Board's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Food Service Fund* is a special revenue fund that accounts for the proceeds of specific revenue sources, legally restricted to the operation of the school food service program. The primary source of funding comes from the National School Lunch Program and the School Breakfast Program as provided by the Federal Government and the majority of the remaining funds come from operational receipts.

The *School Grants Fund* is a special revenue fund that accounts for the proceeds of specific revenue sources (other than the school food service program) that are restricted to expenditures for specified purposes. The primary source of grant funding comes from awards made by the Federal Government with the majority of the remaining funding coming from the Commonwealth of Virginia.



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

The Food Service and School Grants are special revenue funds that provide accounting for certain federal, state and other grants awarded to the School Board.

Additionally, the School Board reports the following funds:

The *School Activity Fiduciary Funds* account for assets held by the twenty-four Roanoke City Public Schools, the vocational school (Gibboney), the Roanoke Valley Regional Governor's School, the Noel C. Taylor Learning Academy, Forest Park Academy and the Adult Education program. These agency funds are custodial in nature, and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting.

The effect of interfund activity has been eliminated from the government-wide financial statements. The interfund services provided and used, however, are not eliminated in the process of consolidation.

#### **D. Assets, Liabilities, and Net Position or Fund Balances**

##### **1. *Deposits and Investments.***

The School Board'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. Short-term investments consist of the Local Government Investment Pool (LGIP) and a money market account. Interest income is allocated to the participating funds based on each fund's cash balance. School activity funds are managed by the individual school principals. Cash and cash equivalents are recorded at cost, which approximates market value.

##### **2. *Due to/from Other Governments and Other Funds.***

Transactions between funds and other entities that are representative of the recognition of revenues or expenditures are referred to as "due to/from" the other funds or entities. "Other Funds" are funds managed by the School Board. "Other Governments" can include the Federal Government, the Commonwealth of Virginia (Commonwealth), or political subdivisions other than the City of Roanoke. Amounts due to the General Fund from the Grants Fund at June 30, 2013 are \$ 3,205,376. There are no other amounts due to or from any other fund.

##### **3. *Capital Assets.***

Capital assets acquired or constructed for educational purposes of the School Board, which include equipment acquired with a value in excess of \$5,000, are reported in governmental activities in the entity-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Gifts, contributions or donated capital assets are recorded at their estimated fair value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each asset. The estimated useful life for equipment ranges from 3-20 years.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Pursuant to the Roanoke City Charter, all real estate, including buildings and improvements thereon, financed (or otherwise acquired) by debt issued by the City for the purpose of public education is the property of the City of Roanoke.

##### **4. *Compensated Absences Payable.***

It is the School Board's policy to permit employees to accumulate earned but unused compensated absences including vacation and sick leave. For government-wide financial reporting, a liability is recorded for compensated absences and salary-related benefits (the School Board's share of Social Security) when services are rendered and employees have earned the right to receive compensation

for such services. Sick leave is payable for employees who retire or resign with ten years of benefited service with the School Board. The maximum unused sick leave days that can be paid out are 180. An estimate of the sick leave liability has been included with compensated absences based on current accumulated sick leave and management's estimate of those employees who will ultimately receive this payout. The liability for compensated absences will be liquidated through the appropriate fund as a function of payroll.

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, no expenditure is reported in the governmental fund statements for compensated absences until they are due for payment. Current (amounts expected to be paid within one year) and non-current portions of compensated absences totaling \$3,060,128 are recorded for governmental activities in the entity-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### *5. Workers' Compensation Claims Payable*

In the fund financial statements, an actuarial estimate of the School Board's short-term liability for workers' compensation claims of \$791,395 is included as a component of claims payable. The remaining \$2,369,967 is deemed non-current and included as part of fund balance committed for workman's compensation claims, and a liability in the statement of net position.

#### *6. Pollution Remediation Obligation Liability*

As required by GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, the School Board accrues a liability for pollution remediation activities when it is contractually obligated by purchase order or contract or when legal liability is assumed in accordance with federal regulations regarding hazardous materials abatement. Remediation obligations for asbestos clean-up within the School District have all originated with maintenance activities related to school properties. Remediation activities related to construction are liabilities of the City of Roanoke. Accrued costs are estimated using purchase orders for existing maintenance projects and contractor estimates of costs for known abatement items that are not yet contracted. The liability as of June 30, 2013 is \$0 as there are no unpaid invoices or contracted services that are unpaid at year end.

#### *7. Unearned Revenue*

Unearned revenue represents revenue that is initially recorded as a liability but is expected to become an asset over time and/or through normal operations, such as a payment that has been received for work that has not yet been performed. Total unearned revenue at June 30, 2013 was \$928,937 of which \$329,531 was for General Fund and \$599,406 was for the School Grants Fund. In the General Fund, \$ 314,503 was earned as of June 30, 2013 but was unavailable until September, 2013 (\$104,115) and October, 2013 (\$ 210,388) respectively, and therefore not included as revenue at June 30, 2013 in the governmental funds.

#### *8. Other Postemployment Benefits.*

In the government-wide statement of net position, an actuarial estimate of the School Board's unfunded annual required contribution for other postemployment benefits of \$555,693 is included. However, at June 30, 2013 the committed fund balance for the unfunded annual contribution was \$1,773,322, as the Board took action to reduce its commitment from the prior year to reflect the change in the actuarially determined estimate.

As required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Schools actuarially determined the annual cost and liability associated with other postemployment benefits (OPEB) for retirees and has reflected the annual cost and liability in the government-wide statements.

## 9. *Prepays*

Prepays represent payments made during a fiscal year which apply to benefits to be received in a subsequent fiscal year. Prepaid expenses are assets which are gradually consumed or used over time. The items recorded as prepaid expenses are usually regularly recurring costs of operations. For example, prepaid rent and unexpired insurance premiums, including excess workers' compensation insurance premiums, comprehensive liability and fire insurance premiums, are items classified as prepaids. The School Board utilizes the consumption method of accounting for prepaid items.

## 10. *Fund Balances and Net Position.*

### Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the School Board is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

Non-spendable – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – 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 – Amounts constrained to specific purposes by the School Board, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.

Assigned – Amounts the School Board intends to use for a specified purpose; intent can be expressed by the governing body.

Unassigned – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board establishes fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by the Board 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).

### Restricted Amounts

The Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### Minimum Fund Balance Policy

The School Board does not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by the Board.

## Encumbrances

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 appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Management's policy is to cancel all open purchase orders at June 30<sup>th</sup> each year. Orders will then be reissued if necessary during the new fiscal year. Therefore, no encumbrances of fund balance exist as of June 30, 2013.

## **E. Pension Plan**

The School Board participates in two separate defined benefit pension plans administered by the Virginia Retirement System, and the City of Roanoke. Defined benefit pension plan contributions are actuarially determined and consist of current service costs and amortization of the unfunded accrued liability.

## **F. Intergovernmental Revenue**

Revenue from specific purpose federal, state, and other grants, which are provided to fund specific program expenditures, is recognized at the time that the specific expenditures are incurred and have met all eligibility requirements for reimbursement. Revenue from general purpose grants is recognized as revenue when all eligibility requirements are met and are considered available if they are collected within one year of the end of the current fiscal year.

## **G. Interfund Transactions**

In the governmental fund financial statements, the flow of cash from one fund to another is classified as "transfers to/from other funds" and is reported as other financing sources/uses. These amounts are eliminated in the government-wide Statement of Activities.

## **H. Use of Estimates**

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

## **I. Tax Status**

The School Board, as a governmental entity, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is recorded.

## **II. Details of the Reconciliation of 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 reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that "the acquisitions of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense and the net book value of capital assets disposed exceeded capital asset purchases in the current period". The details of this \$27,068 difference are as follows:

	Capital Outlay	Depreciation Expense	Net Book Value of Assets Disposed	Net Change in Capital Assets
Regular Instruction	\$ 169,227	\$ (299,337)	\$ (42,320)	\$ (172,430)
Administration	438,694	(182,819)	(161,365)	94,510
Transportation	-	(3,139)	-	(3,139)
Operation/Maintenance	135,660	(81,669)	-	53,991
	<u>\$ 743,581</u>	<u>\$ (566,964)</u>	<u>\$ (203,685)</u>	<u>\$ (27,068)</u>

Another element of that reconciliation states that "decreases in compensated absences payable and long-term workers' compensation claims payable, reported in the statement of activities, do not represent a use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$535,941 difference are as follows:

	Compensated Absences	Workers' Compensation	Total
Liability as of June 30, 2013	\$ 3,060,128	\$ 2,369,967	\$ 5,430,095
Liability as of June 30, 2012	3,069,936	2,896,100	5,966,036
Current Year Decrease	<u>\$ 9,808</u>	<u>\$ 526,133</u>	<u>\$ 535,941</u>

Another element of that reconciliation is "decrease in other postemployment benefits payable". The details of this \$39,327 difference are as follows:

	OPEB Obligation
Net OPEB Obligation as of June 30, 2012	\$ 595,020
Net OPEB Obligation as of June 30, 2013	555,693
Current Year Decrease in OPEB Obligation	<u>\$ 39,327</u>

### III. Detailed Notes on Government-wide and Fund Financial Statements

#### A. Deposits and Investments

The School Board manages its own cash balances and invests excess cash with the Local Government Investment Pool, (LGIP), and a money market account with a local bank. Cash balances of the School Activity Fiduciary funds are deposited into a single bank account but with accountability by each school and club or activity assured through the accounting system used by Roanoke City Public Schools. Interest income is allocated to the participating schools based on each school's average quarterly cash balance.

*Investment Policy.* RCPS follows the investment policy of the City of Roanoke as adopted by City Council (Policy). The Policy, in accordance with the Code of Virginia and other applicable laws and regulations, articulates the City's investment objectives and authorized investments and serves as a guide for asset allocation development, cash equivalent development, fixed income development and investment performance measurement. Preservation of principal is the City's primary responsibility in making investment decisions and these decisions are made with the assumption that all investments will be held to maturity unless a specific case warrants otherwise.

The Policy limits investment maturities to five years maximum maturity for any negotiable certificate of deposit or any sovereign government obligation excluding those of the United States and to five years for any single corporate security or any single asset-backed security.

As of June 30, 2013, the School Board's investments, with their respective credit ratings, were as follows:

Investment Type	Credit Rating
Virginia LGIP	AAAm

The State Treasurer's Office of the Commonwealth of Virginia has regulatory oversight over the LGIP. RCPS' fair value of investment in the LGIP is the same as the pooled value of its shares. As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard and Poor's, and Fitch Investor's Service, provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt is rated "A" or better by Moody's and Standard and Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard and Poor's and "P-1" by Moody's Investor Service.

The Virginia LGIP issues a publicly available comprehensive annual financial report that includes basic financial statements and required supplementary information for LGIP. A copy of that report may be obtained from their website at <https://www.trs.virginia.gov/Cash/lqip.aspx> or by writing to the Virginia Department of the Treasury at 101 North 14th Street, Richmond, VA 23219.

As of June 30, 2013, the School Board had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Virginia LGIP	\$ 17,988,896	\$ 17,988,896
Money Market Account	20,015,130	20,015,130
<b>TOTAL</b>	<b>\$ 38,004,026</b>	<b>\$ 38,004,026</b>

The City's policy regarding certain types of investments is as follows:

Commercial Paper: Shall be rated by the Moody's Investors Service, Inc. (Moody's) of prime 1 and by Standard & Poor's Inc. (S & P), with a rating of A-1.

Corporate and Municipal Bonds: High quality corporate notes with a rating of at least Aa by Moody's and a rating of at least AA by S & P.

Banker's Acceptances: Must have a rating of B/C or better in the Keefe, Bruyette & Woods, Inc. ratings.

Savings Accounts, Certificates of Deposit, Demand and Time Deposits: Shall not exceed the maximum Security for Public Deposits Act.

Obligations of the Commonwealth: Those unconditionally guaranteed as to payment by the Commonwealth of Virginia.

Obligations of the United States, etc.: Those unconditionally guaranteed as to payment by the United States.

Repurchase Agreements: Collateralized by United States Treasury agency securities, shall at all times be no less than 110% of the value of term and open repurchase agreements and 102% of the value of overnight repurchase agreements.

Money Market Funds: One or more open-end investment funds, provided that the funds are registered under the Securities Act of the Commonwealth of Virginia or the federal investment of such funds is restricted in investments otherwise permitted by law as set forth in Chapter 18 of Title 2.1, Code of Virginia (1950), as amended.

As of June 30, 2013, the School Board had the following cash and investments:

Cash	\$ 9,795
Deposits	1,878,696
Money Market Account	20,015,130
Virginia LGIP	17,988,896
Total Cash and Investments	<u><u>\$39,892,517</u></u>

Statements of net position:	
Cash and cash equivalents	\$ 38,804,757
Fiduciary fund cash and cash equivalents	1,087,760
Total Cash and Investments	<u><u>\$39,892,517</u></u>

Credit risk, custodial credit risk, concentration of credit risk, and interest rate risk are addressed in the following paragraphs.

*Credit Risk.* State law (Code of Virginia, Chapter 3, Title 26) limits local governments and other public bodies to investing 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, bankers' acceptances, repurchase agreements, and the State and Local Government Investment Pool (LGIP).

*Custodial Credit Risk - Investments.* For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the School Board will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent, but not in the School Board's name. The School Board does not hold any investments which are exposed to custodial credit risk.

*Custodial Credit Risk - 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.

*Concentration of Credit Risk.* The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No single issue shall constitute more than five percent of the total value of the portfolio, except United States Treasury and Federal Agency obligations. Not more than thirty-five percent of the total funds available for investment may be invested in commercial paper, and no single industry group, as defined by Standard and Poor's, shall constitute more than twenty percent of the bond portfolio.

As of June 30, 2013, 47.3 percent of the School Board's investment portfolio was invested in the Virginia LGIP and 52.7 percent was invested in the money market account.

*Interest Rate Risk.* The City's investment policy which RCPS follows limits maturities to a maximum of five years as a means of managing its exposure to fair value losses arising from increasing interest rates.

## B. Due from Other Governments

Due from other governments as of June 30, 2013, for the School Board's individual major funds is as follows:

	<u>General</u>	<u>Food Service</u>	<u>School Grants</u>	<u>Total</u>
Commonwealth of Virginia	\$ 2,134,817	-	\$ 378,984	\$2,513,801
Federal Government	-	\$ 71,390	3,725,275	3,796,665
City of Roanoke	2,025,855	-	-	2,025,855
<b>Totals</b>	<b><u>\$4,160,672</u></b>	<b><u>\$ 71,390</u></b>	<b><u>\$4,104,259</u></b>	<b><u>\$8,336,321</u></b>

## C. Capital Assets

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

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2013</u>
<b>Capital Assets</b>					
Equipment:					
Instruction	\$ 5,086,498	\$ 169,227	\$ 1,312,316	\$ (398,175)	\$ 3,545,234
Administration	861,826	438,694	429,795	442,129	1,312,854
Transportation	250,432	-	-	(212,762)	37,670
Maintenance	1,232,632	135,660	-	168,809	1,537,101
Total Equipment	7,431,388	743,581	1,742,111	-	6,432,858
Less:					
<b>Accumulated Depreciation</b>	(4,643,448)	(566,964)	1,538,426	-	(3,671,986)
<b>Governmental activities, net</b>	<b><u>\$ 2,787,940</u></b>	<b><u>\$ 176,617</u></b>	<b><u>\$ 203,685</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,760,872</u></b>

Depreciation expense and accumulated depreciation was allocated as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2013</u>
Depreciation per class:					
Instruction	(2,879,992)	(299,337)	1,269,996	(66,215)	(1,975,548)
Administration	(658,441)	(182,819)	268,430	(3,473)	(576,303)
Transportation	(140,500)	(3,139)	-	121,913	(21,726)
Maintenance	(964,516)	(81,669)	-	(52,225)	(1,098,409)
<b>Accumulated Depreciation</b>	<b><u>(4,643,448)</u></b>	<b><u>(566,964)</u></b>	<b><u>1,538,426</u></b>	<b><u>-</u></b>	<b><u>(3,671,986)</u></b>

Land, buildings, structures and construction in progress are owned by the City of Roanoke on behalf of the Roanoke City Public Schools and, as such, are not included in the basic financial statements of the School Board of the City of Roanoke. Capital assets shown in this report reflect expenses of the School Board's operating funds.



On July 1, 2009 the School Board contracted with George Krapf, Jr. & Sons, Inc., to provide student transportation services to and from schools, sporting events, and extracurricular activities. As part of the original contract, the School Board sold the existing bus fleet for a non interest bearing, unsecured, long-term note receivable. Certain buses used by the transportation provider are leased by the School Board; however, as part of the contract, these lease payments are credited to the School Board by the provider on a monthly basis. The final note payment was received in fiscal year 2013.

#### D. Transfers

Transfers were made to provide local match requirements to School Grants and to reimburse the General Fund for expenditures related to Federal revenues received in the School Grants fund. Transfers were made from Food Service to the General Fund for indirect costs associated with that fund.

Inter-fund Transfers consisted of the following for the year ended June 30, 2013:

<b>From:</b>	<b>To General Fund</b>	<b>To Food Service</b>	<b>To School Grants</b>	<b>Total</b>
General Fund	\$ -	\$ -	\$ 667,402	\$ 667,402
Food Service	300,000	-	-	300,000
School Grants	1,797,526	-	-	1,797,526
	<u>\$ 2,097,526</u>	<u>\$ -</u>	<u>\$ 667,402</u>	<u>\$ 2,764,928</u>

#### E. Accounts Payable and Accrued Expenditures

The composition of accounts payable and accrued expenditures as of June 30, 2013, is as follows:

	<b><u>General</u></b>	<b><u>Food Service</u></b>	<b><u>School Grants</u></b>	<b><u>Total</u></b>
Accrued Payroll	\$ 833,721	\$ 19,203	\$ 103,937	\$ 956,861
Payroll Withholdings	103,545	8,543	10,641	122,729
Flexible Spending	57,519	-	-	57,519
Accounts Payable	3,018,439	85,069	53,500	3,157,008
<b>Totals</b>	<b><u>\$ 4,013,224</u></b>	<b><u>\$ 112,815</u></b>	<b><u>\$ 168,078</u></b>	<b><u>\$ 4,294,117</u></b>

#### F. Claims Payable

As of June 30, 2013, the composition of claims payable includes amounts held to pay current health insurance and workers' compensation claims is as follows:

	<b><u>General</u></b>	<b><u>Food Service</u></b>	<b><u>School Grants</u></b>	<b><u>Total</u></b>
Health Insurance	\$ 4,552,452	\$ -	\$ 47,951	\$ 4,600,403
Workers' Compensation	605,417	102,090	83,888	791,395
<b>Totals</b>	<b><u>\$ 5,157,869</u></b>	<b><u>\$ 102,090</u></b>	<b><u>\$ 131,839</u></b>	<b><u>\$ 5,391,798</u></b>

The total amount listed above is due within one year. All health care claims cycle in less than a one year period, thus no amounts are considered long term for report presentation. Workman's compensation does have claims considered payable in future periods. The chart presented above speaks only to the fund financial statements.

## **G. Compensated Absences Payable**

The change in compensated absences payable is summarized below:

Balance June 30, 2012	\$ 3,069,936
Increases	3,081,142
Decreases	<u>(3,090,950)</u>
Balance June 30, 2013	\$ 3,060,128
Amount Due Within One Year	<u>(823,174)</u>
Long-Term Payable	<u><b>\$2,236,954</b></u>

## **H. Fund Balances**

Except for those required to comply with accounting standards, all commitments of governmental fund balances reflect City Code requirements or School Board and City Council action in the context of adoption of the School Board's budget.

Commitments at June 30, 2013, consist of the following:

General Fund:

- 1) \$2,064,241 in long-term worker's compensation claims.
- 2) \$1,773,322 for other postemployment benefits.
- 3) \$1,169,734 for new textbook adoption
- 4) \$250,000 for transportation sinking fund
- 5) \$3,000,000 for employee compensation increase

Food Service Fund:

\$305,726 in long-term workers' compensation claims

Assignments at June 30, 2013, consist of the following:

Food Service Fund:

\$2,100,558 to the operational activities of the fund

## **IV. Other Information**

### **A. Defined Benefit Pension Plans**

The School Board participates in and contributes to three pension systems. Professional and non-professional employees of the School Board participate in the Virginia Retirement System (VRS). Professional employees participate in a VRS statewide teacher cost-sharing pool, and non-professional employees hired on or after July 1, 2006 participate as a separate group in the agent multiple-employer retirement system. Operational, maintenance and food service (non-professional) employees hired prior to July 1, 2006 participate in the City of Roanoke Pension Plan (Plan). Disclosure concerning these three plans is as follows:

## 1. Virginia Retirement System

### Statewide Professional Cost-Sharing and Non-Professional Agent Pools - Plan Descriptions.

The School Board contributes to a cost-sharing and agent multiple-employer defined benefit pension plans (Plan1 and Plan 2) administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers must participate in one VRS cost sharing plan. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit when they meet the age and service requirements for their plan. The unreduced benefit is actuarially reduced to calculate the reduced benefit amount. A cost-of-living adjustment (COLA) based on changes in the Consumer Price Index for all Urban Consumers, is granted on July 1 of the second calendar year after retirement and is effective each July 1 thereafter, when provided. 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 VRS issues a publicly available comprehensive annual financial report that includes basic financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

#### a. Funding Policy – Professional Cost Sharing Plan

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual reported compensation to the VRS. Effective July 1, 2013, all employees will pay at least 2% of the employee 5% contribution amount. The Roanoke City School Board began phasing the employee share of the contribution in 1% increments effective with the 2012-2013 fiscal year. At June 30, 2013, employees paid 1% of the employee contribution and the School Board contributed the remaining 4%. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate was 15.66 percent for the period of July 2012 through June 2013 of covered payroll (including employee share of 4 percent paid by their employer). The following table shows total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School System for the prior three years:

	<u>Total Contributions</u>	<u>% of Annual Covered Payroll</u>	<u>Annual Covered Payroll</u>
June 30, 2013	\$11,618,072	16.68	\$69,661,960
June 30, 2012	\$7,531,647	11.33	\$66,367,331
June 30, 2011	\$6,052,585	9.00	\$67,221,089

#### b. Annual Required Contribution – Professional Cost Sharing Plan

Public School Division professional employees participate in a VRS statewide teacher cost-sharing pool. For 2013 the School Board's annual required contribution was \$11,618,072. The required contribution was based on an actuarial valuation. The contribution requirements for the School Board were equal to the actual contributions for 2013. Total School Board payroll for 2013 was \$84,648,186. Payroll covered by VRS for School Board employees was \$69,661,960. The following information related to trend information is provided.

**Three Year Trend Information - Virginia Retirement System  
Professional Group  
Roanoke City School Board  
Roanoke, Virginia**

<b>Fiscal Year Ended</b>	<b>Annual Required Contributions (ARC)</b>	<b>Percentage of ARC Contributed</b>
June 30, 2013	\$11,618,072	100%
June 30, 2012	\$7,531,647	100%
June 30, 2011	\$6,052,585	100%

2. *Virginia Retirement System – Non-Professional Agent Plan*

a. *Funded Status and Funding Progress*

As of June 30, 2012, the most recent actuarial valuation date, the plan was 162.51 percent funded. The actuarial accrued liability for benefits was \$718,966, and the actuarial value of assets was \$1,168,380 resulting in an unfunded (over-funded) actuarial accrued liability (UAAL) of \$ (449,414). The covered payroll (annual payroll of active employees covered by the plan) was \$1,485,891, and the ratio of the UAAL to the covered payroll was (30.25) percent.

The valuation reflects the following changes in benefit provisions:

Effective June 30, 2010, all new members on and after that date participate in Plan 2. The provisions of Plan 2 that differ from Plan 1 are noted through-out this footnote.

There were no changes in the benefit provisions since the last actuarial valuation which had a financial impact on the Plan.

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

b. *Annual Pension Cost.*

Public School Division non-professional employees hired after July 1, 2006, participate in an agent multiple-employee retirement plan. For 2013, the School Board's contributions to the plan were equal to the annual required contribution and annual pension cost for each year. The annual and required contribution was determined through a June 30, 2012 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included a) an investment return rate of 7.0%, b) an annual cost-of-living adjustment of 2.5% for Plan I members and 2.25% for Plan 2 members, and c) salary increases ranging between 3.75% and 5.6% depending on the member's service and classification. Both the investment rate of return and the projected salary increases also include an inflation component of 2.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2012 actuarial valuation was 29 years. Total School Board payroll for 2013 was \$84,648,186 and payroll covered by VRS for School Board non-professional employees was \$1,868,438.

**Three Year Trend Information - Virginia Retirement System  
Non-Professional Group  
Roanoke City School Board  
Roanoke, Virginia**

<b>Fiscal Year Ended</b>	<b>Annual Required Contributions (ARC)</b>	<b>Percentage of ARC Contributed</b>
June 30, 2013	\$235,092	100%
June 30, 2012	\$207,310	100%
June 30, 2011	\$167,647	100%

**3. *City of Roanoke Pension Plan***

**Plan Description**

Effective July 1, 2006 this plan was closed to new employees. As of that date, new non-professional employees of RCPS are members of a VRS agent multiple-employer retirement plan which is described in detail in the following section.

The Pension Plan is a cost-sharing multiple-employer defined benefit plan established by City Council and is included in the City's financial statements as a Pension Trust Fund. The Pension Plan was established by City Ordinance No. 8559, dated May 27, 1946, and effective July 1, 1946. The Pension Plan covers certain non-professional employees of the School Board who were hired prior to July 1, 2006. City Council appoints the Pension Plan Board of Trustees who is responsible for administering the Pension Plan. The Pension Plan is currently not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

Effective July 1, 1984, the Pension Plan changed its name from the Employees' Retirement System of the City of Roanoke, Virginia (ERS) to City of Roanoke Pension Plan. This change provided for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by the ERS. All employees covered under the provisions of the ERS at June 30, 1984, could elect to remain with the ERS or be covered under the provisions of the ESRS. Coverage under the ESRS was mandatory for all employees hired or rehired on or after July 1, 1984. On November 28, 1994, June 1, 1993, November 2, 1998, and June 5, 2000, City Council authorized the Pension Plan to offer members of the ERS an opportunity to transfer to the ESRS. The option was available from February 1, 1995 to May 16, 1995, July 1, 1994 through August 31, 1998, December 1, 1998 through December 31, 1998, and July 1, 2000 through July 31, 2000. Both the ERS and the ESRS share a common trust fund from which all benefits are paid without distinction as to the source of funds and are administered by the Board of Trustees. The Pension Plan provides retirement benefits as well as death and disability benefits.

On July 16, 2012, City Council adopted a restatement of the Chapter of the City Code governing the Plan. The restated Chapter 22.3, Pensions and Retirement, provides for the introduction of new benefit plans and benefit tiers with effective dates of July 1, 2013 and July 1, 2014. Employees hired prior to July 1, 2014 will be provided the irrevocable option of prospective membership for the accrual of benefits under the new defined benefit plan provisions with a new benefit tier and eligibility criteria, and membership under a new hybrid retirement plan consisting of both defined benefit and defined contribution components effective July 1, 2014. Contributions for employees electing the hybrid plan benefit will be placed in the defined contribution plan component with employee-directed investment of their assets. The restated Chapter 22.3 also provides for a cost of living adjustment for retirees whose effective retirement dates are July 1 of the preceding fiscal year or earlier. The cost of living adjustment is defined as 2/3 of the average CPI-U for the prior calendar year, not to exceed 4% or the average increase in compensation provided to active member employees of

the City of Roanoke. Members retiring on or after July 1, 2014 must have 15 years of creditable service to eligible for a cost of living adjustment.

Employees who are members of the ERS with 30 years of service or age 60 (normal retirement age) are entitled to an annual retirement benefit equal to 1/70 (1.429 percent) of their average final compensation (highest consecutive 12 months), excluding overtime, for each year of service. Employees may retire with 20 years of service and receive a reduced retirement benefit. For employees who are married at their retirement date, a joint and survivor annuity is payable monthly. If employees under age 60 terminate before rendering ten years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

Employees who are members of the ESRS with 5 years or more of creditable service and age 65 or over, and general employees who have attained age 50 with age plus service equal to 80, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.1 percent of their final average compensation for each year of credited service up to a maximum of 63 percent. Final average compensation is the employee's average salary, excluding overtime, over the highest 36 consecutive months of credited service. Employees with 5 years of creditable service may retire at age 55 and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees terminate before rendering five years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

The City of Roanoke Pension Plan issues a publicly available comprehensive annual financial report that includes basic financial statements and required supplementary information. That report may be obtained by writing to the City of Roanoke Retirement Office, ATTN: Retirement Administrator, P. O. Box 1220, Roanoke, Virginia 24006.

**a. Funding Policy**

School Board employees do not contribute to the Pension Plan. The School Board's contribution is based on a percentage of the annual compensation of the active members. The contribution rate was 12.75% of annual covered payroll for the year ended June 30, 2013.

**b. Annual Required Contribution**

For fiscal year 2013, the School Board's annual required contribution was \$425,310. The required contribution was based on an actuarial valuation. The School Board's actual contribution was \$425,310. Total School Board payroll for 2013 was \$84,648,186. Payroll covered by City Retirement for School Board employees was \$3,335,975. Information related to trend information is presented below.

**Three Year Trend Information - City of Roanoke Pension Plan  
Roanoke City School Board  
Roanoke, Virginia**

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>
June 30, 2013	\$425,310	100%
June 30, 2012	\$598,352	98.2%
June 30, 2011	\$572,600	100%

## B. Other Post Employment Benefits

### a. Plan Descriptions

Roanoke City Public Schools currently provides medical and dental insurance benefits to its retirees and their eligible dependents that elect to stay in the plans. The plan is a single employer defined benefit plan. Retirees may choose from three plan options, Traditional PPO, Health Reimbursement Account and Health Savings Account which offers both provider and prescription drug coverage. Eligible dependents may remain on the plan as long as the retiree still subscribes and is eligible. Retirees and their spouses may be covered by the plan until age 65 or until they become eligible for Medicare. The dental plan is a comprehensive plan offered by the Schools through Delta Dental. Retirees and their spouses may stay in this for a period of up to 18 months after separation from the district or for a period of 60 months if they retire under the Early Retirement Opportunity Program (EROP). If the retiree dies before age 65, their covered dependents may stay in the plan for a period up to 36 months through COBRA.

### b. Funding Policies

The contribution requirements of the Roanoke City Public Schools Healthcare Plan members and the Roanoke City Public Schools are established and may be amended by the Roanoke City School Board. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health and dental insurance, the School Board contributes 0% of all premium payments, and the retirees contribute 100%. Employees who retired on or before July 1, 2010, participate in the plan at a group rate which is blended with that of active employees. Employees who retired after that date pay an unblended group rate. For the fiscal year ended June 30, 2013, the Roanoke City Public Schools retirees contributed \$1,080,837 to the Roanoke City Public Schools Healthcare Plan. The retiree's claims amounted to \$1,313,865 for the same time period.

### c. Annual OPEB Cost and Net OPEB Obligation

The Roanoke City Public Schools' annual other post-employment benefit (OPEB) cost(expense) is calculated based on 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 cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Roanoke City Public Schools' annual OPEB cost for fiscal year end 2013, the amount actually contributed to the plan, and changes in the Roanoke City Public Schools' net OPEB obligation to the Retiree Health Benefit Fund:

Components of Annual OPEB Cost		Healthcare Plan
Annual Required Contribution	\$	230,862
Interest on net OPEB Obligation		23,801
Adjustment to net OPEB liability:		(60,962)
Annual OPEB Cost		193,701
Contributions made		(233,028)
Decrease in net OPEB obligation		(39,327)
Net OPEB obligation at July 1, 2012		595,020
Net OPEB obligation at June 30, 2013	\$	555,693

The Roanoke City Public Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years are shown below:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2013	\$ 193,701	120.3%	\$ 555,693
June 30, 2012	180,534	395.8%	595,020
June 30, 2011	289,043	209.6%	1,129,105

d. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Roanoke City Public Schools' Healthcare Plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$ 2,015,639 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,015,639. The covered payroll was \$0. The plan does not have separately issued financial statements.

The Schedules of Funding Progress and Employer Contributions – Other Postemployment Benefits, presented as required supplemental information, (RSI), following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits and also presented is the Schedule of Employer Contributions with information regarding the annual required contribution and the percentage contributed (Schedule C).

e. Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual 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, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial valuation of the liabilities as of June 30, 2013 is based on a closed group. Current retirees only are considered; no provision is made for future hires as they are not eligible to enter the plan. For the five-year projection, the actuarial valuation has assumed no new entrants. Therefore, the active population will decline each year as the exiting group ages out of coverage.

f. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) 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, 2013 valuation, the projected unit credit actuarial cost method was used. Past service liability is amortized over a level dollar, open 12 year period as of July 1, 2013, that declines year per year. The remaining amortization period at July 1, 2013 was 8 years.



The actuarial assumptions included a 4 percent discount rate. Annual medical rates are expected to increase at an annual trend rate of 9.50% for the year ending June 30, 2013. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

### **C. Jointly Governed Organizations**

The counties of Craig, Botetourt, and Franklin, and the cities of Roanoke and Salem jointly participate in a regional education program for severely handicapped students, operated by the Roanoke Valley Regional Board (Regional Board). The Regional Board is composed of six members, one from each participating locality. The School Board has control over budget and financing of the venture only to the extent of representation by the one board member appointed. Each locality's financial obligation is based on its proportionate share of students attending the regional program. For the fiscal year ended June 30, 2013, the School Board remitted \$3,981,245 to the Regional Board for services. The Regional Board has separately issued financial statements which can be obtained from the Regional Board, 143 Poor Farm Road, Fincastle, Virginia 24090.

### **D. Pollution Remediation Obligation**

In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, The School Board is obligated to address pollution remediation activities associated with normal repair and maintenance activities. As of June 30, 2013 we had contracts for ongoing asbestos monitoring, annual walkthroughs, permit review and sampling. The total obligation for the remaining portion of these contracts is \$0. During fiscal year 2013, RCPS expended \$31,955 for pollution remediation of certain environmental products including paints, solvents and cleaners and asbestos monitoring which is included in amounts shown for Operation and Maintenance of Plant on both the district-wide Statement of Activities (exhibit 2) and the governmental Statement of Revenues, Expenditures, and Changes in Fund Balances (exhibit 4). Management is not aware of any obligation related to removal or disposal of any other paints, chemicals, cleaning fluids, etc., other than those items already properly removed and disposed.

### **E. Risk Management**

The School Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school division, through a competitive procurement process is using the professional services of a firm to assist in determining appropriate levels of insurance coverage. Further, the firm assists with the placement of coverage with third party providers, including the Virginia Municipal League as noted below. Risk management activities are accounted for in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported (IBNR) primarily based upon past claims and an estimate by a qualified claims adjuster with a third party administrator. Workers' compensation claims have been estimated by an actuary.

The School Board has general liability, vehicular liability, and property insurance coverage through commercial insurers through the Virginia Municipal Liability Pool. There have been no significant changes in insurance coverage, or settlements exceeding insurance coverage, during the past three years. At Morningside Elementary school, a vendor was hired to replace the roof on this building. The School Board and this vendor are in dispute regarding both reimbursement for uninsured damages and payments for services.

The School Board is self-insured for workers' compensation claims, as well as for health insurance claims. The table on the following page shows the activity in the accounts for the past two years.

	Healthcare Claims	Workers' Compensation	Total
Fiscal Year 2012-13:			
Claims liability at July 1	\$ 4,066,473	\$ 3,838,133	\$ 7,904,606
Claims incurred (including IBNR and changes in estimates)	14,533,271	95,771	14,629,042
Claim payments	(13,999,341)	(772,542)	(14,771,883)
Claims liability at June 30	4,600,403	3,161,362	7,761,765
Due within one year	4,600,403	791,395	5,391,798
Long-term payable	\$ -	\$ 2,369,967	\$ 2,369,967
Fiscal Year 2011-12:			
Claims liability at July 1	\$ 3,943,700	\$ 3,460,625	\$ 7,404,325
Claims incurred (including IBNR and changes in estimates)	14,289,572	1,071,779	15,361,351
Claim payments	(14,166,799)	(694,271)	(14,861,070)
Claims liability at June 30	4,066,473	3,838,133	7,904,606
Due within one year	4,066,473	942,033	5,008,506
Long-term payable	\$ -	\$ 2,896,100	\$ 2,896,100

## F. Contingent Liabilities

### Grants

Grants are subject to audit to determine compliance with their requirements. School Board officials believe that if any refunds are required, they would not have a significant effect on the financial condition or liquidity of the School Board.

### Litigation

Various claims and lawsuits are pending against the School Board. It is the opinion of management, after consulting with legal counsel, that the potential loss, if any, on all claims and lawsuits will not materially affect the School Board's financial position due to adequate insurance coverage.

### Contract Renewal

On September 10, 2013, the School Board entered into a contract renewal with Mountain Valley Transportation, Inc. commencing July 1, 2014 continuing through June 30, 2019 whereby Mountain Valley will continue to provide student transportation services.

Total net payments to Mountain Valley Transportation during the first four years of the original agreement were as follows:

Fiscal Year	Payments To	Receipts From	Net Payments
2009-2010	\$ 7,597,857	\$ 718,475	\$ 6,879,382
2010-2011	9,689,720	714,239	8,975,481
2011-2012	9,825,255	725,403	9,099,852
2012-2013	9,403,488	726,118	8,677,370

Future payments to Mountain Valley Transportation will depend upon the level of service (e.g., number of routes) required by RCPS.

#### **G. Retirement/Early Retirement Opportunity Program**

Roanoke City Public Schools employees, including administrators, teachers, clerical staff and paraprofessionals who are eligible, along with other eligible operations staff, will be members of the Virginia Retirement System. Eligible food service and building operations staff will be members of the City of Roanoke Pension Plan. Entry to the City of Roanoke Pension Plan is now closed to any new Roanoke City Public Schools employees. The School Board pays the full employee share for each employee enrolled.

Any employee who is a member of the Virginia Retirement System or City of Roanoke Pension Plan is eligible to retire under the retirement incentive program any time after achieving eligibility to retire under either retirement system, provided the employee has completed seventeen (17) years of service in the appropriate retirement system, ten (10) of which must have been in the Roanoke City Public Schools, and provided he or she is not eligible for disability retirement benefits under either retirement system. This incentive retirement program closed to new entrants at July 1, 2009.

Each employee who elected early retirement under this program is paid an annual supplement equal to 20 percent of his or her annual salary at the time of retirement. The payments of the supplement will commence at the date of retirement and will continue until the earlier of (1) the death of the retired employee or (2) receipt by the retired employee of payment of five years of service after retirement. In return for the supplement, the retiree will enter into a contractual obligation to perform services for 20 days per year. If the retired employees do not elect to enter in the contractual obligation of 20 days service, the benefit is not paid. The expenditures for the School Board's Early Retirement Opportunity Program (EROP) during fiscal year 2013 were \$1,113,227.

#### **H. New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes standards for reclassification of certain item as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The Statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The Statement also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 67, Financial Reporting for Pension Plans replaces the requirements of GASB Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial Statements and in 10-year RSI schedules. This Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with GASB Statement No. 34. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also provides guidance on the accounting for the government if they are the obligor in the transaction and on intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend or receive nonexchange financial guarantees. This Statement will be effective for the year ending June 30, 2014.

Management has not yet evaluated the effects, if any, of adopting these standards.

# REQUIRED SUPPLEMENTARY INFORMATION



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**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Investment Income	\$ -	\$ -	\$ 63,923	\$ 63,923
Intergovernmental:				
City of Roanoke	72,770,400	73,590,400	73,555,711	(34,689)
Commonwealth of Virginia	66,537,695	71,717,695	68,692,113	(3,025,582)
Federal Government	100,000	100,000	-	(100,000)
Other Revenue	4,800,000	4,900,000	5,939,737	1,039,737
Total Revenues	<u>144,208,095</u>	<u>150,308,095</u>	<u>148,251,484</u>	<u>(2,056,611)</u>
Expenditures:				
Current - Education:				
Instruction	96,295,337	102,295,337	98,159,083	4,136,254
Administration, Technology, Attendance & Health	11,665,525	11,665,525	11,403,272	262,253
Transportation	9,373,460	9,373,460	9,668,779	(295,319)
Operation & Maintenance of Plant	14,180,119	14,180,119	13,355,402	824,717
Athletics	1,600,000	1,700,000	1,583,315	116,685
Payments to City of Roanoke	16,003,945	16,003,945	15,954,665	49,280
Total Expenditures	<u>149,118,386</u>	<u>155,218,386</u>	<u>150,124,516</u>	<u>5,093,870</u>
Revenues (Under) Over Expenditures	<u>(4,910,291)</u>	<u>(4,910,291)</u>	<u>(1,873,032)</u>	<u>3,037,259</u>
Other Financing Sources (Uses):				
Transfers From Other Funds	300,000	300,000	2,097,526	1,797,526
Transfers To Other Funds			(667,402)	(667,402)
Other Financing Sources (Uses), Net	<u>300,000</u>	<u>300,000</u>	<u>1,430,124</u>	<u>1,130,124</u>
Net Change in Fund Balance	(4,610,291)	(4,610,291)	(442,908)	4,167,383
Fund Balances, Beginning of Year	<u>35,896,301</u>	<u>35,896,301</u>	<u>35,896,301</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 31,286,010</u>	<u>\$ 31,286,010</u>	<u>\$ 35,453,393</u>	<u>\$ 4,167,383</u>

See accompanying notes to the budgetary comparison schedules.

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Food Service Fund**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Investment Income	\$ -	-	\$ 4,442	\$ 4,442
Intergovernmental:				
Commonwealth of Virginia	125,253	125,253	129,307	4,054
Federal Government	4,724,747	5,474,747	5,232,866	(241,881)
Charges for Services	1,400,000	1,650,000	1,146,209	(503,791)
Total Revenues	<u>6,250,000</u>	<u>7,250,000</u>	<u>6,512,824</u>	<u>(737,176)</u>
Expenditures:				
Current - Education:				
Food Services	5,950,000	6,950,000	6,853,819	96,181
Total Expenditures	<u>5,950,000</u>	<u>6,950,000</u>	<u>6,853,819</u>	<u>96,181</u>
Revenues Over Expenditures	<u>300,000</u>	<u>300,000</u>	<u>(340,995)</u>	<u>(640,995)</u>
Other Financing Sources (Uses):				
Transfers To Other Funds	(300,000)	(300,000)	(300,000)	-
Other Financing Sources (Uses), Net	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net Change in Fund Balance	-	-	(640,995)	(640,995)
Fund Balances, Beginning of Year	<u>3,047,279</u>	<u>3,047,279</u>	<u>3,047,279</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 3,047,279</u>	<u>\$ 3,047,279</u>	<u>\$ 2,406,284</u>	<u>\$ (640,995)</u>

See accompanying notes to the budgetary comparison schedules.



**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA**  
**Notes to the Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2013**

**Stewardship, Compliance, and Accountability.**

**I. Budgetary Information.**

Annual budgets, as required by state statute, are adopted on a basis consistent with U. S. generally accepted accounting principles for the General and Food Service Funds. The School Grants Fund adopts project-length budgets. All annual appropriations are adopted by City Council on a fund basis, which is the legal level of control by City Council over the School Board budget as established by state statute and city ordinance. The Food Service Fund is considered a state category in its entirety, although for management purposes differentiation is made between operating and capital outlays. All annual appropriations lapse at fiscal year end.

On or before March 15 of each year, the School Board submits to the City Manager a proposed operating budget for the General Fund and the Food Service Fund for the fiscal year commencing July 1. The operating budgets include proposed expenditures detailed at the categorical level and the means of financing them.

The multi-year school grant budgets are originally appropriated on a project-length basis under which the total outlay for each grant is estimated for the length of the grant period. The budget for each school grant is legally enacted for the length of the grant. No budgetary comparison schedule is presented for the school grants fund.

Public hearings are conducted to obtain citizen comments on the proposed budgets. Prior to May 15, the budgets are legally adopted through the passage of an appropriation ordinance by City Council.

Formal budgetary integration is employed as a management control device during the year for the General and Food Service Funds.

**II. Material Violations.**

There were no material violations of the annual appropriated budget for the General Fund or Food Service Fund for the fiscal year ended June 30, 2013.

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Schedule C

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Schedules of Funding Progress and Employer Contributions - Other Postemployment Benefits**  
**For the Year Ended June 30, 2013**

Other Post Employment Benefits Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) - PUC [b]	Unfunded AAL (UAAL) [b] - [a]	Funded Ratio [a]/[b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll ([b] - [a])/[c]
6/30/2013	-	\$ 2,015,639	\$ 2,015,639	0.00%	N/A	N/A
6/30/2012	-	2,166,661	2,166,661	0.00%	N/A	N/A
6/30/2011	-	2,437,419	2,437,419	0.00%	N/A	N/A
6/30/2010	-	4,083,544	4,083,544	0.00%	N/A	N/A
6/30/2009	-	7,964,432	7,964,432	0.00%	85,979,029	9.3%
6/30/2008	-	20,074,254	20,074,254	0.00%	83,474,785	24.0%

Schedule of Employer Contributions		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 230,862	120.3%
2012	244,094	292.8%
2011	289,043	209.6%
2010	684,706	55.8%
2009	(1,599,071)	-16.4%
2008	3,259,698	7.9%

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Required Supplementary Information**  
**Virginia Retirement System Schedule of Funding Progress**  
**Year ended June 30, 2013**

**Virginia Retirement System Schedule of Funding Progress - Non-Professional's Agent Multi-Employer Retirement Plan:**

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Payroll (b-a) / (c)
June 30, 2012	\$ 1,168,380	\$ 718,966	\$ (449,414)	162.51%	\$ 1,485,891	-30.25%
June 30, 2011	\$ 947,844	\$ 710,365	\$ (237,479)	133.43%	\$ 1,225,391	-19.38%
June 30, 2010	\$ 784,752	\$ 514,460	\$ (270,292)	152.54%	\$ 1,071,610	-25.22%
June 30, 2009	\$ 808,508	\$ 722,986	\$ (85,522)	111.83%	\$ 3,583,415	-2.39%
June 30, 2008	\$ 265,363	\$ 103,514	\$ (161,849)	256.35%	\$ 3,114,481	-5.20%

# OTHER SUPPLEMENTARY INFORMATION



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**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Schedule of Cash Receipts and Disbursements by School**  
**School Activity Funds**  
**For the Year Ended June 30, 2013**

<u>School</u>	<u>Balance at Beginning of Year</u>	<u>Inter-School Transfers</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance at End of Year</u>
<b>Due to Students</b>					
High Schools:					
William Fleming High School	\$ 99,124	\$ (3,594)	\$ 211,921	\$ 212,653	\$ 94,798
Patrick Henry High School	298,194	(7,822)	310,947	278,378	322,941
Gibboney Technical Center	106,588	13,052	149,768	164,644	104,764
Roanoke Valley Governor's School	22,211	-	68,188	57,116	33,283
Noel C. Taylor Learning Academy	214	21	1,191	1,382	44
Forest Park Academy	22,529	-	11,390	24,587	9,332
Adult Education	42,174	-	35,416	20,707	56,883
Middle Schools:					
Lucy Addison Aerospace Middle School	6,893	(15)	46,913	45,837	7,954
James Breckinridge Middle School	18,194	(30)	47,925	54,122	11,967
Stonewall Jackson Middle School	8,415	-	11,048	18,492	971
James Madison Middle School	34,834	(1,164)	57,673	59,644	31,699
Woodrow Wilson Middle School	42,569	-	57,342	57,110	42,801
Elementary Schools:					
Crystal Spring Elementary School	31,197	(15)	39,857	32,231	38,808
Fairview Elementary School	16,272	46,462	39,476	91,631	10,579
Fallon Park Elementary School	12,232	-	7,010	7,447	11,795
Fishburn Park Elementary School	21,914	(10)	18,659	12,645	27,918
Garden City Elementary School	12,596	(41)	16,401	19,866	9,090
Grandin Court Elementary School	55,328	(47)	21,217	15,372	61,126
Highland Park Elementary School	16,510	(46,583)	62,694	14,812	17,809
Hurt Park Elementary School	10,531	-	3,524	5,695	8,360
Lincoln Terrace Elementary School	1,571	-	5,109	6,593	87
Monterey Elementary School	21,217	-	28,713	26,817	23,113
Morningside Elementary School	9,173	(48)	13,629	13,838	8,916
Preston Park Primary School	18,350	-	10,709	9,140	19,919
Roanoke Academy for Math and Science	25,900	15	9,312	7,889	27,338
Round Hill Primary School	8,872	(181)	4,242	4,397	8,536
Virginia Heights Elementary School	16,933	-	15,217	16,041	16,109
Wasena Elementary School	39,993	-	12,146	14,855	37,284
Westside Elementary School	11,604	-	22,930	18,420	16,114
Total Due to Students	\$ 1,032,132	\$ -	\$ 1,340,567	\$ 1,312,361	\$ 1,060,338

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Statement of Fiduciary Assets and Liabilities**  
**For the Year Ended June 30, 2013**

	<b><u>Assets</u></b>	<b><u>Agency Fund</u></b>
<b><u>Cash</u></b>		
Balance June 30, 2012		\$ 1,126,278
Additions		1,367,989
Deductions		(1,406,507)
Balance June 30, 2013		\$ <u>1,087,760</u>
	<b><u>Liabilities</u></b>	
<b><u>Accounts Payable</u></b>		
Balance June 30, 2012		\$ 94,146
Additions		27,422
Deductions		(94,146)
Balance June 30, 2013		\$ <u>27,422</u>
<b><u>Due to Students</u></b>		
Balance June 30, 2012		\$ 1,032,132
Additions		1,340,567
Deductions		(1,312,361)
Balance June 30, 2013		\$ <u>1,060,338</u>



**Schedule G**

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Schedule of Insurance Coverage**  
**For the Year Ended June 30, 2013**

	<u>Amount</u>
The Virginia Municipal Liability Pool	
Property and Scheduled Equipment Coverage	\$ 433,492,330
The Virginia Municipal Liability Pool	
Local Government Liability Coverage	1,000,000
The Virginia Municipal Liability Pool	
Automobile Coverage	1,000,000
The Virginia Municipal Liability Pool	
No Fault Property Coverage	10,000
The Virginia Municipal Liability Pool	
Excess Liability Coverage	10,000,000
The Virginia Municipal Liability Pool	
Boiler and Machinery Coverage	1,000,000
The Virginia Municipal Liability Pool	
Fidelity/Crime Coverage	1,000,000
The Virginia Municipal Liability Pool	
Miscellaneous Equipment	592,458
Hartford Insurance Company	
Flood Insurance - Warehouse *	500,000
Ace American Insurance Company	
Student Accident Insurance - Coordinated with VHSLCI	1,000,000
Safety National	
Workers' Compensation Employer's Liability Maximum	1,000,000
SunLife	
Stop loss carrier for health insurance	5,000,000

\* Policy was cancelled September 13, 2012

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# STATISTICAL SECTION

(Unaudited)



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## INTRODUCTION TO THE STATISTICAL SECTION

The Statistical Section of the Comprehensive Annual Financial Report for the School Board of the City of Roanoke, Virginia, presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the School Board's overall financial condition.

Contents	Page
Financial Trends .....	78-81
These schedules contain trend information to help the reader understand how the School Board's financial performance and well-being have changed over time.	
Revenue Capacity .....	82-85
These schedules contain information to help the reader assess the School Board's most significant local revenue source.	
Debt Capacity .....	86-90
The City of Roanoke levies taxes for the School Board operation and issues debt for School Board capital projects. These schedules 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 additional debt in the future.	
Demographic and Economic Indicators .....	91
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School Board's financial activities take place.	
Operating Information .....	92-95
These schedules contain service and infrastructure data to help the reader understand how the information in the School Board's financial report relates to the services provided and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

Table 1

**Roanoke City Public Schools**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(Unaudited)

	Invested in Capital Assets	Unrestricted	Total Net Position
Fiscal Year 2004	\$ 4,346,911	\$ (975,855)	\$ 3,371,056
Fiscal Year 2005	3,942,348	(1,798,711)	2,143,637
Fiscal Year 2006	4,226,716	(2,840,751)	1,385,965
Fiscal Year 2007	4,594,989	2,929,159	7,524,148
Fiscal Year 2008	4,682,939	1,864,686	6,547,625
Fiscal Year 2009	4,137,983	4,945,470	9,083,453
Fiscal Year 2010	2,904,199	6,892,489	9,796,688
Fiscal Year 2011	2,799,326	19,619,040	22,418,366
Fiscal Year 2012	2,787,940	32,877,524	35,665,464
Fiscal Year 2013	2,760,872	32,188,392	34,949,264

Source: Statement of Net Position (Exhibit 1).

Table 2

**Roanoke City Public Schools**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(Unaudited)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses:</b>										
Instruction	\$ 113,261,181	\$ 108,920,537	\$ 107,067,285	\$ 109,338,130	\$ 111,483,779	\$ 110,294,480	\$ 103,824,545	\$ 103,021,806	\$ 102,115,635	\$ 91,770,166
Administration	12,319,863	10,847,658	8,032,822	11,206,444	10,017,243	9,197,034	7,053,154	6,399,423	6,106,188	5,097,243
Attendance & Health Services	4,164,983	3,998,564	2,279,228	1,709,483	3,414,687	2,319,315	2,145,467	1,993,858	1,807,576	1,604,137
Transportation	9,671,918	10,024,200	9,159,765	8,848,642	8,046,245	7,150,856	6,645,788	6,467,602	6,120,680	5,026,432
Operation & Maintenance of Plant	13,338,890	13,060,376	14,861,138	15,256,459	16,058,753	17,480,443	15,008,538	13,546,369	12,621,110	11,424,738
Food Services	6,816,374	6,231,331	5,613,676	5,232,656	5,324,523	5,172,831	4,952,841	5,337,543	5,246,329	5,016,683
Athletics (1)	1,583,315	1,557,556	1,380,626	1,181,887	1,512,359	n/a	n/a	n/a	n/a	n/a
Facilities	-	-	-	-	-	3,874	44,730	526,357	381,666	370,552
Payments to Primary Government	15,954,665	16,348,972	9,710,060	10,031,481	8,932,913	9,029,155	8,225,021	6,531,023	5,228,689	5,835,409
Total Expenses	177,111,189	170,989,194	158,104,600	162,805,182	164,790,502	160,647,988	147,900,084	143,823,981	139,627,873	126,145,360
<b>Program revenues:</b>										
Charges for services:										
Instruction	3,797,462	3,299,018	3,126,427	2,867,222	2,883,589	3,031,069	2,581,920	2,662,269	2,499,837	2,743,943
Administration	158,267	49,577	1,768,215	493,428	-	-	-	-	-	-
Technology	-	-	-	3,600	-	-	-	-	-	-
Transportation	66,138	63,840	209,661	154,061	974,079	569,552	763,741	570,918	603,130	899,515
Operations & maintenance	74,037	43,041	110,030	204,473	54,713	101,219	122,329	82,819	164,087	136,431
Food Services	1,146,209	1,269,261	1,138,961	1,248,571	1,368,128	1,316,086	1,449,759	1,503,183	1,511,244	1,445,317
Athletics (1)	162,282	184,231	213,882	179,060	110,995	n/a	n/a	n/a	n/a	n/a
Operating grants and contributions	44,492,512	50,542,428	46,888,580	43,808,957	40,880,659	35,050,367	34,501,837	32,931,331	33,014,220	28,463,380
Total revenues	49,896,907	55,451,396	53,455,756	48,959,372	46,272,163	40,088,293	39,419,586	37,750,520	37,792,518	33,688,586
Net expense	(127,214,282)	(115,537,798)	(104,648,844)	(113,845,810)	(118,518,339)	(120,579,695)	(108,480,498)	(106,073,461)	(101,835,355)	(92,456,774)
<b>General revenues:</b>										
Payments from the City of Roanoke	73,870,214	78,351,405	70,232,036	63,441,557	62,506,419	62,392,633	58,669,043	55,843,100	52,676,279	49,520,072
State aid	51,367,376	49,125,626	45,907,251	49,941,848	58,370,478	56,730,226	55,710,091	49,286,548	47,821,217	41,044,412
Grants not restricted to a specific program	15,809	18,695	23,074	8,197	25,473	151,158	113,331	144,281	79,630	62,897
Interest Income on Investments	68,365	35,626	-	-	-	-	-	-	-	-
Miscellaneous	1,176,318	1,253,544	791,469	144,787	151,797	329,155	126,216	41,860	30,810	99,308
Special Item - Gain from sale of transportation vehicles and equipment	-	-	-	1,022,656	-	-	-	-	-	-
Special Item - OPEB reduction in payable	-	-	316,692	-	-	-	-	-	-	-
Total general revenues	126,498,082	128,784,896	117,270,522	114,559,045	121,054,167	119,603,172	114,618,681	105,315,789	100,607,936	90,726,689
Change in net position	\$ (716,200)	\$ 13,247,098	\$ 12,621,678	\$ 713,235	\$ 2,535,828	\$ (976,523)	\$ 6,138,183	\$ (757,672)	\$ (1,227,419)	\$ (1,730,085)

Source: Statement of Activities (Exhibit 2).

(1) In prior years Athletics expenses were not accounted for separately.

Table 3

**Roanoke City Public Schools**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010
<b>Pre-GASB 54 implementation:</b>							
General Fund							
Reserved	\$ 1,308,277	\$ 998,897	\$ 800,201	\$ 1,638,071	\$ 929,971	\$ -	\$ -
Unreserved	1,130,020	713,693	333,783	4,975,948	7,389,857	10,787,998	9,988,445
Total General Fund	\$ 2,438,297	\$ 1,712,590	\$ 1,133,984	\$ 6,614,019	\$ 8,319,828	\$ 10,787,998	\$ 9,988,445
All Other Governmental Funds							
Reserved	\$ 36,234	\$ 3,448	\$ 3,831	\$ 179,985	\$ 9,708	\$ -	\$ -
Unreserved	144,782	103,370	147,922	260,560	764,436	1,111,426	2,817,037
Total all other governmental funds	\$ 181,016	\$ 106,818	\$ 151,753	\$ 440,545	\$ 774,144	\$ 1,111,426	\$ 2,817,037

	2011	2012	2013
<b>Post-GASB 54 implementation:</b>			
General Fund			
Nond spendable	\$ 738,964	\$ 944,422	\$ 1,197,024
Committed	8,909,493	12,160,042	8,257,297
Assigned	-	-	-
Unassigned	12,704,697	22,791,837	25,999,072
Total General Fund	\$ 22,353,154	\$ 35,896,301	\$ 35,453,393
All Other Governmental Funds			
Nond spendable	\$ -	\$ -	\$ -
Committed	36,082	57,922	305,726
Assigned	3,149,862	2,989,357	2,100,558
Unassigned	-	-	-
Total all other governmental funds	\$ 3,185,944	\$ 3,047,279	\$ 2,406,284

Source: Balance Sheet - Governmental Funds (Exhibit 3).

**Note: 2011 was the first year of implementing GASB 54 which revised fund balance classifications.**

\* As restated



Table 4

**Roanoke City Public Schools**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
(Unaudited)

	Fiscal Year Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>										
City of Roanoke	\$ 73,555,711	\$ 78,351,405	\$ 70,232,036	\$ 63,441,557	\$ 62,506,419	\$ 62,392,633	\$ 58,669,043	\$ 55,843,100	\$ 52,676,279	\$ 49,520,072
Commonwealth of Virginia	71,641,056	68,878,360	66,050,074	70,342,651	81,114,482	76,428,772	74,587,049	65,915,136	64,862,765	54,679,988
Federal Government	23,476,103	29,877,473	26,373,082	23,035,591	17,578,897	15,502,981	15,738,210	16,447,023	16,052,301	14,890,701
Charges for services	5,220,361	4,724,737	6,263,751	2,537,590	5,280,509	5,017,926	4,880,917	4,811,690	4,763,299	5,184,640
Other	2,682,255	2,899,317	1,919,914	3,686,084	846,023	329,153	163,048	49,360	45,810	139,874
Total revenue	176,575,486	184,731,292	170,838,857	163,043,473	167,326,330	159,671,465	154,038,267	143,066,309	138,400,454	124,415,275
<b>Expenditures:</b>										
Current:										
Instruction	\$ 117,629,772	\$ 113,318,331	\$ 108,674,725	\$ 110,508,021	\$ 115,776,687	\$ 111,709,321	\$ 107,462,621	\$ 104,612,255	\$ 104,002,373	\$ 92,366,363
Administration, Administration & Health	12,510,079	10,934,995	10,098,271	11,168,822	11,325,604	9,181,383	6,313,487	5,756,182	5,129,549	4,178,997
Transportation	9,668,779	9,969,049	9,159,765	8,848,642	8,147,387	6,530,019	6,318,760	6,237,424	5,602,079	4,616,314
Operation & Maintenance of Plant	13,392,881	12,964,536	13,468,118	15,161,689	15,021,466	16,107,669	14,170,006	12,424,146	12,176,055	10,875,942
Food Services	6,919,898	6,227,606	5,613,676	5,236,873	5,321,241	4,957,128	4,896,238	5,163,903	5,140,583	4,747,977
Athletics (1)	1,583,315	1,563,321	1,380,626	1,181,887	1,512,359	n/a	n/a	n/a	n/a	n/a
Facilities Capital Outlay	-	-	-	-	70,212	117,382	883,307	2,875,047	1,921,031	3,955,491
Payments to Roanoke City	15,954,665	16,348,972	9,710,060	10,031,481	8,932,913	9,029,155	8,225,021	6,531,023	5,228,689	5,835,409
Total expenditures	177,659,389	171,326,810	158,105,241	162,137,415	166,107,869	157,632,057	148,269,440	143,599,980	139,200,359	126,576,493
Excess (deficiency) of revenues over (under) expenditures	(1,083,903)	13,404,482	12,733,616	906,058	1,218,461	2,039,408	5,768,827	(533,671)	(799,905)	(2,161,218)
<b>Other financing sources (uses):</b>										
Transfers from Other Funds	\$ 2,764,928	\$ 2,727,714	\$ 1,278,650	\$ 2,929,796	\$ 1,276,260	\$ 931,444	\$ 836,606	\$ 1,245,652	\$ 2,404,928	\$ 2,053,094
Transfers to Other Funds	(2,764,928)	(2,727,714)	(1,278,650)	(2,929,796)	(1,276,260)	(931,444)	(836,606)	(1,245,652)	(2,404,928)	(2,053,094)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Change in fund balances	\$ (1,083,903)	\$ 13,404,482	\$ 12,733,616	\$ 906,058	\$ 1,218,461	\$ 2,039,408	\$ 5,768,827	\$ (533,671)	\$ (799,905)	\$ (2,161,218)

Source: Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit 4).

Information is presented on a modified accrual basis of accounting.

(1) In prior years Athletics expenditures were accounted for as part of Instruction.

Table 5

**Roanoke City Public Schools**  
**Major Local Revenue Sources - General Fund and Food Service**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Regional Tuition - General Fund			Charges for Services - Food Services		
Annual Payment Received			Local Breakfast/Lunch Fees		
2004	\$	1,799,644	2004	\$	1,445,317
2005		1,614,549	2005		1,511,244
2006		1,456,753	2006		1,503,183
2007		1,662,137	2007		1,449,759
2008		2,183,557	2008		1,316,086
2009		1,990,872	2009		1,368,128
2010		2,169,750	2010		1,248,572
2011		2,500,940	2011		1,138,961
2012		2,758,907	2012		1,269,261
2013		3,314,639	2013		1,124,458

Source: Detail Billings from the Roanoke Valley Regional Board and  
Fiscal Year Comprehensive Annual Financial Reports.

Table 6  
Unaudited

CITY OF ROANOKE, VIRGINIA  
GENERAL PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
<b>Total Tax Levies</b>	<b>\$ 113,209,446</b>	<b>\$ 112,485,925</b>	<b>\$ 112,560,131</b>	<b>\$ 110,098,047</b>	<b>\$ 110,034,071</b>	<b>\$ 106,316,893</b>	<b>\$ 101,301,039</b>	<b>\$ 94,754,245</b>	<b>\$ 88,719,548</b>	<b>\$ 82,947,318</b>
Current Tax Collections	103,802,153	103,693,219	102,130,123	100,833,008	98,726,769	95,621,945	89,761,174	83,902,929	78,489,950	72,835,920
Current Tax Collections - State Share (1)	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,089,164	7,789,896	8,147,634	7,551,379
Delinquent Tax Collections	1,673,743	2,153,199	2,333,454	2,186,663	3,450,543	3,362,031	3,323,515	2,544,365	2,709,780	2,510,372
Delinquent Tax Collections - State Share (1)	-	-	-	-	-	-	32,383	172,172	178,186	138,153
<b>Total Tax Collections</b>	<b>\$ 113,551,888</b>	<b>\$ 113,922,410</b>	<b>\$ 112,539,569</b>	<b>\$ 111,095,663</b>	<b>\$ 110,253,304</b>	<b>\$ 107,057,436</b>	<b>\$ 101,206,236</b>	<b>\$ 94,409,362</b>	<b>\$ 89,525,550</b>	<b>\$ 83,035,824</b>
<b>Current Tax Collections As</b>										
<b>Percent of Levies</b>	<b>98.82%</b>	<b>99.36%</b>	<b>97.91%</b>	<b>98.92%</b>	<b>97.06%</b>	<b>97.53%</b>	<b>96.59%</b>	<b>96.77%</b>	<b>97.65%</b>	<b>96.91%</b>
<b>Total Tax Collections As</b>										
<b>Percent of Levies (2)</b>	<b>100.30%</b>	<b>101.28%</b>	<b>99.98%</b>	<b>100.91%</b>	<b>100.20%</b>	<b>100.70%</b>	<b>99.91%</b>	<b>99.64%</b>	<b>100.91%</b>	<b>100.11%</b>

(1) In fiscal year 1999, the State began the Personal Property Tax Relief Act. As a result, a portion of the City's total Personal Property tax levy is received from the Commonwealth. The State share is shown here but is not classified as a local tax.

(2) Total tax collections as percent of levies may be greater than 100% due to delinquent tax collections in a given fiscal year for prior fiscal year levies.

Source: City of Roanoke, Department of Finance

Table 7  
Unaudited

CITY OF ROANOKE, VIRGINIA  
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS

REAL PROPERTY					PUBLIC SERVICE CORPORATIONS					Total	
Year	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Assessment Ratio	Value
2004	\$ 4,558,900,600	7.23%	\$ 4,558,900,600	1.00	\$ 675,390,754	(1.44%)	\$ 1,125,651,256	0.60	\$ 372,880,650	16.27%	\$ 378,299,578
2005	4,912,403,589	7.75%	4,912,403,589	1.00	731,086,348	8.25%	1,218,477,246	0.60	333,486,044	(10.56%)	338,499,005
2006	5,351,633,570	8.94%	5,351,633,570	1.00	762,403,478	4.28%	1,270,672,463	0.60	303,859,616	(8.88%)	308,722,893
2007	5,834,424,939	9.02%	5,834,424,939	1.00	818,058,932	7.30%	1,363,431,553	0.60	310,606,990	2.22%	316,097,815
2008	6,256,495,314	7.23%	6,256,495,314	1.00	836,674,524	2.28%	1,394,457,540	0.60	314,604,888	1.29%	321,271,916
2009	6,564,294,962	4.92%	6,564,294,962	1.00	809,722,606	(3.22%)	1,349,537,677	0.60	335,086,164	6.51%	341,586,222
2010	6,698,391,113	2.04%	6,698,391,113	1.00	758,872,026	(6.28%)	1,264,786,710	0.60	359,212,368	7.20%	360,848,221
2011	6,801,971,286	1.55%	6,801,971,286	1.00	769,951,558	1.46%	1,283,252,597	0.60	353,515,462	(1.59%)	357,281,499
2012	6,794,772,298	(0.11%)	6,794,772,298	1.00	816,148,651	6.00%	1,360,247,752	0.60	360,309,314	1.92%	360,309,314
2013	6,725,168,858	(1.02%)	6,725,168,858	1.00	865,117,570	6.00%	1,441,862,617	0.60	416,800,579	15.68%	418,303,022

Source: City of Roanoke, Department of Finance

Table 8  
Unaudited

CITY OF ROANOKE, VIRGINIA  
PROPERTY TAX RATES AND TAX LEVIES  
LAST TEN YEARS

REAL PROPERTY				PUBLIC SERVICE CORPORATIONS			
Year	Tax Rate Per \$100	Levy		Tax Rate Per \$100	Levy	Total Tax Levies	
2004	1.21	\$ 55,162,380		1.21	\$ 4,483,957	\$ 82,947,318	
2005	1.21	59,439,602		1.21	4,057,467	88,719,548	
2006	1.21	64,754,545		1.21	3,696,780	94,754,245	
2007	1.19 (2)	69,429,439		1.19 (2)	3,708,517	101,301,039	
2008	1.19	74,451,741		1.19	3,765,019	106,316,893	
2009	1.19	78,114,892		1.19	3,993,207	110,034,071	
2010	1.19	79,710,636		1.19	4,246,026	110,098,047	
2011	1.19	80,943,458		1.19	4,231,507	112,560,131	
2012	1.19	80,857,790		1.19	4,316,603	112,485,925	
2013	1.19	80,029,509		1.19	4,991,552	113,209,446	

- (1) In fiscal year 1999, the State initiated the Personal Property Tax Relief Act. The levy includes the state portion.  
(2) Effective July 1, 2006, the rate became \$ 1.19.  
(3) The Personal Property Tax Relief changed from a flat % to fixed block grant in the amount of \$8,075,992.

Source: City of Roanoke, Department of Finance

Table 9  
Unaudited

CITY OF ROANOKE, VIRGINIA  
PRINCIPAL PROPERTY TAXPAYERS  
COMPARISON OF JUNE 30, 2013 AND JUNE 30, 2004

Taxpayer	Description	2013			2004		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Carilion Healthcare	Healthcare Provider	\$205,264,456	1	2.61%	\$ -	-	-
Appalachian Power	Public Utility	133,697,835	2	1.70%	71,301,361	2	1.36%
Norfolk Southern Railway	Transportation	121,054,498	3	1.54%	69,094,970	3	1.32%
Valley View Mall LLC	Shopping Mall	74,938,200	4	0.95%	49,747,070	4	0.95%
Verizon Virginia, Inc	Communications	46,040,681	5	0.59%	79,437,253	1	1.51%
Roanoke Gas Company	Public Utility	38,267,865	6	0.49%	23,453,924	7	0.45%
Faison Roanoke Office Limited	Office Building	30,770,100	7	0.39%	-	-	-
Maple Leaf Bakery	Bakery	29,543,003	8	0.38%	26,563,400	6	0.51%
Advance Auto Parts	Auto Parts	29,384,305	9	0.37%	-	-	-
Steel Dynamics Roanoke Division	Primary Metals	23,673,262	10	0.30%	20,606,223	9	0.39%
Spectacle Lens	Eyecare Professionals	-	-	-	29,081,589	5	0.55%
Hotel Roanoke	Hotel	-	-	-	20,662,713	8	0.39%
IHC (Wyndham)	Hotel	-	-	-	18,100,500	10	0.34%
		<u>\$732,634,205</u>		<u>9.32%</u>	<u>\$ 408,049,003</u>		<u>7.77%</u>

Source: City of Roanoke, Commissioner of the Revenue

Table 10  
Unaudited

CITY OF ROANOKE, VIRGINIA  
TAXABLE RETAIL SALES  
LAST TEN CALENDAR YEARS

Calendar Year	Total Retail Sales (1)
2004 .....	\$ 1,712,570,484
2005 .....	1,599,236,967
2006 .....	1,876,508,609
2007 .....	1,900,930,872
2008 .....	1,925,487,309
2009 .....	1,692,267,903
2010 .....	1,676,331,018
2011 .....	1,649,614,469
2012 .....	1,732,017,118
2013 through June .....	859,538,966

(1) Source: State Department of Taxation. Data excludes prescription drug sales.

**CITY OF ROANOKE, VIRGINIA**  
**RATIO OF GENERAL BONDED DEBT TO**  
**TOTAL ESTIMATED ACTUAL VALUE AND BONDED DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Population (A)	Total Estimated Value	Gross Bonded Debt (D)	Bonds Supported by		Bonds Supported By		Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
				Funds (C)(D)	Enterprise	Western Virginia Water Authority	Hotel Roanoke, LLC (E)				
2004	92,900	\$ 6,062,851,434	\$ 182,167,056	\$ 21,942,142	\$	19,562,536	\$ -	\$ 15,061,934	\$ 167,105,122	2.76%	\$ 1,798.76
2005	92,671	6,469,379,840	237,750,405	7,818,130		33,435,000	-	988,465 (B)	214,127,613	3.31%	2,310.62
2006	92,994	6,931,028,926	255,708,015	9,863,867		31,315,992	-	1,063,737	239,565,221	3.46%	2,576.14
2007	93,048	7,513,954,307	249,451,409	9,160,142		28,924,766	-	1,021,667	234,919,976	3.13%	2,524.72
2008	93,734	7,972,224,770	272,991,207	10,974,761		26,596,538	-	1,143,782	260,060,887	3.26%	2,774.46
2009	94,482	8,255,418,861	274,721,495	15,160,308		24,255,948	-	1,161,895	263,493,652	3.19%	2,788.82
2010	97,032	8,324,026,044	254,789,731	15,632,575		21,987,683	-	1,213,260	244,769,119	2.94%	2,522.56
2011	97,206 (est)	8,442,505,382	250,315,325	14,627,811		19,875,450	1,355,000	1,133,011	240,667,032	2.85%	2,475.85
2012	97,206 (est)	8,515,329,364	234,279,293	13,541,712		17,558,082	910,000	1,317,554	227,263,512	2.67%	2,337.96
2013	98,641 (est)	8,585,334,497	225,402,117	13,459,675		13,389,900	-	1,493,056	224,003,579	2.61%	2,270.90

Source (A) Weldon - Cooper Center for Public Service

(B) In FY05, there was a \$15.5 million transfer of fund balance from the Debt Service Fund to the General Fund to establish the Budget Stabilization Reserve.

(C) FY04 through FY10 amounts exclude Civic Facilities Fund outstanding balances.

(D) Includes Deferred Bond Costs and excludes Unamortized Bond Premium of the Enterprise Funds.

(E) Effective FY 12, Hotel Roanoke, LLC debt was excluded from total bonded debt as a result of a change in the reporting of the Hotel Roanoke, LLC Note Receivable at the entity-wide level

**Table 12**  
**Unaudited**

**CITY OF ROANOKE, VIRGINIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**JUNE 30, 2013**

The Charter of the City of Roanoke limits the Legal Debt to 10% of the Assessed Valuation of Real Estate within the City limits. The City has no overlapping debt.

Total Assessed Value of Real Estate, 2013 (1)		<u>\$ 6,835,565,600</u>
Legal Debt Limit: 10% of \$6,835,565,600		683,556,560
Debt applicable to limitation:		
General Obligation Serial Bonds - Governmental Activities	\$ 166,447,700	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	13,389,900	
Premium on Bonds - Governmental Activities	12,194,477	
Deferred Bond Costs - Governmental Activities	(8,999,678)	
Qualified Zone Academy Bonds (QZAB)	3,383,134	
State Literary Fund Loans	2,080,000	
Virginia Public School Authority (VPSA) School Bonds	36,906,584	
Civic Facilities Enterprise Fund - Business-Type Activities	12,962,400	
Premium on Bonds - Civic Facilities Enterprise Fund Debt	958,895	
Deferred Bond Costs - Civic Facilities Enterprise Fund Debt	(436,877)	
Parking Enterprise Fund Supported Debt - Business-Type Activities	13,167,000	
Premium on Bonds - Parking Enterprise Fund Supported Debt	723,814	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	(431,139)	
Total Debt	<u>252,346,210</u>	
Less: Available in Debt Service Fund	(1,493,056)	
WVWA Supported Debt	(13,389,900)	
Parking Enterprise Fund Supported Debt	(13,167,000)	
Premium on Bonds - Parking Enterprise Fund Supported Debt	(723,814)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	<u>431,139</u>	
<b>Legal Debt Margin</b>		<u><u>\$ 224,003,579</u></u>
		<u><u>\$ 459,552,981</u></u>

(1) Source: City of Roanoke, Commissioner of the Revenue.

**Table 13**  
**Unaudited**

**CITY OF ROANOKE**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL LONG-TERM DEBT TO TOTAL GENERAL EXPENDITURES**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Principal (1)	Interest (1)	Total Debt Service	Total General Expenditures (2)	Percent of Debt Service to General Expenditures
2003-04	\$11,255,346	\$ 7,882,228	\$ 19,137,574	\$ 268,406,972	7.1%
2004-05	12,283,849	7,860,775	20,144,624	284,024,496	7.1%
2005-06	(3) 14,765,894	9,357,973	24,123,867	298,166,075	8.1%
2006-07	17,493,085	10,549,172	28,042,257	318,422,477	8.8%
2007-08	18,181,973	9,880,643	28,062,616	334,448,507	8.4%
2008-09	20,480,823	11,121,043	31,601,866	340,360,591	9.3%
2009-10	21,869,664	11,436,671	33,306,335	324,345,350	10.3%
2010-11	19,093,669	10,346,300	29,439,969	314,114,285	9.3%
2011-12	21,033,664	10,338,250	31,371,914	318,343,912	9.9%
2012-13	22,234,068	9,209,934	31,444,002	330,196,535	9.5%

(1) Principal and interest payments include all general long term debt payments supported by tax revenues of the City. Debt payments made on behalf of the Roanoke Civic Center are included. Debt payments made by the Roanoke City Parking Fund, Western Virginia Water Authority and the Hotel Roanoke Conference Center Commission are excluded.

(2) Includes expenditures of the General Funds of the City and School Board less the transfer from the General Fund to the School Board.

(3) Excludes Bond Anticipation Note of \$5,000,000 which was both issued and repaid during fiscal year 2006.

Table 14

**THE SCHOOL BOARD OF THE CITY OF ROANOKE VIRGINIA**  
**Table of Outstanding Debt Incurred by the City of Roanoke**  
**for Roanoke City Public School Projects**

**June 30, 2013**

**(Unaudited)**

				<b>Issue Amount Designated for School Improvements</b>	<b>Balance as of June 30, 2013</b>
	<b>Interest Rates</b>	<b>Issue Date</b>	<b>Maturity Date</b>		
<b><u>General Obligation Bonds, RCPS Portion</u></b>					
Series 2004 Refunding Bonds	5.00%	2/25/2004	10/1/2019	\$ 12,457,340	\$ 2,646,055
Series 2004A Refunding Bonds	3.15% - 3.50%	3/11/2004	8/1/2017	2,769,626	928,444
Series 2004B Public Improvement Bonds	3.50% - 5.00%	11/23/2004	2/1/2025	25,000,000	2,500,000
Series 2006A Public Improvement Bonds	3.75% - 4.00%	2/8/2006	2/1/2026	14,250,000	2,145,000
Series 2008 Public Improvement Bonds	3.38% - 5.00%	2/5/2008	2/1/2033	39,740,000	22,260,000
Series 2010A Refunding Bonds	2.00% - 5.00%	3/11/2010	10/1/2021	18,955,400	18,955,400
Series 2010C Refunding Bonds	3.00%	8/11/2010	7/15/2015	669,300	669,300
Series 2010C Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	2,459,100	2,303,341
Series 2012A Public Improvement Bonds	2.00% - 5.00%	3/14/2012	2/1/2032	1,725,000	1,640,000
Series 2012C Refunding Bonds	4.00% - 5.00%	3/14/2012	2/1/2025	7,805,000	7,805,000
Series 2013A Public Improvement Bonds	1.00% - 5.00%	2/27/2013	7/15/2033	2,000,000	1,762,800
Series 2013A Refunding Bonds	1.00% - 5.00%	2/27/2013	7/15/2025	8,085,000	8,085,000
Series 2013B Refunding Bonds	.37% - 2.73%	2/27/2013	7/15/2024	3,195,000	3,195,000
Total General Obligation Bonds:				<u>139,110,766</u>	<u>74,895,340</u>
<b><u>School Fund Bonds and Loans</u></b>					
Virginia Public School Authority-Series 1994B	6.75%	11/1/1994	7/15/2014	1,679,413 (1)	195,047
Virginia Public School Authority-Series 1995C	5.10%	12/21/1995	7/15/2015	4,006,579 (2)	649,671
Virginia Public School Authority-Series 1996B	5.23%	11/14/1996	7/15/2016	4,512,217 (3)	977,165
Virginia Public School Authority-Series 1997	5.20% - 5.23%	11/1/1997	7/15/2017	4,578,704 (4)	1,215,155
Virginia Public School Authority - Series 1998A	4.60% - 5.10%	11/19/1998	7/15/2018	5,000,000	1,500,000
Virginia Public School Authority-Series 1998B	4.60% - 5.10%	11/19/1998	7/15/2018	1,182,212 (5)	363,954
Virginia Public School Authority-Series 1999A	5.98% - 6.10%	11/18/1999	7/15/2019	3,100,000 (6)	1,085,000
Virginia Public School Authority-Series 1999B	5.98% - 6.10%	11/18/1999	7/15/2019	1,091,854 (7)	409,635
Virginia Public School Authority - Series 2000B	5.10%	11/16/2000	7/15/2020	2,504,568 (8)	1,057,598
Virginia Public School Authority - Series 2000B.1	5.10%	11/16/2000	7/15/2020	1,730,421 (9)	730,703
Virginia Public School Authority - Series 2000B.2	5.10%	11/16/2000	7/15/2020	1,730,421 (10)	730,703
Virginia Public School Authority - Series 2001B	3.10% - 5.10%	11/15/2001	7/15/2021	2,594,691 (11)	1,201,695
Virginia Public School Authority - Series 2001B	3.10% - 5.10%	11/15/2001	7/15/2021	2,358,808 (12)	1,092,449
Virginia Public School Authority - Series 2003C	4.60% - 5.35%	11/6/2003	7/15/2023	4,595,399 (13)	2,613,285
Virginia Public School Authority - Series 2004B	4.10% - 5.10%	11/1/2004	1/15/2025	1,118,756 (14)	714,353
Virginia Public School Authority - Series 2005D	4.60% - 5.10%	11/10/2005	7/15/2025	992,464 (15)	677,332
Virginia Public School Authority - Series 2005D	4.60% - 5.10%	11/11/2005	7/15/2025	3,291,459 (16)	2,246,295
Virginia Public School Authority - Series 2006B	4.23% - 5.10%	11/9/2006	7/15/2026	1,945,000	1,345,000
Virginia Public School Authority - Series 2006B	4.23% - 5.10%	11/9/2006	7/15/2026	6,573,600 (17)	4,790,753
Virginia Public School Authority - Series 2007A	4.10% - 5.10%	5/10/2007	7/15/2027	3,345,000 (18)	2,495,000
Virginia Public School Authority - Series 2008B	4.10% - 5.35%	12/11/2008	7/15/2028	6,350,705 (19)	5,187,791
Virginia Public School Authority - Series 2008B	4.10% - 5.35%	12/11/2008	7/15/2028	10,580,000	8,460,000
Total Virginia Public School Authority Bonds:				<u>74,862,271</u>	<u>39,738,584</u>
Literary Fund Loan-Morningside Elementary Schoo	4.00%	8/1995	9/1/2015	2,090,000	330,000
Literary Fund Loan-Lucy Addison Middle Schoo	4.00%	10/1999	10/01/2019	5,000,000	1,750,000
Total Literary Fund Loan Bonds:				<u>7,090,000</u>	<u>2,080,000</u>
Qualified Zone Academy Bond- Roanoke Academy	0%	12/20/2000	12/20/2013	1,291,618 (20)	99,355
Qualified Zone Academy Bond - Lincoln Terrace	0%	11/01/2002	10/31/2016	800,000	270,428
Qualified Zone Academy Bond - Fallon Park	0%	12/29/2004	12/29/2020	439,100	246,824
Qualified Zone Academy Bond - Patrick Henry H.S.	0%	12/27/2006	12/27/2022	1,097,571	752,423
Qualified Zone Academy Bond - School Capital Projects	0%	10/31/2012	6/1/2035	2,014,104	2,014,104
Total Qualified Zone Academy Bonds:				<u>5,642,393</u>	<u>3,383,134</u>
Qualified School Construction Bonds-Elementary Schools	0%	7/8/2010	6/1/2027	1,135,000 (21)	940,000
Total Qualified School Construction Bonds				<u>1,135,000</u>	<u>940,000</u>
<b>Total Outstanding Bonded Debt</b>				<u><u>\$ 227,840,430</u></u>	<u><u>\$ 121,037,058</u></u>

Debt incurred by the City of Roanoke to fund capital projects designated for school improvements, the capital assets which are owned by the City of Roanoke, are not included in the basic financial statements of the School Board of the City of Roanoke.



**Table 14 (continued)**

The Virginia Public School Authority (VPSA) bonds are issued as replacements for requests for loans from the State Literary Fund. The State Department of Education provides an additional amount of state funding to each VPSA issue to increase the amount of funds received by the locality to the original requested amount and to establish an effective interest rate for the life of each bond at 4 percent, as indicated:

- (1) \$1,000,000 proceeds received but repayment of only \$ 800,000 required.
- (2) \$2,005,500 proceeds received but repayment of only \$1,654,827 required.
- (3) \$2,494,500 proceeds received but repayment of only \$2,171,447 required.
- (4) \$2,000,000 proceeds received but repayment of only \$1,679,413 required.
- (5) \$4,400,000 proceeds received but repayment of only \$4,006,579 required.
- (6) \$5,000,000 proceeds received but repayment of only \$4,512,217 required.
- (7) \$5,000,000 proceeds received but repayment of only \$4,578,704 required.
- (8) \$1,200,000 proceeds received but repayment of only \$1,182,212 required.
- (9) \$3,250,000 proceeds received but repayment of only \$3,100,000 required.
- (10) \$1,250,000 proceeds received but repayment of only \$1,091,854 required.
- (11) \$2,750,000 proceeds received but repayment of only \$2,504,568 required.
- (12) \$1,900,000 proceeds received but repayment of only \$1,730,421 required.
- (13) \$1,900,000 proceeds received but repayment of only \$1,730,421 required.
- (14) \$2,750,000 proceeds received but repayment of only \$2,594,691 required.
- (15) \$2,500,000 proceeds received but repayment of only \$2,358,808 required.
- (16) \$5,000,000 proceeds received but repayment of only \$4,595,399 required.
- (17) \$1,300,000 proceeds received but repayment of only \$1,118,756 required.
- (18) \$1,160,900 proceeds received but repayment of only \$ 992,464 required.
- (19) \$3,850,000 proceeds received but repayment of only \$3,291,459 required.
- (20) \$7,500,000 proceeds received but repayment of only \$6,573,600 required.
- (21) \$3,506,706 proceeds received but repayment of only \$3,345,000 required.
- (22) \$7,500,000 proceeds received but repayment of only \$6,350,705 required.
- (23) Annual payments on Qualified Zone Academy Bonds are made to a sinking fund. No interest is accrued on this debt.
- (24) Qualified School Construction Bonds have an effective interest rate of 0% as the interest remitted at payment dates is refunded to the School District.

Table 15  
Unaudited

CITY OF ROANOKE  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Debt Limit	\$ 683,556,560	\$ 679,477,230	\$680,197,128	\$669,839,111	\$656,429,496	\$625,649,531	\$583,442,494	\$535,163,357	\$491,240,359	\$455,890,060
Total Net Debt Applicable to Limit	224,003,579	227,263,512	240,667,032	244,769,119	263,493,652	260,060,887	234,919,976	239,565,221	214,127,613	171,889,360
Legal Debt Margin	\$ 459,552,981	\$ 452,213,718	\$439,530,096	\$425,069,992	\$392,935,844	\$365,588,644	\$348,522,518	\$295,598,136	\$277,112,746	\$284,000,700
Total Net Debt										
Applicable to Limit as a Percentage of Debt Limit	32.77%	33.45%	35.38%	36.54%	40.14%	41.57%	40.26%	44.76%	43.59%	37.70%

Source: City of Roanoke, Department of Finance

Table 16  
Unaudited

CITY OF ROANOKE  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Per Capita Income (2)	Personal Income	School Enrollment (3)	Local Unemployment Rate (4)	National Unemployment Rate (5)
2003-04	92,900	31,370 (est.)	\$ 2,900,194,000	12,861	4.0%	5.6%
2004-05	92,671	32,169 (est.)	2,975,832,000	12,712	3.7%	5.0%
2005-06	92,994	33,090 (est.)	3,118,622,000	12,587	3.3%	4.6%
2006-07	93,048	36,277 (est.)	3,443,232,000	12,256	3.2%	4.6%
2007-08	93,734	38,276 (est.)	3,667,342,000	12,286	3.9%	5.6%
2008-09	94,482	37,108 (est.)	3,600,438,000	12,303	7.7%	9.5%
2009-10	97,032	38,110 (est.)	3,691,187,000	12,266	7.4%	9.4%
2010-11	97,206 (est.)	40,215 (est.)	3,889,328,000	12,261	6.9%	9.1%
2011-12	97,206 (est.)	40,215 (est.)	3,889,328,000	13,006	6.5%	8.4%
2012-13	98,641 (est.)	40,215 (est.)	3,889,328,000	13,192	5.9%	7.8%

(1) Source: Weldon - Cooper Center for Public Service, except as noted

(2) Source: Bureau of Economic Analysis

(3) Source: Roanoke City Public Schools, Annual School Report

(4) Source: Virginia Employment Commission (Roanoke Metropolitan Statistical Area)

(5) Source: Bureau of Labor Statistics

Table 17  
Unaudited

CITY OF ROANOKE, VIRGINIA  
PRINCIPAL EMPLOYERS  
COMPARISON AS OF DECEMBER 31, FISCAL YEARS 2013 AND 2004

Employer	December 31, 2012			December 31, 2003		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Carilion Roanoke Memorial Hospital	1	Private	1,000+	1	Private	1,000+
Roanoke City Public Schools	2	Local Govt.	1,000+	2	Local Govt.	1,000+
City of Roanoke	3	Local Govt.	1,000+	3	Local Govt.	1,000+
Carilion Services	4	Private	1,000+	5	Private	1,000+
United Parcel Service	5	Private	500-999	7	Private	500-999
Wal-Mart	6	Private	500-999	9	Private	500-999
Virginia Western Community College	7	State Govt.	500-999	13	State Govt.	500-999
United States Postal Service	8	Federal Govt.	500-999	6	Federal Govt.	500-999
Kroger	9	Private	500-999	10	Private	500-999
Advance Auto Parts	10	Private	500-999	4	Private	500-999
Anthem (Blue Cross & Blue Shield)	-	-	-	8	Private	500-999

Source: Virginia Employment Commission (VEC)

Table 18

**ROANOKE CITY PUBLIC SCHOOLS  
EDUCATIONAL STATISTICS  
LAST TEN FISCAL YEARS  
(Unaudited)**

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Average Daily Membership	13,192	13,006	12,262	12,266	12,303	12,286	12,256	12,587	12,712	12,861
Total Graduates	744	746	776	698	686	675	686	666	668	633
Dropout Rate Percentage	4.91%	5.37%	4.03%	6.06%	5.40%	5.72%	4.06%	3.83%	4.04%	3.40%
Student Attendance Rate	94%	94%	94%	94%	94%	94%	94%	94%	94%	95%
Total Per Pupil Cost	\$ 11,825	\$ 11,328	\$11,083	\$11,227	\$11,615	\$12,830	\$12,098	\$11,409	\$10,950	\$9,945
Local Composite Index of Ability to Pay	37%	37%	39%	35.82%	34.20%	37.63%	37.63%	37.65%	37.65%	39.49%
Average Teacher Salary	\$ 47,363	\$ 43,654	\$44,425	\$43,276	\$46,727	\$47,416	\$47,447	\$45,904	\$44,305	\$42,474
Instructional Positions per 1,000 Students	115.0	87.7	87.4	87.1	87.2	89.2	89.4	84.4	86.2	81.9

Source: Department of Testing, Roanoke City Public Schools and the Annual School Report

Table 19

**ROANOKE CITY PUBLIC SCHOOLS  
PERSONNEL STAFFING - FULL TIME EQUIVALENTS (FTE)  
LAST TEN FISCAL YEARS  
(Unaudited)**

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1
Asst. Supt./Executive Director/Supervisor	6.0	6.0	7.0	7.0	5.0	5.0	6.0	5.0	6.0	5
Principal/Asst. Principal	36.6	33.0	36.0	36.8	29.0	32.0	30.9	30.5	23.9	24.2
Classroom Teacher	53.8	54.0	52.8	52.0	58.0	43.0	46.7	49.5	51.4	49.1
Guidance Counselor	1,045.4	1,034.0	1,008.4	1,064.6	1,135.9	1,095.8	1,095.9	1,062.0	1,096.1	1,053.2
Librarian	43.6	41.1	38.5	44.0	54.4	60.9	63.2	63.1	59.7	57.4
Other Professional	26.0	26.0	26.0	27.0	30.0	31.0	33.2	32.1	31.3	31.1
Clerical	72.4	57.0	18.0	19.0	1.5	3.2	3.2	2.0	1.0	1
Teacher Aides	97.1	96.5	97.8	91.0	108.0	103.1	120.7	124.2	118.3	117.4
Attendance & Health	302.1	313.0	340.6	321.1	283.5	288.5	292.2	307.2	292.2	273.5
Pupil Transportation	1.0	1.0	41.9	42.2	32.7	33.8	30.6	29.7	32.5	30.4
Maintenance of Plant	2.0	2.0	2.0	2.0	217.0	244.7	245.8	245.0	241.9	210.7
Operation of Plant	40.0	53.0	53.0	39.0	53.5	56.8	59.0	59.0	59.0	57.0
Food Services	119.0	132.5	118.0	117.0	136.7	139.1	144.0	143.5	155.1	135.8
Total Personnel	77.0	108.0	102.0	99.0	161.0	135.2	99.8	118.3	146.5	117.4
	1,922.9	1,958.1	1,942.9	1,962.7	2,307.2	2,273.0	2,272.1	2,272.0	2,316.0	2,164.0

Source: Roanoke City Public Schools, Department of Human Resources

Table 20

**ROANOKE CITY PUBLIC SCHOOLS  
FREE LUNCH APPROVALS BY SCHOOL  
LAST TEN FISCAL YEARS  
(Unaudited)**

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
<b>Elementary Schools:</b>										
Crystal Spring	57	63	65	58	59	51	44	43	40	30
Fairview	390	388	367	387	346	307	314	290	322	324
Fallon Park	533	517	522	480	494	472	448	397	436	466
Fishburn Park	152	132	143	112	198	172	166	145	131	111
Forest Park**	0	0	0	0	0	247	266	255	260	283
Garden City	218	232	218	239	202	176	177	178	165	196
Grandin Court	95	114	106	122	106	98	103	122	119	84
Highland Park	213	231	239	237	179	128	112	187	167	192
Huff Lane***	0	0	0	166	157	142	130	126	146	131
Hurt Park	381	282	258	269	221	169	163	226	215	232
Lincoln Terrace	221	222	169	250	206	174	190	164	173	154
Monterey	339	316	343	316	219	201	159	180	179	164
Morningside	227	214	223	216	266	247	226	231	198	191
Oakland***	0	0	0	0	137	119	107	105	99	137
Preston Park	286	245	217	222	185	187	184	173	188	163
Raleigh Court*	0	0	0	0	99	92	88	89	74	65
Roanoke Academy	398	411	448	302	356	291	309	239	281	270
Round Hill	500	419	429	201	186	177	180	201	182	176
Virginia Heights	230	253	265	214	203	169	167	173	161	178
Wasena	168	119	120	149	68	73	86	86	87	88
Westside	619	546	468	462	430	443	465	382	432	400
<b>Middle Schools:</b>										
Addison	476	431	398	392	338	331	337	365	336	345
Breckinridge	353	362	366	416	222	232	247	225	255	296
Jackson	457	401	394	434	283	279	275	327	332	342
Madison	273	285	279	294	163	163	185	230	226	242
Ruffner*	0	0	0	0	244	274	286	301	355	348
Wilson	254	260	237	244	233	265	259	261	257	266
<b>High Schools:</b>										
William Fleming	841	827	856	913	806	843	785	809	614	569
Forest Park Academy**	156	156	206	196	153	0	0	0	0	0
Patrick Henry	857	838	837	915	724	722	651	677	441	577
Noel Taylor Learning Center	89	86	92	105	0	0	0	129	149	76
<b>Total Free Lunch Approvals</b>	<b>8,783</b>	<b>8,350</b>	<b>8,265</b>	<b>8,311</b>	<b>7,483</b>	<b>7,244</b>	<b>7,109</b>	<b>7,316</b>	<b>7,020</b>	<b>7,096</b>
<b>Total ADM</b>	<b>13,192</b>	<b>13,006</b>	<b>12,262</b>	<b>12,266</b>	<b>12,303</b>	<b>12,286</b>	<b>12,256</b>	<b>12,587</b>	<b>12,712</b>	<b>12,861</b>
<b>Percentage Free Lunch</b>	<b>66.58%</b>	<b>64.20%</b>	<b>67.40%</b>	<b>67.76%</b>	<b>60.82%</b>	<b>58.96%</b>	<b>58.00%</b>	<b>58.12%</b>	<b>55.22%</b>	<b>55.17%</b>

\* Raleigh Court Elementary and William Ruffner Middle School closed at the end of the 2008-09 school year.

\*\* Forest Park Elementary School closed at the end of the 2007-08 school year. Forest Park Academy opened in the same location for the 2008-09 school year.

\*\*\* Oakland Intermediate School was consolidated with Preston Park Primary School as a single K-5 elementary school beginning with the 2009-10 school year.

\*\*\*\*Huff Lane Elementary School was consolidated with Round Hill Elementary School beginning with the 2010-2011 school year.

Source: Roanoke City Public Schools Department of Food and Nutrition

**ROANOKE CITY PUBLIC SCHOOLS  
CAPITAL ASSET STATISTICS  
LAST FISCAL YEAR  
(Unaudited)**

**Table 21  
Unaudited**

<b>School Description</b>	<b>Total Current Classrooms</b>	<b>Constructed Student Capacity</b>	<b>Current Useable Student Capacity</b>	<b>Enrollment FY2011-12</b>	<b>Enrollment FY2012-13</b>	<b>% Of Constructed Capacity</b>	<b>% Of Useable Capacity</b>	<b>Modular Buildings</b>
<b>Elementary Schools:</b>								
Crystal Spring	19.0	425	456	364	340	80%	75%	0
Fairview	30.0	775	600	494	456	59%	76%	0
Fallon Park	43.0	850	624	549	587	69%	94%	3
Fishburn Park	25.0	750	480	228	232	31%	48%	0
Garden City	25.0	575	456	304	285	50%	63%	0
Grandin Court	16.0	525	480	359	347	66%	72%	0
Highland Park	27.0	525	456	373	359	68%	79%	0
Hurt Park	27.0	600	384	246	348	58%	91%	0
Lincoln Terrace	26.0	600	360	242	263	44%	73%	1
Monterey	29.0	775	432	484	480	62%	111%	1
Morningside	26.0	500	312	232	213	43%	68%	2
Preston Park	23.0	525	504	375	382	73%	76%	0
Roanoke Academy	31.0	750	432	327	326	43%	75%	0
Round Hill	24.0	475	384	449	532	112%	139%	4
Virginia Heights	22.0	425	322	335	300	71%	93%	0
Wasena	15.0	400	288	208	265	66%	92%	0
Westside	48.0	850	816	581	659	78%	81%	0
<b>Middle Schools:</b>								
Addison	40.0	1,075	720	548	620	51%	86%	0
Breckinridge	33.0	550	630	575	549	105%	87%	0
Jackson	37.0	775	660	500	558	65%	85%	0
Madison	35.0	900	690	602	564	67%	82%	0
Wilson	40.0	975	840	501	497	51%	59%	0
<b>High Schools:</b>								
William Fleming	93	2,100	1,850	1,546	1,397	67%	76%	0
Patrick Henry	81	2,059	1,850	1,905	1,880	91%	102%	0
<b>Regional Program:</b>								
Roanoke Valley Governor's School	12	160	240	274	272	170%	113%	0

Source: Roanoke City Public Schools Department of Fiscal Services

Note: The Roanoke Valley Governor's School has a morning session and an afternoon session, with approximately 60% of the student body attending the morning session.  
Students are enrolled at their home schools; approximately half of the students are enrolled in other school districts within the region.

## THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

## Table of Capital Assets by Location

June 30, 2013

(Unaudited)

Location	Land	Buildings and Structures	Equipment	Construction in Progress	Total
William Fleming High School	\$ 237,993	\$ 60,928,333	\$ 243,559	\$ -	\$ 61,409,885
Patrick Henry High School	36,527	59,842,114	709,554	-	60,588,195
Lucy Addison Aerospace Middle School	12,015	13,554,324	99,826	18,025	13,684,190
James Breckinridge Middle School	37,500	7,289,330	148,722	-	7,475,552
Stonewall Jackson Middle School	36,005	6,638,465	91,702	-	6,766,172
James Madison Middle School	9,883	5,547,503	156,742	-	5,714,128
William Ruffner Operations Center	35,329	3,700,780	2,301,882	-	6,037,991
Woodrow Wilson Middle School	12,500	12,396,738	193,381	-	12,602,619
Crystal Spring School	153,444	3,456,013	86,468	15,849	3,711,774
Fairview School	21,566	5,138,880	69,227	-	5,229,673
Fallon Park School	13,700	4,420,745	52,810	-	4,487,255
Fishburn Park School	4,236	3,170,888	98,547	-	3,273,671
Forest Park Academy	27,992	3,900,224	27,727	1,435	3,957,378
Garden City School	26,850	3,906,488	57,948	388,292	4,379,578
Grandin Court School	33,700	2,974,491	80,409	-	3,088,600
Highland Park School	600	6,018,319	31,321	-	6,050,240
Hurt Park School	2,085	2,980,358	67,703	-	3,050,146
Lincoln Terrace School	18,000	2,998,811	118,158	-	3,134,969
Monterey School	15,000	4,774,594	57,959	-	4,847,553
Morningside School	22,700	4,156,007	129,177	-	4,307,884
Noel C. Taylor Academy at Oakland	78,727	2,063,546	24,035	490	2,166,798
Preston Park School	33,956	4,238,878	34,987	-	4,307,821
Raleigh Court School	18,750	1,151,529	-	-	1,170,279
Roanoke Academy for Math and Science	15,000	13,074,231	132,552	-	13,221,783
Round Hill School	47,790	1,199,412	134,598	742,733	2,124,533
Virginia Heights School	32,750	3,185,806	67,758	777,684	4,063,998
Wasena School	20,000	4,145,802	60,246	1,380	4,227,428
Westside School	45,000	7,127,262	103,996	-	7,276,258
Governor's School for Math and Science	-	4,108,625	142,348	-	4,250,973
Gibboney	-	-	-	-	-
School Administration	8,050	1,003,492	618,221	-	1,629,762
Warehouse	-	-	253,625	-	253,625
School Transportation	360,000	1,879,772	37,670	-	2,277,442
Total Capital Assets	<u>\$ 1,417,648</u>	<u>\$ 260,971,760</u>	<u>\$ 6,432,858</u>	<u>\$ 1,945,888</u>	<u>\$ 270,768,153</u>

Note: Land, buildings, structures, and construction in progress are owned by the City of Roanoke on behalf of the Roanoke City Public Schools and, as such, are not included in the basic financial statements of the School Board of the City of Roanoke. Equipment of the School Board is shown by location without any adjustment for accumulated depreciation. This schedule is presented only for informational purposes.

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# COMPLIANCE SECTION



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**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ending June 30, 2013**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
<b><u>Department of Agriculture</u></b>			
Passed Through Commonwealth of Virginia Department of Agriculture: Child Nutrition Cluster: National School Lunch Program - Commodities (1)	--	10.555	\$ 410,331 \$ 410,331
Passed Through Commonwealth of Virginia Department of Education: Child Nutrition Cluster: School Breakfast Program	--	10.553	\$ 1,269,837
National School Lunch Program	--	10.555	\$ 3,963,028 \$ 5,232,865
Fresh Fruit and Vegetable Program		10.582	\$ 57,289
<b><u>Department of Defense</u></b>			
Direct Program:  Selected Reserve Educational Assistance Program (ROTC)	--	12.609	\$ 105,397
<b><u>Department of Education</u></b>			
Direct Programs:  Title VIII - Impact Aid 2012		84.041	\$ 15,809
Passed Through Commonwealth of Virginia Department of Education:  Adult Basic Ed 2013	V002A120047	84.002	\$ 162,177
Title I-A Improving Basic Programs 2012	S010A110046	84.010	\$ 660,099
Title I-A Improving Basic Programs 2013	S010A120046	84.010	\$ 5,646,941
Title I-A School Improvement 1003(a) 2012	124-S010A100046-42892	84.010	\$ 62,483 \$ 6,369,523
Title I-D SOP Detention Center Reading Prog 2011	S013A100046	84.013	\$ 1,749
Special Education Cluster (IDEA) IDEA Part B, Section 611 Flow Through 2011	H027A100107	84.027	\$ 121,374
IDEA Part B, Section 611 Flow Through 2012	H027A110107	84.027	\$ 3,202,842
IDEA Part B, Section 611 Flow Through 2013	H027A120107	84.027	\$ 653,609
Virginia Incentive Program for Speech-Language Pathologists 2013	124-87138-H027A120107	84.027	\$ 4,000 \$ 3,981,825
Special Education Cluster (IDEA) IDEA Part B, Section 619 Preschool 2010	H173A090112	84.173	\$ 32,162
IDEA Part B, Section 619 Preschool 2011	H173A100112	84.173	\$ 125,510 \$ 157,672
Perkins Act Fund 2013	V048A120046	84.048	\$ 361,798
Title X-C McKinney-Vento Homeless 2012	G12412	84.196	\$ 54,000
Passed Through Commonwealth of Virginia Department of Education (continued):			

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ending June 30, 2013**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
Title IV-B CLC - Addison Yr 2 2012	S287C110047	84.287	\$ 45,574
Title IV-B CLC - Addison Yr 3 2013	S287C120047	84.287	\$ 127,491
Title IV-B CLC - Breckinridge Yr 1 2012	S287C110047	84.287	\$ 35,785
Title IV-B CLC - Breckinridge Yr 2 2013	S287C120047	84.287	\$ 143,375
Title IV-B CLC - Fairview Yr 1 2012	S287C110047	84.287	\$ 48,488
Title IV-B CLC - Fairview Yr 2 2013	S287C120047	84.287	\$ 154,997
Title IV-B CLC - Garden City Yr 1 2012	S287C110047	84.287	\$ 91,580
Title IV-B CLC - Garden City Yr 2 2013	S287C120047	84.287	\$ 41,840
Title IV-B CLC - Highland Park Yr 1 2013	S287C120047	84.287	\$ 116,028
Title IV-B CLC - Hurt Park Yr 3 2012	S287C110047	84.287	\$ 89,010
Title IV-B CLC - Hurt Park Yr 1 2013	S287C120047	84.287	\$ 86,108
Title IV-B CLC - Jackson Yr 3 2012	S287C110047	84.287	\$ 46,981
Title IV-B CLC - Jackson Yr 1 2013	S287C120047	84.287	\$ 171,174
Title IV-B CLC - Lincoln Terrace Yr 2 2012	S287C110047	84.287	\$ 94,561
Title IV-B CLC - Lincoln Terrace Yr 3 2013	S287C120047	84.287	\$ 34,319
Title IV-B CLC - Madison Yr 1 2012	S287C110047	84.287	\$ 79,277
Title IV-B CLC - Madison Yr 2 2013	S287C120047	84.287	\$ 75,331
Title IV-B CLC - Morningside Yr 2 2012	S287C110047	84.287	\$ 1,437
Title IV-B CLC - Morningside Yr 3 2013	S287C120047	84.287	\$ 164,058
Title IV-B CLC - Round Hill Yr 1 2013	S287C120047	84.287	\$ 115,112
Title IV-B CLC - Westside Yr 3 2012	S287C110047	84.287	\$ 15,126
Title IV-B CLC - Westside Yr 1 2013	S287C120047	84.287	\$ 183,680
Title IV-B CLC - Wilson Yr 1 2012	S287C110047	84.287	\$ 95,009
Title IV-B CLC - Wilson Yr 2 2013	S287C210047	84.287	\$ 52,303
		<u>84.287</u>	<u>\$ 2,108,644</u>
Title II-D Enhancing Education Thru Tech 2011	S318X100046	84.318	\$ 8,370
Title III-A Limited English Proficient 2011	S365A100046	84.365	\$ 676
Title III-A Limited English Proficient 2012	S365A110046	84.365	\$ 66,970
Title III-A Limited English Proficient 2013	S365A120046	84.365	\$ 26,416
Title III-A Immigrant and Youth 2011	S365A100046	84.365	\$ 47,957
		<u>84.365</u>	<u>\$ 142,019</u>
Title II-A Improving Teacher Quality 2011	S367A100044	84.367	\$ 67,239
Title II-A Improving Teacher Quality 2012	S367A110044	84.367	\$ 835,891
		<u>84.367</u>	<u>\$ 903,130</u>
Striving Readers Supplemental 2012	S371A090001	84.371	\$ 114,972
School Improvement Grants Cluster			
Title I-A School Improvement 1003(g) 2011	S377A090047	84.377	\$ 199,340
Title I-A School Improvement 1003(g) 2012	S377A100047	84.377	\$ 488,641
Title I-A School Improvement 1003(g) 2013	S377A110047	84.377	\$ 799,341
		<u>84.377</u>	<u>\$ 1,487,322</u>
School Improvement Grants Cluster			
ARRA Title I-A School Improvement 1003(g) - Westside 2011	S388A090047	84.388	\$ 866,394
ARRA Longitudinal Data Systems Grant 2012	R384A100037	84.384	\$ 13,426

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ending June 30, 2013**

<b>Federal Grantor/Pass-Through Grantor/Grant Program</b>	<b>Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
ARRA Title II-D Educ Tech Competitive 2010	S386A090046	84.386	\$ 413
ARRA Education Jobs Fund 2011	S410A100047	84.410	\$ 44,452
<b><u>Department of Justice</u></b>			
Passed through City of Roanoke Police Department:			
Community Oriented Policing Services (COPS) Secure Our Schools Program	2011CKWX0003	16.710	\$ 327,368
			<u>\$ 327,368</u>
<b><u>Department of Medical Assistance Services</u></b>			
Passed Through Commonwealth of Virginia Department of Medical Assistance Services:			
FAMIS Reimbursement	--	93.767	\$ 49,022
Medicaid Reimbursement	--	93.778	\$ 921,666
Early Retiree Reinsurance Program	--	93.546	\$ -
			<u>\$ 970,688</u>
<b><u>United States National Science Foundation</u></b>			
Passed Through Virginia Commonwealth University:			
Math Specialist Expansion 2012	DRL-0918223	47.076	\$ 4,197
Math Specialist Expansion 2013	DRL-0918223	47.076	\$ 90,000
			<u>\$ 94,197</u>
<b>Grand Total Federal Financial Assistance</b>			<u>\$ 23,991,830</u>

Notes:

- (1) The value reported for disbursements, with respect to commodities distributed by the Federal government, is fair market value as furnished by the respective department of the Federal government.
- (2) Expenditures represent only the federally-funded portions of the program.
- (3) RCPS used the federal indirect cost rates as furnished by the Virginia Department of Education. The restricted and unrestricted rates are 2.4% and 18.1%, respectively.
- (4) Federal expenditures are presented using the modified accrual basis of accounting.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Roanoke, Virginia (the "School Board"), a component unit of the City of Roanoke, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated October 31, 2013.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board'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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 13-1.**

## Purpose of this Report

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 31, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the School Board of the City of Roanoke, Virginia (the "School Board") 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 School Board's major federal programs for the year ended June 30, 2013. The School Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the School Board, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



## Report on Internal Control Over Compliance

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

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

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

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 31, 2013

# **THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**

## **SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2013**

As more fully described in the Independent Auditor's 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*, we performed tests of the School Board's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

### **STATE COMPLIANCE MATTERS**

#### *Code of Virginia*

Budget and Appropriation Laws  
Cash and Investment Laws  
Conflicts of Interest Act  
Local Retirement Systems  
Procurement Laws

#### *State Agency Requirements*

Education

### **FEDERAL COMPLIANCE MATTERS**

*Compliance Supplement for Single Audits of State and Local Governments*

Provisions and conditions of agreements related to federal programs selected for testing.

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2013**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor's 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required By OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the School Board are:

<u>Name of Program</u>	<u>CFDA #</u>
Child Nutrition Cluster	10.553, 10.555
Twenty-first Century Community Learning Centers	84.287
Improving Teacher Quality State Grants	84.367
School Improvement Grants	84.377
School Improvement Grants, Recovery Act	84.388
Medicaid Reimbursement	93.778

8. The threshold for distinguishing Type A and B programs was \$719,755.
9. The School Board of the City of Roanoke was determined to be a **low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

(Continued)

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2013**

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**13-1 Unclaimed Property**

*Condition:*

Twenty-seven checks totaling \$3,073 were older than one year as of July 1, 2012 and were not included in the November 1, 2012 unclaimed property report.

*Recommendation:*

Management should take steps to ensure that all appropriate checks are included on the unclaimed property report in compliance with the *Code of Virginia*.

*Management Response:*

RCPS agrees with the comments of the Auditor.

This requirement is known and understood by the RCPS department responsible for including these items on the annual unclaimed property report. Appropriate disciplinary action will be taken to address the failure to act in a timely manner. By no later than November 12, 2013, RCPS will take steps to ensure that all appropriate checks are included on the unclaimed property report in compliance with the *Code of Virginia*.