

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

For the Fiscal Year Ended June 30, 2010



**A Component Unit of the City of Roanoke, Virginia
Prepared by the Department of Fiscal Services**

PHOTO CREDITS

Cover: Ms. Kathy Duncan, Principal, ROTEC
Photo of the new Culinary Arts Classroom at Gibbony Hall on the
Patrick Henry High School campus

Section Dividers: scenes from ROTEC classes by Ms. Kathy Duncan
and world award winning team member Neiman Pest:
photograph by the Roanoke City Public Schools public relations office.

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, 2010

Roanoke City School Board

David B. Carson, Chairman
Jason E. Bingham Vice Chairman
Mae G. Huff
Suzanne P. Moore
Courtney A. Penn
Todd A. Putney
Lori E. Vaught

Dr. Rita D. Bishop, Superintendent

**Prepared by the Department of Fiscal Services and
The Deputy Superintendent for Operations**

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INTRODUCTORY SECTION



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November 8, 2010

The School Board of the City of Roanoke, Virginia

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, 2010, 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 MD&A and should be read in conjunction with it. The report was prepared by the School Board's Fiscal Services Department in conjunction with the Deputy Superintendent for 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 with requirements applicable to each major program and on internal controls 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 2009 estimated population, 93,304 accounts for just under 31% 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 2009-10 school year, RCPS provided a comprehensive program of study for 12,266 students in grades Kindergarten through 12 annually. In 2009-10, there were eighteen elementary schools, five middle schools, two high schools, the Roanoke Valley Governor's School for Science and Technology, two alternative education facilities, adult education programs, preschool programs for low income families and a downtown program for high school students emphasizing liberal arts education (CITY School).

Roanoke's student population represents a diversity of cultures and ethnic groups. Approximately 47% of students are black, 44% are white, 6% are Hispanic and 2% are Asian.

In 2009-10, 67.76% of RCPS students qualified for free or reduced price school lunch, where eligibility is determined based on poverty level. At twelve of Roanoke's twenty-five schools, over 75% of the student populations qualified for free or reduced price school lunch; at twenty schools, over 50% of students were eligible for the program.

Eighty percent (80%) of students passed their English SOL test in 2010, up from 62% just five years ago. Seventy-seven percent (77%) of RCPS students passed the Math SOL test in 2010 as compared to 78% the previous year. An increased number of students also passed the writing SOL test in 2010: 84% of students passed, up six percentage points from the prior year.

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 2009-10 school year:

- Achieve full state accreditation and meet federal AYP 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, 12 of 25 schools made AYP and 22 schools are fully accredited. To achieve AYP under No Child Left Behind, a school must meet 29 objectives for student achievement. State accreditation is determined by the overall percentage of students who pass SOL tests in four core subject areas: English, Math, History, and Science. Schools making AYP and/or achieving state accreditation based on 2009-10 student achievement data are listed on the following chart.

| ACCREDITATION & AYP STATUS According to 2009-10 Student Achievement | | |
|--|---|--------------------|
| SCHOOL | ACCREDITATION | AYP (09-10) |
| Crystal Spring | Fully Accredited | Yes |
| Fairview | Fully Accredited | No |
| Fallon Park | Fully Accredited | Yes |
| Fishburn Park | Fully Accredited | Yes |
| Garden City | Fully Accredited | No |
| Grandin Court | Fully Accredited | Yes |
| Highland Park | Fully Accredited | No |
| Huff Lane | Fully Accredited | Yes |
| Hurt Park | Fully Accredited | No |
| Lincoln Terrace | Accredited with Warning In English | No |
| Monterey | Fully Accredited | Yes |
| Morningside | Fully Accredited | Yes |
| Preston Park | Fully Accredited | Yes |
| Roanoke Academy | Fully Accredited | Yes |
| Round Hill | Fully Accredited | Yes |
| Virginia Heights | Fully Accredited | Yes |
| Wasena | Fully Accredited | No |
| Westside | Accredited with Warning: Warned in English and Science | Yes |
| Addison | Fully Accredited | No |
| Breckinridge | Fully Accredited | No |
| Jackson | Fully Accredited | No |
| Madison | Fully Accredited | No |
| Woodrow | Fully Accredited | No |
| Patrick Henry | Fully Accredited | No |
| William Fleming | Accredited with Warning in Science | No |

SAT Results 2010

Roanoke City Public Schools

Two hundred twenty (220) Roanoke City students took the SAT Reasoning Test. The mean (average) verbal score, now called Critical Reading, was four hundred eighty (480) and the mean mathematics score was four hundred seventy-two (472). Compared to 2009 results, the 2010 Critical Reading mean score is slightly down (-4) with no change in the mathematics mean score. For Virginia's students, the critical Reading mean score of five hundred twelve (512) was eleven points higher than the mean score of five hundred one (501) for the nation's students. Virginia's students also outscored the nation's students in writing.

Comparison of Roanoke City with Virginia and United States on SAT—2010

The proportion of students by ethnic group who took the SAT in 2010:

| | <u>Roanoke</u> | <u>Virginia</u> | <u>U.S.</u> |
|-------------------|-----------------------|------------------------|--------------------|
| White | 44% | 59% | 54% |
| African American | 46% | 20% | 13% |
| Other Ethnicities | 10% | 21% | 33% |

Mean (average) scores of all students tested (and change from 2009):

| | Roanoke | | Virginia | | U.S. | |
|-------------------------|----------------|------------------|-----------------|------------------|-------------|------------------|
| | Mean | Change from 2009 | Mean | Change from 2009 | Mean | Change from 2009 |
| Critical Reading | 480 | -4 | 512 | +1 | 501 | 0 |
| Mathematics | 472 | 0 | 512 | 0 | 516 | +1 |
| Writing | 461 | +1 | 497 | -1 | 492 | -1 |
| Total Score | 1413 | -3 | 1521 | 0 | 1509 | 0 |

Mean (average) scores of tested students by ethnicity (and change from 2009):

| | Roanoke | | | | Virginia | | | | U.S. | | | |
|-------------------------|----------------|--------|-------|--------|-----------------|--------|-------|--------|-------------|--------|-------|--------|
| | Black | White | Black | White | Black | White | Black | White | Black | White | Black | White |
| | Mean | Change | Mean | Change | Mean | Change | Mean | Change | Mean | Change | Mean | Change |
| Critical Reading | 423 | +7 | 545 | -3 | 436 | +2 | 536 | 0 | 429 | 0 | 528 | 0 |
| Mathematics | 407 | +4 | 536 | +2 | 429 | +2 | 534 | +1 | 428 | +2 | 536 | 0 |
| Writing | 401 | +5 | 523 | +2 | 424 | +1 | 519 | -1 | 420 | -1 | 516 | -1 |
| Total Score | 1231 | +16 | 1604 | +1 | 1289 | +5 | 1589 | 0 | 1277 | +1 | 1580 | -1 |

Mean (average) scores of students tested by high school (and change from 2008):

| | Patrick Henry | | William Fleming | |
|-------------------------|----------------------|--------|------------------------|--------|
| | Mean | Change | Mean | Change |
| Critical Reading | 502 | -10 | 449 | +7 |
| Mathematics | 500 | -1 | 434 | +6 |
| Writing | 487 | +3 | 424 | 0 |
| Total Score | 1489 | -8 | 1307 | +13 |

SAT I: Reasoning Test Scores for Graduating Seniors Roanoke city Public Schools 1994-2010

Table I. Mean Scores on SAT

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Mean (average) Verbal SAT Score | 396 | 400 | 477 | 483 | 484 | 507 | 493 | 500 | 502 | 487 | 507 | 512 | 481* | 485* | 474* | 484* | 480* |
| Mean (average) Mathematics SAT Score | 440 | 437 | 472 | 477 | 477 | 487 | 482 | 487 | 482 | 482 | 496 | 500 | 473 | 475 | 464 | 472 | 472 |
| Writing | | | | | | | | | | | | | 475 | 469 | 464 | 460 | 461 |
| Total | 836 | 837 | 949 | 960 | 961 | 994 | 975 | 987 | 984 | 969 | 1003 | 1012 | 1429 | 1429 | 1402 | 1416 | 1413 |

Average performance of Roanoke City students as a group on SAT has increased over time from 1994 to 2010. There was a statistical “re-centering 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. Compared to 2009, the mean Verbal/Critical Reading score decreased 4 points and mean mathematics score remained the same.

Table II. Mean Scores on SAT by Ethnic Group

| | Black | | | | | | | | | | | White | | | | | | | | | | |
|--------------------------------------|-------|-----|-----|-----|-----|-----|------|------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|
| | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 |
| Mean (average) Verbal SAT Score | 419 | 448 | 406 | 406 | 420 | 434 | 416* | 414* | 411* | 416 | 423 | 537 | 537 | 557 | 528 | 536 | 540 | 532* | 548* | 541* | 548* | 545* |
| Mean (average) Mathematics SAT Score | 411 | 430 | 395 | 402 | 408 | 424 | 404 | 404 | 405 | 403 | 407 | 521 | 523 | 530 | 519 | 528 | 532 | 520 | 534 | 527 | 534 | 536 |
| Writing | | | | | | | 405 | 395 | 405 | 396 | 401 | | | | | | | 531 | 536 | 529 | 521 | 523 |
| Total | 830 | 878 | 801 | 808 | 828 | 858 | 1225 | 1213 | 1221 | 1212 | 1231 | 1058 | 1060 | 1087 | 1047 | 1064 | 1072 | 1583 | 1618 | 1597 | 1603 | 1604 |
| *Verbal is now Critical Reading | | | | | | | | | | | | | | | | | | | | | | |

2009 ACT Results Roanoke City Schools

One hundred three (103) RCPS students took the ACT who planned to graduate Spring 2009 as compared to seventy three (73) students who took the ACT in 2008. The district's percentage of students who met the college readiness benchmark in a composite of all four areas (English, Mathematics, Reading and Science) increased from 15% in 2008 to 30% in 2009. The district's percentage of students (30%) is greater than both the state's and the nation's composite average of students who met the college readiness benchmark (27% and 23% respectively).

Total participants: 103
Patrick Henry High School: 59
William Fleming High School: 44

Percentage of Students Meeting College Readiness Benchmarks

| College | Patrick Henry 2009 (2008) | Wm Fleming 2009 (2008) | District 2009 (2008) | State 2009 (2008) |
|---------------------|------------------------------|---------------------------|-------------------------|----------------------|
| English Composition | 73 (73) | 43 (38) | 60 (58) | 74 (74) |
| Algebra | 64 (41) | 16 (22) | 44 (33) | 49 (50) |
| Social Science | 69 (56) | 32 (28) | 53 (44) | 59 (58) |
| Biology | 46 (32) | 18 (6) | 34 (21) | 33 (32) |
| Composite | 44 (24) | 11 (3) | 30 (15) | 27 (26) |

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

Comparison of Average ACT Scores

| | English 2009 2008 | | Mathematics 2009 2008 | | Reading 2009 2008 | | Science 2009 2008 | | Composite 2009 2008 | |
|----------|----------------------|------|--------------------------|------|----------------------|------|----------------------|------|------------------------|------|
| PH | 22.9 | 20.8 | 22.7 | 20.3 | 23.9 | 21.9 | 23.1 | 21.2 | 23.2 | 21.3 |
| Fleming | 16.6 | 15.8 | 17.8 | 17.8 | 17.7 | 17.8 | 18.0 | 16.5 | 17.6 | 17.0 |
| RCPS | 20.2 | 18.6 | 20.6 | 19.2 | 21.3 | 20.1 | 20.9 | 19.2 | 20.8 | 19.4 |
| Virginia | 21.7 | 21.5 | 21.8 | 21.8 | 22.3 | 22.2 | 21.4 | 21.3 | 21.9 | 21.8 |
| National | 20.6 | 20.6 | 21.0 | 21.0 | 21.4 | 21.4 | 20.9 | 20.8 | 21.1 | 21.1 |

In comparing 2009 to 2008, ACT scores for both high schools and for the division generally increased. Average ACT scores at the district level were the same or slightly lower than state and national averages. Patrick Henry score averages were higher than the state and national averages in each category.

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 adequately fund its major educational initiatives is significantly affected by the City's economic outlook. For fiscal year 2010, the City funded RCPS at the same level as actual fiscal year 2009 revenues. The funding is determined using a twenty-year funding formula agreement between the City and Schools, the first such agreement initiated in the Commonwealth of Virginia, whereby the schools receive 36.42% of property and other identified local taxes received by the City of Roanoke.

Fiscal year 2010 revenues reflect an established local economy, though growth has been significantly impacted by the current economic conditions. City of Roanoke General Fund revenues as a whole declined approximately 2% compared to FY09.

Challenges the City addressed during the year included statewide budget reductions by the Commonwealth of Virginia, an increased need for unemployment and social services, worker's compensation, snow removal, capital maintenance and equipment replacement, new financial requirements for internally generated capitalized software, and technology enhancement projects.

Long-term Financial Planning

The City General Fund adopted budget for 2011 reflected a decline of 1.1% compared to the FY10 adopted budget. As part of the 2010 School Board budget, two schools, one middle and one elementary were closed. In addition, one additional elementary school was combined with another to allow alternative building use by RCPS reducing operation costs. See further discussion of these actions in Management's Discussion and Analysis. Local taxes comprise 67% of all budgeted fiscal year 2011 General Fund revenues for the City, and the budget for this category declined approximately 1.6% compared to FY10.

Although the City's General Fund revenues are expected to decline in FY11 due to national economic conditions, the City continues to plan for long-term, sustainable economic development. As part of its fiscal year 2011 budget process, the City was again able to accommodate reduced funding from the Commonwealth and meet the goals of maintaining service levels to citizens. The City's relative stability, coupled with program reductions, has allowed increased funding for education, continued funding for future debt service, continued funding for capital replacement and maintenance, and continued core services from public safety departments.

Current economic trends for the U.S. economy and the City reflect rising unemployment, decreases in new home construction, increases in food and energy costs, and decreases in retail sales and food services. These economic conditions are expected to impact future revenues of the City. The City regularly assesses the influence of economic factors and makes budgetary adjustments as necessary to ensure that key services remain uninterrupted and that the City continues to remain financially stable.

The City of Roanoke and the Roanoke City School Board continue to plan for the future and provide the necessary funds not only to protect current assets, but also to provide the best education for city students. This approach has served the City and the School Board well and will be the basis for continued growth.

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'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.

Effective July 1, 2008, the School Board consolidated four systems (2 financial, 1 human resources, and 1 payroll) into a single, fully integrated system. The purpose of the change is to provide improved financial control and greater transparency.

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. The School Board also maintains an encumbrance accounting system as an additional method of accomplishing budgetary control. In 2008-2009 and prior years, outstanding encumbrances are generally reported as a reservation of fund balance and re-appropriated in the succeeding year. Encumbered balances in the 2009-2010 fiscal year lapsed at year-end. 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 2009 and 2010 as well as summaries of the entity-wide financial statements.

Cash Management Policies and Practices

Cash temporarily idle during the year is invested in instruments as allowed by the Code of Virginia. During FY 2010, the School Board's General and Food Service Funds earned interest income in the amount of \$3,340 and \$19,759 respectively.

Risk Management

The School Board has a comprehensive insurance program that provides a maximum of \$6 million in coverage for the School Board's property, general liability and professional liability coverage. An employee health clinic has been established to coordinate the school division's wellness program and to provide on-site medical care for employees.

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.

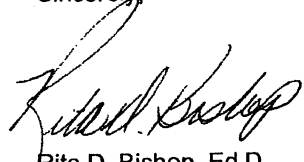
Awards and Acknowledgments

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, 2009. 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 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 is 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 the certificate for fifteen 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 program requirements, and we are submitting it to the GFOA for certification.

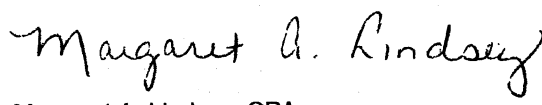
Sincerely,



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



Curtis D. Baker
Deputy Superintendent of Operations



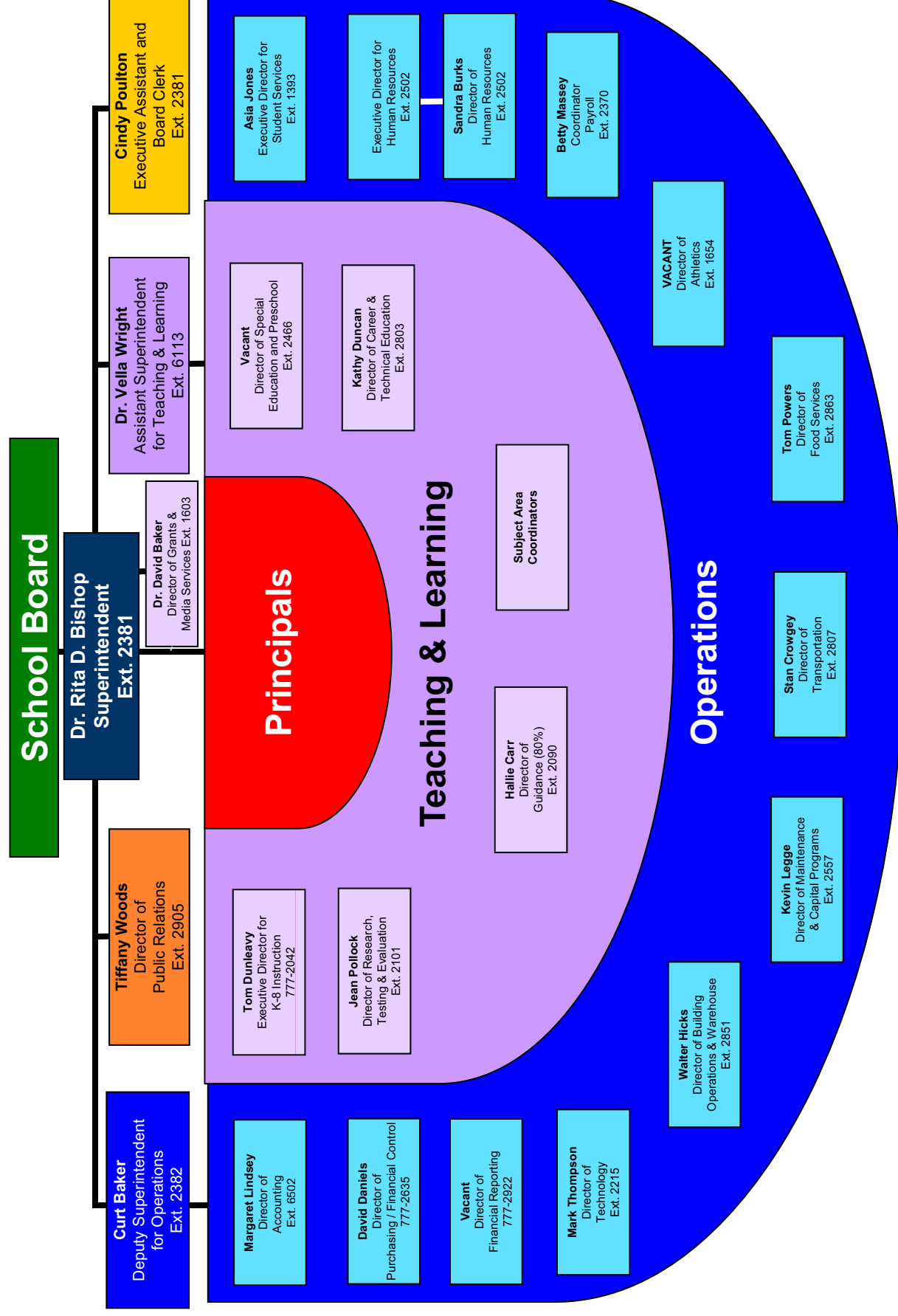
Margaret A. Lindsey, CPA
Director of Accounting



ROANOKE CITY
PUBLIC SCHOOLS

Roanoke City Public Schools

2009-10 Chart of Organization



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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**Roanoke City Public Schools
Officers and Principal Administrators
(As of June 30, 2010)**

Roanoke City School Board

| | |
|--------------------|--------------------|
| David B. Carson | Chairman |
| Jason E. Bingham | Vice Chairman |
| Mae G. Huff | Member |
| Suzanne P. Moore | Member |
| Courtney A. Penn | Member |
| Todd A. Putney | Member |
| Lori E. Vaught | Member |
| Cynthia H. Poulton | Clerk of the Board |

Superintendent of Schools

| | |
|-----------------------|----------------|
| Rita D. Bishop, Ed.D. | Superintendent |
|-----------------------|----------------|

Executive Staff

| | |
|------------------------|--|
| Curtis D. Baker | Deputy Superintendent for Operations |
| Vella S. Wright, Ed.D. | Assistant Superintendent for Teaching and Learning |
| Asia R. Jones | Executive Director, Student Services |
| Tom Dunleavy | Executive Director, K-8 Instruction |
| Sandra Burks | Executive Director, Human Resources |
| Jean Pollock | Director of Research, Testing, and Evaluation |

Roanoke City Public Schools
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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

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, 2010, which collectively comprise the School Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 17 to 25 and pages 53 to 57, respectively, 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.

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

The schedule of expenditures of federal awards and the Other Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 express no opinion on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 8, 2010

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, 2010

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, 2010. 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 \$9,796,688 (net assets). Of this amount, \$2,904,199 was invested in capital assets, leaving unrestricted net assets totaling \$6,892,489. Unrestricted net assets are normally used to meet the School Board's ongoing obligations to citizens and creditors.
- Net assets increased by \$713,235, a 14.4 percent increase from the prior fiscal year-end balance. Total assets increased by \$3,149,970. Total liabilities increased by \$2,436,735. The change in total assets was due to an increase in cash and cash equivalents of \$6,633,590, an increase in accounts receivable of \$54,366, a decrease in due from other governments of \$4,228,932, a new long term note receivable in the amount of \$1,485,000, an increase in other assets of \$439,730 and a decrease in net book value of capital assets of \$1,233,784. The change in total liabilities was due to an increase in accounts payable and accrued expenses of \$1,925,000; an increase in unearned revenue of \$362,038, a decrease in due to the City of Roanoke of \$146,624; an increase in the current portion of long-term liabilities of \$802,487; a decrease of \$450,000 in long term workers compensation claims payable; and a decrease in compensated absences payable of \$363,617, and a new recorded pollution remediation liability in the amount of \$4,450. Also contributing to the decrease in total liabilities is an increase of \$303,001 in Other Postemployment Benefits (OPEB) liability. The general fund experienced a net operating loss of \$46,273 due in part to a decrease in most funding, offset by cost containment measures. The food service fund experienced a net operating increase of \$505,611 primarily through food and food supply cost savings.
- Overall revenues were approximately \$163.5 million, \$713,235 more than expenditures. The excess of revenues greater than expenditures was primarily the result a onetime transaction where transportation vehicles and equipment were sold to the contractor selected to provide transportation services to the district. Payment was made in the form of a long term note receivable, which will be collected in four annual installments. This gain on the sale of equipment was partially offset by reductions in state revenues.
- The total cost of basic programs was approximately \$162.8 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 \$113.85 million.
- At the end of the current fiscal year, unreserved fund balance for the general fund was approximately \$7.4 million, or 5.5 percent of total general fund expenditures. Reservations of fund balance are placed by sources external to RCPS while the School Board may make designations 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 designated a portion of its fund balance for the annual required contribution of \$3,714,707 for fiscal year 2010.

Management's Discussion & Analysis (Continued)

Further details regarding Fund Balances are presented on the following table.

FUND BALANCES AS OF JUNE 30, 2010

| Description | General Fund | Food Service Fund | Combined |
|---|----------------------------|----------------------------|----------------------------|
| Beginning Fund Balance Restated- (6/30/2009) | \$ 10,787,998 | \$ 1,111,426 | \$ 11,899,424 |
| Net Operating Change in Fund Balance | (46,273) | 505,611 | 459,338 |
| Net Transfers from Grants Fund | 446,720 | - | 446,720 |
| Net Transfers to Food Service Fund | (1,200,000) | 1,200,000 | - |
| Ending Fund Balance - (6/30/2010) | \$ 9,988,445 | \$ 2,817,037 | \$ 12,805,482 |
| Designations: | | | |
| For Short-Term Workers Compensation Claims: | (2,611,540) | (95,783) | (2,707,323) |
| For Other Postemployment Benefits: | (3,714,707) | - | (3,714,707) |
| For Transportation Sinking Fund: | (250,000) | - | (250,000) |
| For Textbook Adoption: | (2,000,000) | - | (2,000,000) |
| Remaining Fund Balance: | <u>\$ 1,412,198</u> | <u>\$ 2,721,254</u> | <u>\$ 4,133,452</u> |

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) entity-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

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

The Statement of Activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets 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., sales tax distributions to the School Board and earned but unused vacation leave).

The entity-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 entity-wide financial statements. However, unlike the entity-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 entity-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-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 entity-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 entity-wide and fund financial statements.

Entity-wide Financial Analysis

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

| | June 30, | |
|-------------------------------|---------------------|---------------------|
| | 2010 | 2009 |
| Current and other assets | \$ 23,058,343 | \$ 18,674,589 |
| Capital Assets, net | 2,904,199 | 4,137,983 |
| Total assets | 25,962,542 | 22,812,572 |
| Current and other liabilities | 12,317,210 | 9,369,859 |
| Long-term liabilities | 3,848,644 | 4,359,260 |
| Total liabilities | 16,165,854 | 13,729,119 |
| Invested in capital assets | 2,904,199 | 4,137,983 |
| Unrestricted | 6,892,489 | 4,945,470 |
| Total net assets | \$ 9,796,688 | \$ 9,083,453 |

Management's Discussion & Analysis (Continued)

Net assets 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 \$9,796,688 at the close of the most recent fiscal year.

Current and other assets increased during the fiscal year by \$4,383,754. The increase was primarily comprised of increases of \$6,633,590 in cash and cash equivalents, and \$1,485,000 in notes receivable; offset by related decreases of \$4,228,932 in due from other governments. The note receivable and change in net capital assets are due to the sale of school buses to the transportation contractor as noted in more detail in notes II and III-C

The School Board's investment in capital assets, machinery and equipment net of accumulated depreciation, in the amount of \$2,904,199 represents 29.6 percent of net assets. 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 \$2,947,351. The net increase for this category was primarily comprised of increases of \$1,925,000 in year-end accounts payable and accrued expenses resulting from; the timing of payroll withholdings for the June payrolls, an increase in short term healthcare and workers compensation claims payable of \$921,466, an increase of \$362,038 in deferred federal and state grant funds, and a decrease of \$130,301 in short term compensated absences payable, \$888,724 of which is included in the current portion of long term debt.

Long-term liabilities decreased by \$510,616. The net decrease for this category was comprised of a decrease of \$352,296 in the liability for compensated absences payable, a decrease of \$450,000 in the liability for unrecorded worker's compensation claims; netted with an increase of \$303,001 in the liability for other postemployment benefits.

The School Board's unrestricted net assets, in the amount of \$6,892,489 (70.3 percent of net assets) represent resources that are available to be used to meet the School Board's ongoing obligations to students, staff, and creditors. The increase of unreserved net assets from the prior year in the amount of \$1,947,019 consisted primarily of: the conversion (sale) of net capital assets to unreserved net assets in the form of a long term note receivable which resulted in an increase of \$1,022,656 in unreserved net assets, a decrease in compensated absences payable of \$482,596, and a reduction of \$450,000 in unrecorded workers' compensation claims liability.

Governmental Activities. Governmental activities resulted in an increase in the School Board's net assets of \$713,235 during the current fiscal year. Key elements of the change in net assets are as follows:

- Expenses for total governmental activities exceeded program revenues by \$113.8 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, \$67.1 million, comprises 58.9 percent of total governmental activities. The net cost of operations, maintenance, and facilities was \$14.9 million, or 13.2 percent of total governmental activities. The net costs of other functional activities were: athletics \$1 million or .9 percent; transportation, \$8.7 million or 7.6 percent, payments to the primary government for debt service and capital funding, \$10 million or 8.8 percent, support services, \$7.3 million or 6.4 percent, and technology, \$5.1 million 4.5 percent. Food services finished the year with a slight operating gain in net assets of \$0.5 million or -.4 percent of the entity-wide net cost. Expenses for FY 2010 decreased \$1.99 million in total compared to the prior year, with a \$2.2 million decrease in the cost of instructional programs offset by a \$.2 million increase in the cost of non-instructional programs; primarily in transportation and debt service. These differences reflect the division's progress in upgrading instructional programs, technology, and facilities to meet the requirements for the modern instructional process.
- General revenues not identifiable to specific functions or programs totaled \$114.6 million or \$713,235 more than the net cost of the division's programs. Total general revenues include a gain on sale of transportation vehicles and equipment in the amount of \$1,022,656. Without this special item, general revenues totaled \$113.5 million or \$309,421 less than the net cost of programs. With the

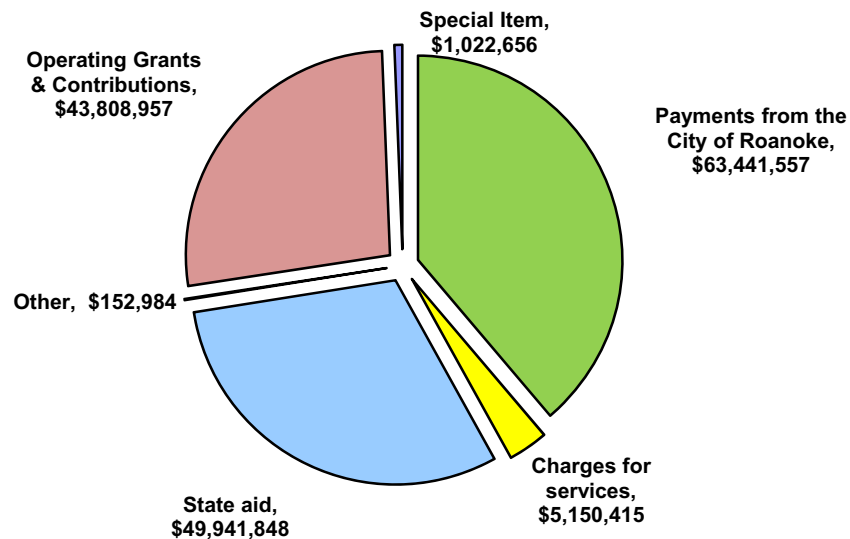
exception of the special item, revenues for FY 2010 decreased \$2.8 million from the prior year. Program revenues increased by \$2.69 million or 1.6 percent and general revenue collections decreased by \$5.5 million or 3.3 percent. The change in general revenue collection consisted of a decrease in state aid not restricted to specific programs of \$8.4 million or 13.5 percent, and an increase in payments from the City of Roanoke of \$.9 million or 1.5 percent 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 assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. Net assets, accordingly, decreased by \$1,233,784, 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 \$5,962,440 (equipment additions of \$732,781 less retirements of \$6,695,221) were offset by a net decrease in accumulated depreciation for the year of \$4,728,656.

- Decrease in compensated absences liability which affects expenditures amounted to \$482,596.

Revenues and Expenses Summaries – Governmental Activities:

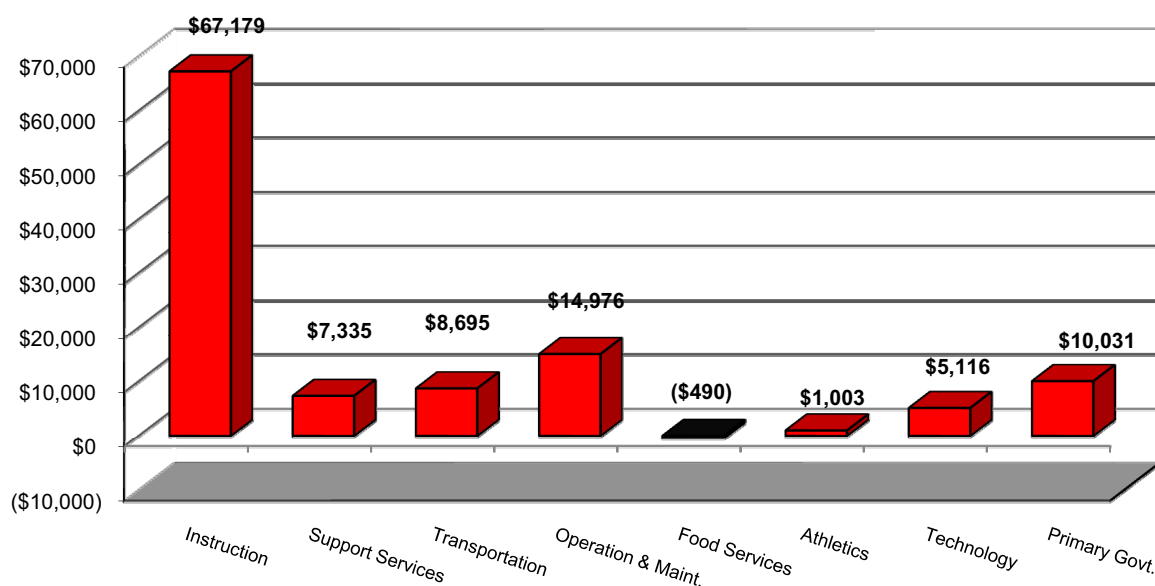
Revenues by Source – Governmental Activities:



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

| | Year Ended June 30, | |
|---|---------------------|---------------------|
| | 2010 | 2009 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for services | \$ 5,150,415 | \$ 5,391,504 |
| Operating grants and contributions | 43,808,957 | 40,906,132 |
| General Revenues: | | |
| Payments from the City of Roanoke | 63,441,557 | 62,506,419 |
| State aid not restricted to specific programs | 49,941,848 | 58,370,478 |
| Grants not restricted to specific programs | 8,197 | -- |
| Interest Income on Investments | 23,099 | 86,320 |
| Other | 121,688 | 65,477 |
| Special Item | 1,022,656 | -- |
| Total Revenues | 163,518,417 | 167,326,330 |
| Expenses: | | |
| Instruction | 109,380,977 | 112,722,574 |
| Support Services | 7,828,924 | 7,682,146 |
| Transportation | 8,848,642 | 8,046,245 |
| Operation & Maintenance of Plant | 15,180,920 | 16,058,753 |
| Food Services | 5,232,656 | 5,324,523 |
| Athletics | 1,181,887 | 1,512,359 |
| Technology | 5,119,695 | 4,510,989 |
| Payments to Primary Government | 10,031,481 | 8,932,913 |
| Total Expenses | 162,805,182 | 164,790,502 |
| Increase in net assets | 713,235 | 2,535,828 |
| Net assets - Beginning of year | 9,083,453 | 6,547,625 |
| Net assets - End of year | \$ 9,796,688 | \$ 9,083,453 |

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



Financial Analysis of the Governmental Funds

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

Governmental Funds. 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 short-term financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School Board's governmental funds reported a total fund balance of \$12,805,482, a increase of \$906,058 in comparison with the prior year. Of this amount, 100 percent constitutes unreserved fund balance, which is available for spending at the district's discretion and can be designated at the School Board's discretion.

The general fund is the chief operating fund of the School Board. At the end of the current fiscal year, total and unreserved fund balance of the general fund was \$9,988,445. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund expenditures. The fiscal year 2010 total and unreserved fund balance represents 5.5 percent of total general fund expenditures, compared to the prior year total fund balance which represented 5.6 percent of annual expenditures.

The fund balance of the School Board's general fund decreased \$799,553 during the current fiscal year. Key factors in this change are as follows:

- Expenditures exceeded revenues (excluding transfers) by \$46,273 or approximately .7 percent of total expenditures, reflecting the decreased state funding for standards of quality. This decrease in state revenues was partially offset by the City of Roanoke revenue which increased by \$935,138 over the prior year. Cost containment was in progress throughout the year; however, expenditures could not fully be adjusted due to the significance of the revenue reductions.
- Transfers to the school grants fund for program local match funds, in the amount of \$658,832, reflect the commitment of the School Board to pursue grants and other special revenue sources that enhance the educational programs of the division. A transfer of \$1.2M to Food Service Fund repaid funds transferred to the General Fund in prior years.

The food service fund balance reflects an excess of revenues over expenditures (excluding transfers) of \$505,611 which was the result of savings in food and food service supply costs.

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.

General Fund Budgetary Highlights

There were no amendments to the adopted general fund revenues or expenditures budgets.

Actual total revenues received were under the budgeted total revenues by \$8,025,169, or 5.6 percent of the final budget. The variance of (\$405,904) in City of Roanoke revenue is a result of lower estimated tax revenues budgeted by the City. The intergovernmental revenues from the Commonwealth of Virginia were significantly less than budgeted by \$9,224,401 due to changes in the state revenue allocations for sales tax, basic aid, and special education funding and lower than anticipated average daily membership in the school district as a result of changing priorities and economic conditions. Other Revenues exceeded the final budget by \$1,603,993 due to tuition charges for the regional special education program and proceeds from sale of obsolete items exceeding budget.

Management's Discussion & Analysis (Continued)

Expenditures were held under budget in an amount of \$9,078,896 due to (1) reduced positions, (2) holdback of spending 1.5 million dollars budgeted as contingency in the FY 2009 – 10 general fund in early recognition of weakening economic conditions and (3) general cost reduction activities across the school division. The net result of revenues and expenditures under budget was a positive budget variance for the year of \$1,053,727.

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. It should be noted however that significant construction activity was completed during the 2009 – 10 fiscal year. These included opening William Fleming High School, substantial completion of William Fleming campus stadium and field house, the culinary arts classroom at Gibbony Hall on the Patrick Henry High School campus and a non-traditional membrane structure to serve as the gymnasium at Grandin Court.

The School Board's investment in capital assets for its governmental activities as of June 30, 2010, totaled \$2,904,199 (net of accumulated depreciation). The investment in capital assets includes equipment only. The total increase in the School Board's gross balance of capital assets for the current fiscal year was \$732,781, netted against the retirement of assets with a net book value of \$1,341,415 and depreciation expense for the year of \$625,150, resulting in a net decrease in capital assets of \$1,233,784. This decrease is primarily the result of the sale of school buses to the transportation contractor. More detailed information about capital assets can be found in Notes I-D-3, II, and III-D of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

Total General Fund and Food Services operating revenue in 2010-11, excluding one-time supplements, is forecast to decline versus 2009-10 by approximately \$4.98 million (budget-to-budget).

Budgeted revenues in 2010-11 of \$143,041,146, show a budget-to-budget decline of \$7,008,078 or 4.67%. (However, fiscal year 09-10 actual revenue versus 10-11 budgeted revenue may show an increase.) Most significant declines are in the state standards of quality funding for the general fund, down \$ 7.9 million and State Fiscal Stabilization Fund (stimulus funds) in the amount \$1.9 million. These declines are offset somewhat by an increase of \$ 4.5 million in City of Roanoke revenues, the preponderance of which is from a dedicated increased meals tax.

The State has sought to partially offset aforementioned reduced funding by implementing a temporary reduction in the amount paid by school divisions into the Virginia Retirement System (VRS). The state adjustment should reduce expenditures by an estimated \$ 5.2 million given the artificially low rate given to the School division as its contribution rate for the 10 -11 fiscal year.

In order to address remaining revenue declines, and to offset inflationary increases in expenditures and rising health care costs, the following measures were taken:

1. Huff Lane (formerly grades 3 – 5) was consolidated into Round Hill (formerly grades K – 2) to create a single K-5 elementary school at Round Hill. Estimated first year savings from this action are \$389,000 primarily from reduction of redundant positions, utility and building costs.
2. A division-wide wage and step freeze was continued for the second year for all employees.
3. Reduced athletics spending by \$200,000 or 16.6%.
4. Closed CITY school formerly an off-campus program for seniors and relocated a restructured similar program to each high school.

5. The summer work program of the maintenance and building operations was significantly curtailed a second year with staff used most heavily in preparing for the combined Round Hill/Huff Lane opening.

The guiding philosophy continues to be: "Students First. Employees (especially teachers) next. Buildings third" as we sought out reductions to balance expenditures to extant funding sources.

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 Deputy Superintendent for the School Board of the City of Roanoke, Virginia, P. O. Box 13145, Roanoke, Virginia, 24031, and telephone number (540) 853-2382

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

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THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Net Assets
June 30, 2010

| <u>Assets</u> | <u>Governmental Activities</u> |
|--|---|
| Cash and Cash Equivalents | \$ 12,939,704 |
| Accounts Receivable | 186,548 |
| Due From City of Roanoke | 276,629 |
| Due From Other Governments | 7,559,714 |
| Due From Other Sources | 167,886 |
| Prepays | 442,862 |
| Note Receivable | 1,485,000 |
| Capital Assets: | |
| Equipment, Net of Accumulated Depreciation | 2,904,199 |
| Total Assets | <u>25,962,542</u> |
| | |
| <u>Liabilities</u> | |
| Accounts Payable and Accrued Expenses | 3,364,518 |
| Unearned Revenue | 1,063,559 |
| Pollution Remediation Liability | 4,450 |
| Long-Term Liabilities Due Within One Year | 7,884,683 |
| Long-Term Liabilities: | |
| Compensated Absences Payable | 2,402,847 |
| Other Postemployment Benefits | 1,445,797 |
| Total Liabilities | <u>16,165,854</u> |
| | |
| <u>Net Assets</u> | |
| Invested in Capital Assets | 2,904,199 |
| Unrestricted | 6,892,489 |
| Total Net Assets | <u>\$ 9,796,688</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, 2010

| Functions | Expenses | Program Revenues | | Net (Expenses) |
|--|-------------------------|-------------------------|----------------------|-----------------------|
| | | Charges for | Operating | Revenue and |
| | | Services | Grants and | Changes in |
| | | | Contributions | Net Assets |
| | | | | Governmental |
| | | | | Activities |
| Instruction: | | | | |
| Regular Instruction | \$ (68,103,366) | \$ 121,280 | \$ 25,829,028 | \$ (42,153,058) |
| Special Education | (17,995,500) | 2,411,651 | 10,146,561 | (5,437,288) |
| Vocational Instruction | (2,393,276) | 40 | 1,296,799 | (1,096,437) |
| Gifted | (1,568,686) | - | 427,824 | (1,140,862) |
| Guidance | (3,440,379) | 250,310 | - | (3,190,069) |
| Media Services | (2,281,419) | - | - | (2,281,419) |
| School Administration | (8,728,719) | - | 943,188 | (7,785,531) |
| District-Wide Instructional Programs | (4,869,632) | 83,941 | 691,404 | (4,094,287) |
| Support Services: | | | | |
| Administration | (5,430,158) | 493,428 | - | (4,936,730) |
| Attendance and Health Services | (2,398,766) | - | - | (2,398,766) |
| Transportation | (8,848,642) | 154,061 | - | (8,694,581) |
| Operation & Maintenance of Plant | (15,180,920) | 204,473 | - | (14,976,447) |
| Food Services | (5,232,656) | 1,248,571 | 4,474,153 | 490,068 |
| Athletics | (1,181,887) | 179,060 | - | (1,002,827) |
| Technology | (5,119,695) | 3,600 | - | (5,116,095) |
| Debt Service | (10,031,481) | - | - | (10,031,481) |
| Total Governmental Activities | <u>\$ (162,805,182)</u> | <u>\$ 5,150,415</u> | <u>\$ 43,808,957</u> | <u>(113,845,810)</u> |
| General Revenues: | | | | |
| | | | | 63,441,557 |
| Revenues from the City of Roanoke | | | | 49,941,848 |
| State Aid not Restricted to a Specific Program | | | | 8,197 |
| Grant not Restricted to a Specific Program | | | | 23,099 |
| Interest Income on Investments | | | | 121,688 |
| Miscellaneous | | | | |
| Special Item - Gain From Sale of | | | | |
| Transportation Vehicles and Equipment (Note C) | | | | 1,022,656 |
| Total General Revenues and Special Item | | | | <u>114,559,045</u> |
| Change in Net Assets | | | | 713,235 |
| Net Assets - Beginning of Year | | | | <u>9,083,453</u> |
| Net Assets - End of Year | | | | <u>\$ 9,796,688</u> |

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2010

| <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 | \$ 10,084,738 | \$ 2,854,966 | \$ - | \$ 12,939,704 |
| Accounts Receivable | 164,705 | 21,843 | - | 186,548 |
| Due From City of Roanoke | 276,629 | - | - | 276,629 |
| Due From Other Governments | 1,977,732 | - | 5,581,982 | 7,559,714 |
| Due From Other Sources | 4,135 | - | 163,751 | 167,886 |
| Due From Other Funds | 4,884,541 | - | 260,245 | 5,144,786 |
| Prepays | 431,849 | - | 11,013 | 442,862 |
| Total Assets | <u>\$ 17,824,329</u> | <u>\$ 2,876,809</u> | <u>\$ 6,016,991</u> | <u>\$ 26,718,129</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts Payable and Accrued Expenditures | \$ 3,265,687 | \$ 26,873 | \$ 71,958 | \$ 3,364,518 |
| Pollution Remediation Liability | 4,450 | - | - | 4,450 |
| Claims Payable | 4,290,678 | 32,899 | 11,757 | 4,335,334 |
| Due to Other Funds | 260,245 | - | 4,884,541 | 5,144,786 |
| Deferred Revenue | 14,824 | - | 1,048,735 | 1,063,559 |
| Total Liabilities | <u>7,835,884</u> | <u>59,772</u> | <u>6,016,991</u> | <u>13,912,647</u> |
| Fund Balances: | | | | |
| Unreserved: | | | | |
| Designated for Workers' Compensation | \$ 2,611,540 | \$ 95,783 | \$ - | \$ 2,707,323 |
| Designated for Other Postemployment Benefits | 3,714,707 | - | - | 3,714,707 |
| Designated for Transportation Sinking Fund | 250,000 | - | - | 250,000 |
| Designated for Textbook Adoption | 2,000,000 | - | - | 2,000,000 |
| Undesignated | 1,412,198 | 2,721,254 | - | 4,133,452 |
| Total Fund Balances | <u>9,988,445</u> | <u>2,817,037</u> | <u>-</u> | <u>12,805,482</u> |
| Total Liabilities and Fund Balances | <u>\$ 17,824,329</u> | <u>\$ 2,876,809</u> | <u>\$ 6,016,991</u> | |

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

Note Receivable is not a current financial resource and, therefore, is not reported in the governmental funds balance sheet. 1,485,000

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 2,904,199

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 (3,291,571)

Workman's compensation (2,660,625)

Other postemployment benefits payable (1,445,797)

Net assets of governmental activities \$ 9,796,688

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 Balance:
Governmental Funds
For the Year Ended June 30, 2010

| | <u>General Fund</u> | <u>Food Service Fund</u> | <u>School Grants Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------------------|-----------------------------------|---|
| Revenues: | | | | |
| Investment Income | \$ 3,340 | \$ 19,759 | \$ - | \$ 23,099 |
| Intergovernmental: | | | | |
| City of Roanoke | 63,441,557 | - | - | 63,441,557 |
| Commonwealth of Virginia | 67,092,267 | 107,140 | 3,143,244 | 70,342,651 |
| Federal Government | 97,803 | 4,367,013 | 18,570,775 | 23,035,591 |
| Other Agencies | 184,526 | - | 478,685 | 663,211 |
| Charges for Services | 3,458,768 | 1,248,572 | - | 4,707,340 |
| Insurance Recoveries | 112,503 | - | - | 112,503 |
| Athletics | 162,969 | - | - | 162,969 |
| Miscellaneous | 554,552 | - | - | 554,552 |
| Total Revenues | <u>135,108,285</u> | <u>5,742,484</u> | <u>22,192,704</u> | <u>163,043,473</u> |
| Expenditures: | | | | |
| Current - Education: | | | | |
| Instruction | 91,107,398 | - | 19,400,623 | 110,508,021 |
| Administration, Attendance & Health | 9,197,988 | - | 1,970,834 | 11,168,822 |
| Transportation | 8,504,788 | - | 343,854 | 8,848,642 |
| Operation & Maintenance of Plant | 15,131,016 | - | 30,673 | 15,161,689 |
| Food Services | - | 5,236,873 | - | 5,236,873 |
| Athletics | 1,181,887 | - | - | 1,181,887 |
| Payments to City of Roanoke for Debt Service | 10,031,481 | - | - | 10,031,481 |
| Total Expenditures | <u>135,154,558</u> | <u>5,236,873</u> | <u>21,745,984</u> | <u>162,137,415</u> |
| Revenues Over (Under) Expenditures | <u>(46,273)</u> | <u>505,611</u> | <u>446,720</u> | <u>906,058</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers From Other Funds | 1,105,552 | 1,200,000 | 658,832 | 2,964,384 |
| Transfers To Other Funds | (1,858,832) | - | (1,105,552) | (2,964,384) |
| Other Financing Sources (Uses), Net | <u>(753,280)</u> | <u>1,200,000</u> | <u>(446,720)</u> | <u>-</u> |
| Net Change in Fund Balances | (799,553) | 1,705,611 | - | 906,058 |
| Fund Balances, Beginning of Year, as restated | <u>10,787,998</u> | <u>1,111,426</u> | <u>-</u> | |
| Fund Balances, End of Year | <u>\$ 9,988,445</u> | <u>\$ 2,817,037</u> | <u>\$ -</u> | |

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

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 assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which gains from disposals exceeded capital asset purchases in the current period, depreciation expense, and proceeds from disposal.

251,216

Increases in compensated absences payable and 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.

(141,038)

Increase in other postemployment benefits payable

(303,001)

Change in net assets of governmental activities

\$ 713,235

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, 2010

| | <u>Agency Fund</u> |
|---------------------------|-------------------------------|
| <u>Assets</u> | |
| Cash and Cash Equivalents | <u>\$ 1,095,785</u> |
| <u>Liabilities</u> | |
| Due to Students | <u>\$ 1,095,785</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, 2010

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 are apportioned in the amount of 36.42% to the schools, from tuition and fees, and from state and federal aid. 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. Entity-wide and Fund Financial Statements.

The Governmental Accounting Standards Board issued Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34, as amended, established requirements and a reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions. GASB Statement No. 34 includes requirements for:

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.

Entity-wide Financial Statements - The entity-wide financial statements (i.e., the statement of net assets 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 entity-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 entity-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 a cash 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 district considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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 accordingly cannot be said to have a measurement focus.

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 *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.

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 special revenue funds 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-eight Roanoke City Public Schools, the vocational school, the Roanoke Valley Regional Governor's School, the Noel C. Taylor Learning Academy and Forest Park Academy. These agency funds are custodial in nature, and do not involve measurement of results of operations. They do, however, use the cash basis of accounting.

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

D. Assets, Liabilities, and Net Assets 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). 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.

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 by debt issued by the City for the purpose of public education is the property of the City of Roanoke.

Effective July 1, 2009, the School Board closed one middle school and one elementary school. During fiscal year 2010 the former middle school was repurposed to include properly outfitted space for some of the division's technology servers and staff, the employee health clinic, and food service administrative staff. Further work is ongoing to allow the division's maintenance and building operations staff to consolidate in this facility during fiscal year 2011. Beginning in fiscal year 2011 an elementary school was leased for use by a non-profit organization for early childhood education. The lease term commenced August 1, 2010 for a period of five years for annual rent of \$ 0.

4. *Compensated Absences Payable.*

It is the School Board's policy to permit employees to accumulate earned but unused compensated absences. For entity-wide financial reporting, a liability is recorded in the General Fund 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. 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 paid. Current (amounts expected to be paid within one year) and non-current portions of compensated absences totaling \$3,291,571 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. *Worker's Compensation Claims Payable.*

In the fund financial statements, an actuarial estimate of the School Board's liability for worker's compensation claims of \$3,460,625 of which \$800,000 is included as a component of claims payable. The remaining \$2,660,625 is deemed non-current and included as part of fund balance designated for workman's compensation claims.

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 and lead paint clean up within the 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 open 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, 2010 is \$4,450 and is under contract or purchase order and not expected to change.

7. *Deferred Revenue*

Deferred revenue represents revenue that will initially be 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 deferred revenue at June 30, 2010 was \$1,063,559 of which \$14,824 was for General Fund and \$1,048,735 was for the School Grants Fund.

8. *Other Postemployment Benefits.*

In the fund financial statements, an actuarial estimate of the School Board's unfunded annual required contribution for other postemployment benefits of \$1,445,797 is included. However, at June 30, 2010 the designated, unreserved fund balance for the unfunded annual contribution was \$3,714,707, as the Board did not take action to reduce its designation 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 entity-wide statements.

9. *Fund Balances and Net Assets.*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation. Designations of fund balance represent tentative management plans that are subject to change.

In the entity-wide financial statements, governmental activities result in net assets, the difference between assets and liabilities. Net assets are reported either as invested in capital assets to provide services to students and staff, and consequently are not available for future spending, or as unrestricted and available to be used to meet the district's ongoing obligations to students, staff and creditors.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General and Food Service Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. An appropriation equal to the outstanding year-end encumbrance is made in the succeeding year. Unspent appropriations lapse at year end. At June 30, 2010, there are no encumbrances.

F. Pension Plan

The School Board participates in two separate defined benefit pension plans administered by the Virginia Retirement System, and one administered by 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.

G. 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 in the period to which the grant applies.

H. 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 entity-wide Statement of Activities.

I. 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.

J. 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 Entity-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 assets of governmental activities* as reported in the entity-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 assets 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 \$251,216 difference are as follows:

| | Capital Outlay | Depreciation Expense | Net Book Value of Assets Disposed | Net Change in Capital Assets |
|-----------------------|-------------------|-------------------------------|---|---------------------------------|
| Regular Instruction | \$ 633,200 | \$ (449,924) | \$ (179,538) | \$ 3,738 |
| Administration | 99,581 | (98,907) | (34,577) | (33,903) |
| Transportation | - | (6,949) | (1,115,403) | (1,122,352) |
| Operation/Maintenance | - | (69,370) | (11,897) | (81,267) |
| | <u>\$ 732,781</u> | <u>\$ (625,150)</u> | <u>\$ (1,341,415)</u> | <u>(1,233,784)</u> |
| | | Note Receivable from Disposal | | 1,980,000 |
| | | Current Year Proceeds of Note | | (495,000) |
| | | | | <u><u>\$ 251,216</u></u> |

Another element of that reconciliation states that "increases in compensated absences payable and workers' compensation claims payable, reported in the statement of activities, do not represent a source of current financial resources and, therefore, are not reported as revenues in governmental funds." The details of this \$141,038 difference are as follows:

| | Compensated Absences | Workers' Compensation | Total |
|-------------------------------------|-------------------------|--------------------------|-------------------|
| Liability as of June 30, 2010 | \$ 3,291,571 | \$ 2,660,625 | \$ 5,952,196 |
| Less: Liability as of June 30, 2009 | (3,774,167) | (2,036,991) | (5,811,158) |
| Current Year Increase (Decrease) | <u>\$ (482,596)</u> | <u>\$ 623,634</u> | <u>\$ 141,038</u> |

Another element of that reconciliation is "increase in other postemployment benefits payable". The details of this \$303,001 difference are as follows:

| | OPEB Obligation |
|--|--------------------------|
| Net OPEB Obligation as of June 30, 2009 | \$ 1,142,796 |
| Net OPEB Obligation as of June 30, 2010 | 1,445,797 |
| Current Year Increase in OPEB Obligation | <u><u>\$ 303,001</u></u> |

III. Detailed Notes on Entity-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). 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 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, 2010, the School Board had the following cash and investments:

| | |
|----------------------------|----------------------|
| Cash | \$ 11,603 |
| Deposits | 1,508,562 |
| Virginia LGIP | <u>12,515,324</u> |
| Total Cash and Investments | <u>\$ 14,035,489</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).

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 of June 30, 2010, the School Board's investments, with their respective credit ratings, were as follows:

| Investment Type | Credit Rating |
|-----------------|---------------|
| Virginia LGIP | AAA |

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.

Custodial Credit Risk - Deposits. In the case of a deposit, this is the risk that in the event of a bank failure, the School Board's deposits may not be returned to it. As of June 30, 2010, the carrying value of the School Board deposits was \$14,202,785. The School Board's bank balance of deposits was \$4,424,227. The City's investment policy which RCPS follows requires all deposits to be federally secured or held in accordance with the Virginia Security for Public Deposits Act. In agreement with the policy, the entire balance was covered by federal depository insurance or collateralized in accordance with Virginia Security for Public Deposits Act.

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.

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, 2010, 100 percent of the School Board's investment portfolio was invested in the Virginia LGIP.

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.

As of June 30, 2010, the School Board had the following investments and maturities:

| | Investment Maturity | |
|---------------|----------------------|----------------------|
| | Fair Value | Less than 1 year |
| Virginia LGIP | \$ 12,515,324 | \$ 12,515,324 |
| TOTAL | \$ 12,515,324 | \$ 12,515,324 |

B. Due from Other Governments

Due from other governments as of June 30, 2010, for the School Board's individual major funds is as follows:

| | <u>General</u> | <u>School Grants</u> | <u>Total</u> |
|--------------------------|---------------------------|----------------------------|----------------------------|
| Commonwealth of Virginia | \$1,977,732 | \$ 1,107,167 | \$ 3,084,899 |
| Federal Government | - | 4,474,815 | 4,474,815 |
| City of Roanoke | 276,629 | - | 276,629 |
| Totals | <u>\$2,254,361</u> | <u>\$ 5,581,982</u> | <u>\$ 7,836,343</u> |

C. Capital Assets

Capital asset activity for the year ended June 30, 2010 is as follows:

| Capital Assets | <u>Balance June 30, 2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2010</u> |
|--------------------------------|---|--------------------------|----------------------------|---|
| Equipment: | | | | |
| Instruction | \$ 4,915,776 | \$ 633,200 | \$ 240,835 | \$ 5,308,141 |
| Administration | 503,479 | 99,581 | 73,122 | 529,938 |
| Transportation | 6,534,783 | - | 6,344,880 | 189,903 |
| Maintenance | 1,265,975 | - | 36,384 | 1,229,591 |
| Total Equipment | 13,220,013 | 732,781 | 6,695,221 | 7,257,573 |
| Less: | | | | |
| Accumulated | (9,082,030) | (625,150) | (5,353,806) | (4,353,374) |
| Governmental activities | <u>\$ 4,137,983</u> | <u>\$ 107,631</u> | <u>\$ 1,341,415</u> | <u>\$ 2,904,199</u> |

Depreciation expense and accumulated depreciation was allocated as follows:

| | <u>Balance June 30, 2009</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2010</u> |
|---------------------------------|---|----------------------------|----------------------------|---|
| Depreciation per class: | | | | |
| Instruction | \$(2,594,777) | \$ (449,924) | \$ 61,297 | \$ (2,983,404) |
| Administration | (279,242) | (98,907) | 38,545 | (339,604) |
| Transportation | (5,387,536) | (6,949) | 5,229,478 | (165,007) |
| Maintenance | (820,475) | (69,370) | 24,486 | (865,359) |
| Accumulated Depreciation | <u>\$ (9,082,030)</u> | <u>\$ (625,150)</u> | <u>\$ 5,353,806</u> | <u>\$ (4,353,374)</u> |

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, Roanoke City Public Schools began a five year contract with George Krapf, Jr. & Sons, Inc. to provide transportation services for the purpose of transporting school students to and from RCPS schools, sporting events, and extracurricular activities. Further, RCPS sold its existing owned bus fleet and inventory of parts to George Krapf, Jr. & Sons, Inc. for the amount of \$1,980,000 in the form of a non interest bearing, unsecured, long term note receivable. In addition, Roanoke City Public Schools has a lease with a financial institution for buses. This lease will be assumed by Mountain Valley, the Virginia subsidiary of George Krapf, Jr. & Sons, Inc. subsequent to June 30,

2010. Mountain Valley reimburses Roanoke City Public Schools for the cost of the lease and does include the leased buses in its current fleet.

The resulting gain on the sale of transportation vehicles and equipment is reported on the entity wide Statement of Activities as a Special Item with General Revenues. Fiscal year 2010 proceeds of the note in the amount of \$495,000 are reported in the governmental funds statement (Exhibit 4) included in miscellaneous revenues. In each of the succeeding three years, the division will receive a payment of \$495,000.

Should the contract be terminated, Roanoke City Public Schools would be required to buy back the buses sold.

D. Transfers

Transfers were made for the purpose of repaying a loan from Food Services, 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.

Inter-fund Transfers consisted of the following for the year ended June 30, 2010:

| From: | To General Fund | To Food Services | To School Grants | Total |
|---------------|------------------------|-------------------------|-------------------------|--------------|
| General Fund | \$ - | \$ 1,200,000 | \$ 658,832 | \$ 1,858,832 |
| School Grants | 1,105,552 | - | - | 1,105,552 |

E. Accounts Payable and Accrued Expenditures

The composition of accounts payable and accrued expenditures as of June 30, 2010, is as follows:

| | <u>General</u> | <u>Food Service</u> | <u>School Grants</u> | <u>Total</u> |
|----------------------|---------------------------|----------------------------|-----------------------------|----------------------------|
| Accrued Payroll | \$ 781,493 | \$ 5,216 | \$ 42,692 | \$ 829,401 |
| Payroll Withholdings | 59,997 | 409 | 4,612 | 65,018 |
| Flexible Spending | 75,251 | - | - | 75,251 |
| Accounts Payable | 2,348,946 | 21,248 | 24,654 | 2,394,848 |
| Totals | <u>\$3,265,687</u> | <u>\$ 26,873</u> | <u>\$ 71,958</u> | <u>\$ 3,364,518</u> |

F. Claims Payable

As of June 30, 2010, the composition of claims payable includes amounts held to pay current health insurance, workers' compensation claims and unemployment claims is as follows:

| | <u>General</u> | <u>Food Service</u> | <u>School Grants</u> | <u>Total</u> |
|-----------------------|----------------------------|----------------------------|-----------------------------|----------------------------|
| Health Insurance | \$ 3,481,576 | \$ (973) | \$ - | \$ 3,480,603 |
| Worker's Compensation | 756,338 | 31,905 | 11,757 | 800,000 |
| Unemployment Claims | 52,764 | 1,967 | - | 54,731 |
| Totals | <u>\$ 4,290,678</u> | <u>\$ 32,899</u> | <u>\$ 11,757</u> | <u>\$ 4,335,334</u> |

The total amount listed above is due within one year.

G. Compensated Absences Payable

The change in compensated absences payable is summarized below:

| | |
|----------------------------|----------------------------|
| Balance June 30, 2009 | \$ 3,774,167 |
| Increases | 3,308,687 |
| Decreases | <u>(3,791,283)</u> |
| Balance June 30, 2010 | \$ 3,291,571 |
| Amount Due Within One Year | <u>(888,724)</u> |
| Long-Term Payable | <u><u>\$ 2,402,847</u></u> |

H. Fund Balances

Except for those required to comply with accounting standards, all reservations and designations 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.

Management's policy is to cancel all open purchase orders at June 30 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, 2010.

Designations at June 30, 2010, consist of the following:

General Fund:

- 1) \$46,698 for self-insurance for workers' compensation claims held in trust by Stellar One Bank, Christiansburg, Virginia and Sedgewick and \$ 2,564,842 in long-term workman's compensation claims.
- 2) \$3,714,707 for other postemployment benefits.
- 3) \$2,000,000 for new Math curriculum,
- 4) \$250,000 for transportation sinking fund

Food Service Fund:

\$95,783 in long-term workman's compensation claims

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 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 at age 65 with 5 years of service and at age 50 with 30 years of service for participating employers payable monthly using a percentage of the average final compensation multiplied by the total years of service credit. A reduction factor is applied by VRS for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5 percent per year. Average final compensation is defined as the highest consecutive 36 months of reported salary. 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/2009-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. This 5 percent member contribution may be assumed by the employer. The Roanoke City School Board has assumed the employee's 5 percent contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate was 13.81 percent for the period of July 2009 through March 2010 of covered payroll (including employee share of 5 percent paid by their employer). Amendments to the fiscal year 2010 caboose budget and the 2010-2012 biennial budget adopted by the 2010 General Assembly on March 14, 2010, provided for an employer contribution rate premium holiday for the last quarter of fiscal year 2010. The employee share for the last quarter of fiscal year 2010 was 5 percent. 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, 2010 | \$ 7,803,829 | 11.28 | \$69,128,529 |
| June 30, 2009 | \$10,315,279 | 13.81 | \$74,529,030 |
| June 30, 2008 | \$11,015,768 | 10.3 | \$72,500,155 |

b. Annual Required Contribution – Professional Cost Sharing Plan

Public School Division professional employees participate in a VRS statewide teacher cost-sharing pool. For 2010, the School Board's annual required contribution was \$7,803,829. The required contribution was based on an actuarial valuation. The contribution requirements for the School Board were equal to the actual contributions for 2010. Total School Board payroll for 2010 was \$84,580,759. Payroll covered by VRS for School Board employees was \$69,128,529. The following information related to trend information is provided.

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

| Fiscal Year Ended | Annual Required Contributions (ARC) | Percentage of ARC Contributed |
|------------------------------|--|--|
| June 30, 2010 | \$ 7,803,829 | 100% |
| June 30, 2009 | \$10,315,279 | 100% |
| June 30, 2008 | \$11,015,768 | 100% |

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

a. *Funded Status and Funding Progress*

As of June 30, 2007, the most recent actuarial valuation date, the plan was 111.83 percent funded. The actuarial accrued liability for benefits was \$722,986, and the actuarial value of assets was \$808,508, resulting in an unfunded (over-funded) actuarial accrued liability (UAAL) of \$(85,522). The covered payroll (annual payroll of active employees covered by the plan) was \$3,583,415, and the ratio of the UAAL to the covered payroll was (2.39) percent.

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 2010, 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, 2007 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included a) an investment return rate of 7.5 percent, b) an annual cost-of-living adjustment of 2.5 percent, and c) salary increases ranging between 3.75 percent and 5.6 percent 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, 2007 actuarial valuation was 20 years. Total School Board payroll for 2010 was \$84,580,759. Payroll covered by VRS for School Board non-professional employees was \$3,583,415.

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 are 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.

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 credited 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 credited 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 13.03 percent of annual covered payroll for the year ended June 30, 2010.

b. Annual Required Contribution

For fiscal year 2010, the School Board's annual required contribution was \$562,315. The required contribution was based on an actuarial valuation. The School Board's actual contribution of \$612,111 was in excess of the required contribution of \$562,315. Total School Board payroll for 2010 was \$84,580,759. Payroll covered by City Retirement for School Board employees was \$4,697,703. Information related to trend information is presented on the next page.

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

| Fiscal Year Ended | Annual Required Contribution (ARC) | Percentage of ARC Contributed |
|------------------------------|---|--|
| June 30, 2010 | \$562,315 | 109% |
| June 30, 2009 | \$715,080 | 100% |
| June 30, 2008 | \$799,025 | 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 who retired prior to July 1, 2010 can stay in a Traditional PPO plan offered by the Schools through United Healthcare. This plan has \$20/\$40 office visit co-pays and covers prescription drugs. 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 percent of all premium payments, and the retirees contribute 100 percent. 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, 2010, the Roanoke City Public Schools retirees contributed \$1,263,457 to the Roanoke City Public Schools Healthcare Plan. The retiree's claims amounted to \$2,023,287 for the same time period.

c. Annual OPEB Cost and Net OPEB Obligation

Roanoke City Public Schools' annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 liability over a period not to exceed thirty years.

The table below shows the components of the Roanoke City Public School's annual OPEB cost for the year, the amounts contributed to the Plan, and changes in the City's net OPEB obligation:

Components of Annual OPEB Cost

| | <u>Healthcare Plan</u> |
|--------------------------------------|----------------------------|
| Annual Required Contribution | \$ 711,063 |
| Interest on net OPEB Obligation | 45,712 |
| Adjustment to net OPEB liability: | <u>(72,069)</u> |
| Annual OPEB Cost | 684,706 |
| Contributions made | <u>(381,705)</u> |
| Increase in net OPEB obligation | 303,001 |
| Net OPEB obligation at July 1, 2009 | <u>1,142,796</u> |
| Net OPEB obligation at June 30, 2010 | <u><u>\$ 1,445,797</u></u> |

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 current year were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-----------------------------|---|--------------------------------|
| June 30, 2010 | \$ 684,706 | 55.7% | \$ 1,445,797 |
| June 30, 2009 | (1,599,068) | -16.4% | 1,142,796 |
| June 30, 2008 | 3,259,698 | 7.9% | 3,003,644 |

d. Funded Status and Funding Progress

As of June 30, 2010, 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 \$ 4,083,544, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 4,083,544. The covered payroll was \$70,113,034 and the ratio of the UAAL to the covered payroll was 5.82 percent. The plan does not have separately issued financial statements.

e. Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the Roanoke City Public Schools and Plan members 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 these notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

The actuarial valuation of the liabilities as of June 30, 2010 is based on a closed group. Current employees and retirees only are considered; no provision is made for future hires. For the five-year projection, the actuarial valuation has assumed one new entrant will enter the plan for every active employee who either retires or terminates from Roanoke City Public Schools. Therefore, the active population will remain at a constant level based on the June 30, 2008 count.

f. Actuarial Methods and Assumptions

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, 2010 valuation, the projected unit credit actuarial cost method was used. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date.

The actuarial assumptions included a 4 percent discount rate. Annual medical rates are expected to decrease 1 percent each year. For 2010 the rate is 9 percent. Annual dental rates are expected to increase 3 percent each year. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2010 was 23 years.

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, 2010, the School Board remitted \$ 2,156,767 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, 2010 we had outstanding contracts for asbestos removal at Grandin Court School, and for asbestos monitoring at the Patrick Henry Culinary School site. The total obligation for the remaining portion of these contracts is \$4,450. During fiscal year 2010, RCPS expended \$46,175 for pollution remediation of lead paint chips and asbestos 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).

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.

With the change in health care plan providers at January 1, 2010 from Anthem to United Healthcare, the School Board paid to Anthem an amount stated in their contract with the division to cover any

claims incurred but not reported at the end of the contract date. The period of time that this covers is up to two years from the December 31, 2009 end of contract date. As of this report date, an estimate of any unused funds cannot be determined. The contract specified a payment of two months of previous contract funding equal to \$ 2,112,646 which has been fully paid to Anthem. At June 30, 2010, \$ 1,095,000 was outstanding from this payment, to be applied to claims incurred before the end of the contract date but unreported as of year end.

The School Board has general liability, vehicular liability, and property insurance coverage's 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 hired to replace the roof on this building and the School Board are in dispute regarding both reimbursement for 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 2009-10: | | | |
| Claims liability at July 1 | \$ 3,687,502 | \$ 2,836,991 | \$ 6,524,493 |
| Claims incurred | 14,982,160 | 1,395,834 | 16,377,994 |
| Claim payments | (15,189,059) | (772,200) | (15,961,259) |
| Claims liability at June 30 | <u>3,480,603</u> | <u>3,460,625</u> | <u>6,941,228</u> |
| Due within one year | <u>3,480,603</u> | <u>800,000</u> | <u>4,280,603</u> |
| Long-term payable | <u>\$ -</u> | <u>\$ 2,660,625</u> | <u>\$ 2,660,625</u> |
| Fiscal Year 2008-09: | | | |
| Claims liability at July 1 | \$ 3,327,868 | \$ 2,096,697 | \$ 5,424,565 |
| Claims incurred | 15,714,598 | 1,396,613 | 17,111,211 |
| Claim payments | (15,354,964) | (656,319) | (16,011,283) |
| Claims liability at June 30 | <u>3,687,502</u> | <u>2,836,991</u> | <u>6,524,493</u> |
| Due within one year | <u>3,687,502</u> | <u>800,000</u> | <u>4,487,502</u> |
| Long-term payable | <u>\$ -</u> | <u>\$ 2,036,991</u> | <u>\$ 2,036,991</u> |

F. Contingent Liabilities

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.

The School Board is unaware of any pending litigation or other contingencies which would have a material adverse effect on the financial condition or liquidity of the School Board.

G. Retirement/Early Retirement Opportunity Program

Roanoke City Public Schools employees, including administrators, teachers, clerical staff and paraprofessionals who are eligible, will be members of the Virginia Retirement System. Eligible food service and building operations will be staff members of the City of Roanoke Pension Plan. 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 electing early retirement under this program shall be 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 2010 were \$2,414,939.

H. New Accounting Pronouncements

During fiscal year ended June 30, 2010, the School Board adopted GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, patents, and computer software. The School Board has identified no intangible assets after review of the new statement in detail, thus there was no impact on the School Board's basic financial statements or disclosures for the fiscal year ended June 30, 2010.

GASB has also issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. This statement will be adopted by the School Board effective with the fiscal year ended June 30, 2011, thus there was no impact on the School Board's basic financial statements or disclosures for the fiscal year ended June 30, 2010.

I. Subsequent Event

On July 8, 2010, Roanoke City Public Schools received \$1,105,539 in Qualified School Construction Bonds (QSCB) as per the American Recovery and Reinvestment Act of 2009 (ARRA). These no interest, tax credit bonds were awarded to finance school energy efficiency improvement projects at Monterey Elementary, Morningside Elementary, Preston Park Elementary, and Westside Elementary.

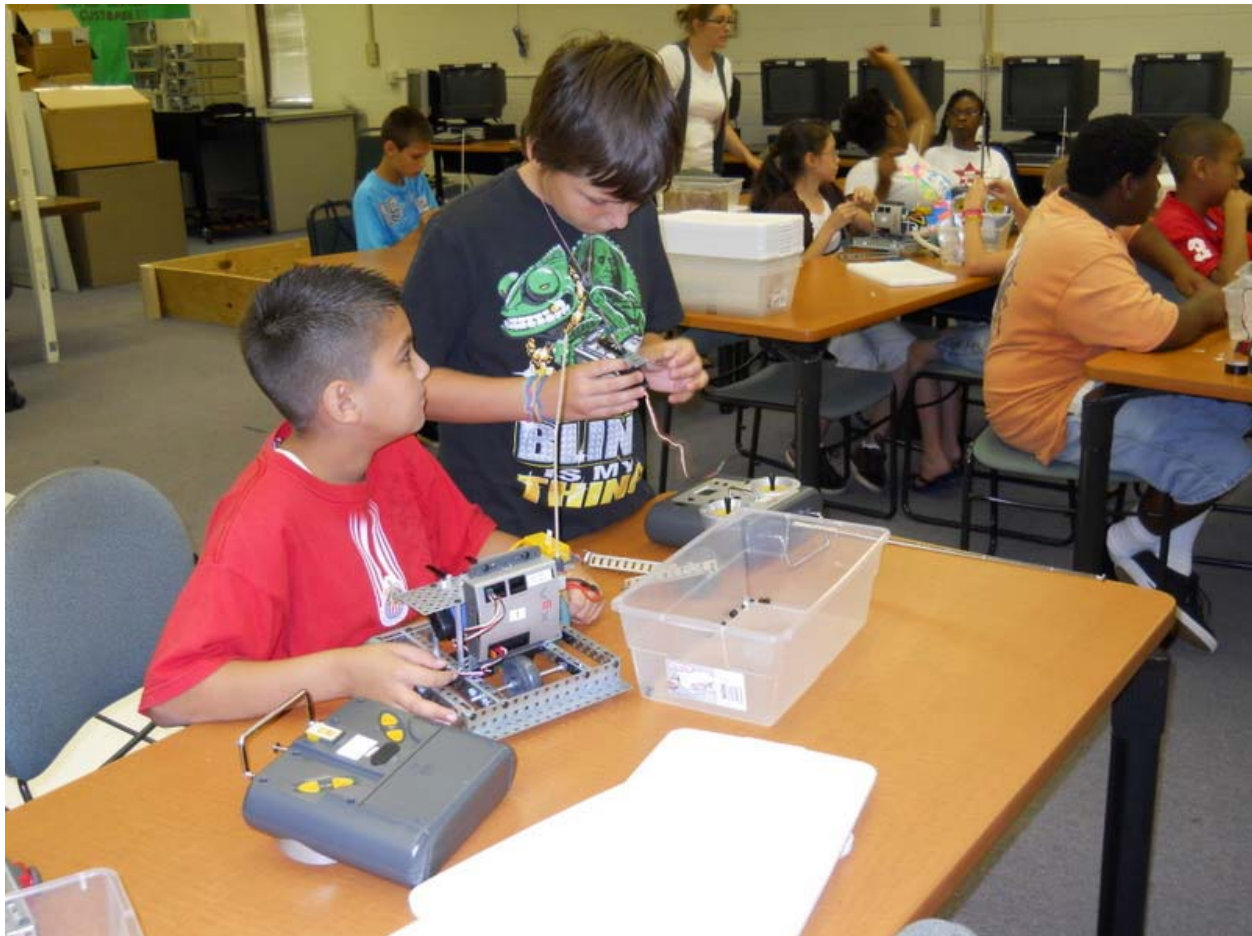
Effective June 30, 2010, the School Board consolidated the student population of Huff Lane School into Round Hill Elementary School and closed Huff Lane. Use of the Huff Lane property has not been determined with consideration ongoing.

J. Restated Fund Balance

Effective with the fiscal year ended June 30, 2010, Roanoke City Public Schools adjusted beginning fund balance to reflect the portion of workman's compensation liabilities that had previously been reported as a current liability that is deemed non-current. The effects were as follows:

| | <u>General Fund</u> |
|--|-----------------------------|
| Fund balance June 30, 2009 as previously stated | \$ 9,201,007 |
| Adjust non-current worker's compensation liability | <u>1,586,991</u> |
| Fund balance June 30, 2009 as restated | <u><u>\$ 10,787,998</u></u> |

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, 2010
(Unaudited)

| | <u>Budgeted Amounts</u> | | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------|---------------------------|---|
| | <u>Original and Final</u> | <u>Actual Amounts</u> | |
| Revenues: | | | |
| Investment Income | \$ - | \$ 3,340 | \$ 3,340 |
| Intergovernmental: | | | |
| City of Roanoke | 63,847,461 | 63,441,557 | (405,904) |
| Commonwealth of Virginia | 76,316,668 | 67,092,267 | (9,224,401) |
| Federal Government | 100,000 | 97,803 | (2,197) |
| Other Revenue | 2,869,325 | 4,473,318 | 1,603,993 |
| Total Revenues | <u>143,133,454</u> | <u>135,108,285</u> | <u>(8,025,169)</u> |
| Expenditures: | | | |
| Current - Education: | | | |
| Instruction | 100,250,000 | 91,107,398 | 9,142,602 |
| Administration, Attendance & Health | 10,500,000 | 9,197,988 | 1,302,012 |
| Transportation | 7,386,417 | 8,504,788 | (1,118,371) |
| Operation & Maintenance of Facilities | 14,877,172 | 15,131,016 | (253,844) |
| Athletics | 1,200,000 | 1,181,887 | 18,113 |
| Payments to Other Governments | 10,019,865 | 10,031,481 | (11,616) |
| Total Expenditures | <u>144,233,454</u> | <u>135,154,558</u> | <u>9,078,896</u> |
| Revenues Over (Under) Expenditures | <u>(1,100,000)</u> | <u>(46,273)</u> | <u>1,053,727</u> |
| Other Financing Sources (Uses): | | | |
| Transfers From Other Funds | - | 1,105,552 | 1,105,552 |
| Transfers To Other Funds | - | (1,858,832) | (1,858,832) |
| Net Other Financing Sources (Uses) | <u>-</u> | <u>(753,280)</u> | <u>(753,280)</u> |
| Revenues Over (Under) Expenditures and Other Financing Uses | (1,100,000) | (799,553) | 300,447 |
| Fund Balances, Beginning of Year as restated | <u>10,787,998</u> | <u>10,787,998</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 9,687,998</u> | <u>\$ 9,988,445</u> | <u>\$ 300,447</u> |

Note: The original budget was not revised during the 2009-10 fiscal year.

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, 2010
(Unaudited)

| | <u>Budgeted Amounts</u> | | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------|---------------------------|---|
| | <u>Original and Final</u> | <u>Actual Amounts</u> | |
| Revenues: | | | |
| Investment Income | \$ - | \$ 19,759 | \$ 19,759 |
| Intergovernmental: | | | |
| Commonwealth of Virginia | 104,893 | 107,140 | 2,247 |
| Federal Government | 3,637,001 | 4,367,013 | 730,012 |
| Charges for Services | 2,073,876 | 1,248,572 | (825,304) |
| Total Revenues | <u>5,815,770</u> | <u>5,742,484</u> | <u>(73,286)</u> |
| Expenditures: | | | |
| Current - Education: | | | |
| Food Services | <u>5,815,770</u> | <u>5,236,873</u> | <u>578,897</u> |
| Total Expenditures | <u>5,815,770</u> | <u>5,236,873</u> | <u>578,897</u> |
| Revenues Over (Under) Expenditures | <u>-</u> | <u>505,611</u> | <u>505,611</u> |
| Other Financing Sources (Uses): | | | |
| Transfers From Other Funds | | <u>1,200,000</u> | <u>1,200,000</u> |
| Other Financing Sources (Uses), Net | <u>-</u> | <u>1,200,000</u> | <u>1,200,000</u> |
| Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>-</u> | <u>1,705,611</u> | <u>1,705,611</u> |
| Fund Balances, Beginning of Year | <u>1,111,426</u> | <u>1,111,426</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 1,111,426</u> | <u>\$ 2,817,037</u> | <u>\$ 1,705,611</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, 2008
(Unaudited)

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, 2010. In addition, there were no excesses of budgetary expenditures for the fiscal year.

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, 2010
(Unaudited)

| 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] |
| 6/30/2010 | \$ - | \$ 4,083,544 | \$ 4,083,544 | 0.00% | \$ 70,113,034 | 5.82% |
| 6/30/2009 | - | 7,964,432 | 7,964,432 | 0.00% | 85,979,029 | 9.26% |
| 6/30/2008 | - | 20,074,254 | 20,074,254 | 0.00% | 83,474,785 | 24.05% |

| Schedule of Employer Contributions | | | |
|---|-------------------------------------|----------------------------|-------------------------------|
| Year Ended June 30 | Annual Required Contribution | Actual Contribution | Percentage Contributed |
| 2010 | \$ 684,706 | \$ 381,705 | 55.75% |
| 2009 | (1,599,071) | 261,777 | -16.37% |
| 2008 | 3,259,698 | 256,054 | 7.86% |

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Required Supplementary Information
Virginia Retirement System Schedule of Funding Progress
Year ended June 30, 2010
(Unaudited)

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, 2009 | \$ 808,508 | \$ 722,986 | \$ (85,522) | 111.8% | \$ 3,583,415 | -2.4% |
| June 30, 2008 | \$ 265,363 | \$ 103,514 | \$ (161,849) | 256.4% | \$ 3,114,481 | -5.2% |
| June 30, 2007 | \$ 23,341 | \$ 5,536 | \$ (17,805) | 421.6% | \$ 368,136 | -4.8% |

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OTHER SUPPLEMENTARY INFORMATION



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THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Cash Receipts and Disbursements by School
School Activity Funds
For the Year Ended June 30, 2010

| <u>School</u> | <u>Balance at Beginning of Year</u> | <u>Inter-School Transfers</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance at End of Year</u> |
|--------------------------------------|---|-----------------------------------|--------------------------|-------------------------------|---------------------------------------|
| Assets | | | | | |
| Cash and Cash Equivalents: | | | | | |
| High Schools: | | | | | |
| William Fleming High School | \$ 126,588 | \$ 305 | \$ 110,653 | \$ 99,718 | \$ 137,828 |
| Patrick Henry High School | 245,816 | (95) | 256,318 | 202,005 | 300,034 |
| Gibboney Technical Center | 65,464 | 8,796 | 134,736 | 116,370 | 92,626 |
| Roanoke Valley Governor's School | 30,287 | - | 50,364 | 50,135 | 30,516 |
| Noel C. Taylor Learning Academy | 9,041 | (7,977) | 1,451 | 2,304 | 211 |
| Forest Park Academy | 27,896 | (9) | 6,093 | 7,720 | 26,260 |
| Adult Education | - | - | 29,982 | 23,624 | 6,358 |
| Middle Schools: | | | | | |
| Lucy Addison Aerospace Middle School | 17,753 | 1,232 | 30,098 | 28,152 | 20,931 |
| James Breckinridge Middle School | 34,562 | 1,900 | 30,298 | 35,069 | 31,691 |
| Stonewall Jackson Middle School | 11,086 | 425 | 26,879 | 23,509 | 14,881 |
| James Madison Middle School | 43,687 | 395 | 47,057 | 45,203 | 45,936 |
| William Ruffner Middle School | 11,102 | (4,412) | - | 6,690 | - |
| Woodrow Wilson Middle School | 56,636 | - | 41,748 | 34,805 | 63,579 |
| Elementary Schools: | | | | | |
| Crystal Spring Elementary School | 29,077 | - | 28,911 | 25,929 | 32,059 |
| Fairview Elementary School | 20,780 | 25,500 | 48,669 | 81,522 | 13,427 |
| Fallon Park Elementary School | 6,255 | - | 6,627 | 3,618 | 9,264 |
| Fishburn Park Elementary School | 39,397 | (25) | 14,844 | 35,829 | 18,387 |
| Garden City Elementary School | 5,612 | (49) | 12,809 | 13,786 | 4,586 |
| Grandin Court Elementary School | 32,595 | (136) | 26,659 | 17,836 | 41,282 |
| Highland Park Elementary School | 14,802 | (25,667) | 59,212 | 21,827 | 26,520 |
| Huff Lane Intermediate School | 15,560 | (47) | 2,244 | 12,183 | 5,574 |
| Hurt Park Elementary School | 5,798 | - | 15,032 | 9,761 | 11,069 |
| Lincoln Terrace Elementary School | 4,003 | - | 7,461 | 7,395 | 4,069 |
| Monterey Elementary School | 27,408 | (20) | 27,129 | 34,080 | 20,437 |
| Morningside Elementary School | 13,326 | (46) | 11,316 | 9,767 | 14,829 |
| Oakland Intermediate School | 6,667 | (6,667) | - | - | - |
| Preston Park Primary School | 6,777 | 6,597 | 10,830 | 8,797 | 15,407 |
| Raleigh Court Elementary School | 23,216 | (11,953) | - | 11,263 | - |
| Roanoke Academy for Math and Science | 20,759 | - | 9,476 | 5,361 | 24,874 |
| Round Hill Primary School | 9,048 | - | 10,143 | 11,187 | 8,004 |
| Virginia Heights Elementary School | 11,972 | - | 12,559 | 11,834 | 12,697 |
| Wasena Elementary School | 36,621 | 11,953 | 10,727 | 7,690 | 51,611 |
| Westside Elementary School | 8,257 | - | 8,740 | 6,159 | 10,838 |
| Total Cash - All Schools | <u>\$ 1,017,848</u> | <u>\$ -</u> | <u>\$ 1,089,065</u> | <u>\$ 1,011,128</u> | <u>\$ 1,095,785</u> |
| Liabilities: | | | | | |
| Due to Students | <u>\$ 1,017,848</u> | <u>\$ -</u> | <u>\$ 1,089,065</u> | <u>\$ 1,011,128</u> | <u>\$ 1,095,785</u> |

See accompanying independent auditors' report.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2010

| | <u>Agency Fund</u> |
|-----------------------|-------------------------------|
| <u>Assets</u> | |
| Balance June 30, 2009 | \$ 1,017,848 |
| Additions | 1,089,065 |
| Deductions | (1,011,128) |
| Balance June 30, 2010 | <u>\$ 1,095,785</u> |

| | |
|---------------------------|---------------------|
| <u>Liabilities</u> | |
| Balance June 30, 2009 | \$ 1,017,848 |
| Additions | 1,089,065 |
| Deductions | (1,011,128) |
| Balance June 30, 2010 | <u>\$ 1,095,785</u> |

See accompanying independent auditor's report.

Schedule G**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA****Schedule of Insurance Coverage****For the Year Ended June 30, 2010**

| | <u>Amount</u> |
|--|----------------|
| The Virginia Municipal Liability Pool | |
| Property and Scheduled Equipment Coverage | \$ 369,305,430 |
| The Virginia Municipal Liability Pool | |
| Builders Risk Coverage | 7,500,000 |
| 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 | 5,000,000 |
| The Virginia Municipal Liability Pool | |
| Boiler and Machinery Coverage | 1,000,000 |
| The Virginia Municipal Liability Pool | |
| Fidelity/Crime Coverage | 250,000 |
| Old Republic Insurance Company | |
| Aviation Liability Insurance | 0 |
| Old Republic Insurance Company | |
| Airport Premises Insurance | 0 |
| Safety National | |
| Workers' Compensation Employer's Liability Maximum | 1,000,000 |

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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 | 68-71 |
| 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 | 72-75 |
| These schedules contain information to help the reader assess the School Board's most significant local revenue source. | |
| Debt Capacity | 76-80 |
| 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 | 81 |
| 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 | 82-85 |
| 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 Assets by Component
Last Nine Fiscal Years
(Unaudited)

| | Invested in Capital Assets | Unrestricted | Total Net Assets |
|------------------|-------------------------------|--------------|---------------------|
| Fiscal Year 2002 | \$ 3,813,741 | \$ 849,218 | \$ 4,662,959 |
| Fiscal Year 2003 | 3,844,924 | 1,256,217 | 5,101,141 |
| 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 |

Source: Statement of Net Assets (Exhibit 1).

Only nine years of data provided due to GASB 34 implementation in fiscal year 2001-02.

Table 2

Roanoke City Public Schools
Changes in Net Assets
Last Nine Fiscal Years
(Unaudited)

| | Fiscal Year | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Expenses: | | | | | | | | | |
| Instruction | \$ 109,338,130 | \$ 111,483,779 | \$ 110,294,480 | \$ 103,824,545 | \$ 103,021,806 | \$ 102,115,635 | \$ 91,770,166 | \$ 86,242,125 | \$ 83,466,844 |
| Administration | 7,141,807 | 5,506,254 | 5,252,290 | 3,891,310 | 3,188,705 | 3,198,989 | 2,475,336 | 2,110,521 | 2,351,887 |
| Attendance & Health Services | 1,709,483 | 3,414,687 | 2,319,315 | 2,145,467 | 1,993,858 | 1,807,576 | 1,604,137 | 1,565,314 | 1,513,049 |
| Transportation | 8,848,642 | 8,046,245 | 7,150,856 | 6,645,788 | 6,467,602 | 6,120,680 | 5,026,432 | 4,611,357 | 4,382,601 |
| Operation & Maintenance of Plant | 15,256,459 | 16,058,753 | 17,480,443 | 15,008,538 | 13,546,369 | 12,621,110 | 11,424,738 | 11,020,695 | 10,549,789 |
| Food Services | 5,232,656 | 5,324,523 | 5,172,831 | 4,952,841 | 5,337,543 | 5,246,329 | 5,016,683 | 4,459,041 | 4,432,045 |
| Athletics (1) | 1,181,887 | 1,512,359 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Facilities | - | - | 3,874 | 44,730 | 526,357 | 381,666 | 370,552 | 556,345 | 727,001 |
| Technology | 4,064,637 | 4,510,989 | 3,944,744 | 3,161,844 | 3,210,718 | 2,907,199 | 2,621,907 | 2,612,598 | 2,012,086 |
| Payments to Primary Government | 10,031,481 | 8,932,913 | 9,029,155 | 8,225,021 | 6,531,023 | 5,228,689 | 5,835,409 | 5,696,456 | 4,230,319 |
| Total Expenses | 162,805,182 | 164,790,502 | 160,647,988 | 147,900,084 | 143,823,981 | 139,627,873 | 126,145,360 | 118,874,452 | 113,665,621 |
| Program revenues: | | | | | | | | | |
| Charges for services: | | | | | | | | | |
| Instruction | 2,867,222 | 2,883,589 | 3,031,069 | 2,581,920 | 2,662,269 | 2,499,837 | 2,743,943 | 2,834,679 | 2,352,598 |
| Administration | 493,428 | - | - | - | - | - | - | - | - |
| Technology | 3,600 | - | - | - | - | - | - | - | - |
| Transportation | 154,061 | 974,079 | 569,552 | 763,741 | 570,918 | 603,130 | 899,515 | 541,305 | 372,624 |
| Operations & maintenance | 204,473 | 54,713 | 101,219 | 122,329 | 82,819 | 164,087 | 136,431 | 104,782 | 130,316 |
| Food Services | 1,248,571 | 1,368,128 | 1,316,086 | 1,449,759 | 1,503,183 | 1,511,244 | 1,445,317 | 1,460,066 | 1,537,151 |
| Athletics (1) | 179,060 | 110,995 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Operating grants and contributions | 43,808,957 | 40,880,659 | 35,050,367 | 34,501,837 | 32,931,331 | 33,014,220 | 28,463,380 | 26,890,959 | 25,049,533 |
| Total revenues | 48,959,372 | 46,272,163 | 40,068,293 | 39,419,586 | 37,750,520 | 37,792,518 | 33,688,586 | 31,831,791 | 29,442,222 |
| Net expense | (113,845,810) | (118,518,339) | (120,579,695) | (108,480,498) | (106,073,461) | (101,835,355) | (92,456,774) | (87,042,661) | (84,223,399) |
| General revenues: | | | | | | | | | |
| Payments from the City of Roanoke | 63,441,557 | 62,506,419 | 62,392,633 | 58,669,043 | 55,843,100 | 52,676,279 | 49,520,072 | 47,408,556 | 46,617,823 |
| State aid | 49,941,848 | 58,370,478 | 56,730,226 | 55,710,091 | 49,286,548 | 47,821,217 | 41,044,412 | 39,859,092 | 38,409,311 |
| Grants not restricted to a specific program | 8,197 | 25,473 | 151,158 | 113,331 | 144,281 | 79,630 | 62,897 | 115,863 | 83,868 |
| Special Item - Gain from sale of transportation vehicles and equipment | 1,022,656 | - | - | - | - | - | - | - | - |
| Miscellaneous | 144,787 | 151,797 | 329,155 | 126,216 | 41,860 | 30,810 | 99,308 | 97,332 | 117,781 |
| Total general revenues | 114,559,045 | 121,054,167 | 119,603,172 | 114,618,681 | 105,315,789 | 100,607,936 | 90,726,689 | 87,480,843 | 85,228,783 |
| Change in net assets | \$ 713,235 | \$ 2,535,828 | \$ (976,523) | \$ 6,138,183 | \$ (757,672) | \$ (1,227,419) | \$ (1,730,085) | \$ 438,182 | \$ 1,005,384 |

Source: Statement of Activities (Exhibit 2).
Only nine years of data provided due to GASB 34 implementation in fiscal year 2001-02.

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

Table 3

Roanoke City Public Schools
Fund Balance of Governmental Funds
Last Nine Fiscal Years
(Unaudited)

| | General Fund | | |
|-------------------|--------------|--------------------------|--------------|
| | Reserved | Unreserved Designated | Total |
| Fiscal Year 2002 | \$ 1,213,649 | \$ 2,959,359 | \$ 4,173,008 |
| Fiscal Year 2003 | 1,623,261 | 2,720,509 | 4,343,770 |
| Fiscal Year 2004 | 1,308,277 | 1,130,020 | 2,438,297 |
| Fiscal Year 2005 | 998,897 | 713,693 | 1,712,590 |
| Fiscal Year 2006 | 800,201 | 333,783 | 1,133,984 |
| Fiscal Year 2007 | 1,638,071 | 4,975,948 | 6,614,019 |
| Fiscal Year 2008 | 929,971 | 7,389,857 | 8,319,828 |
| Fiscal Year 2009* | - | 10,787,998 | 10,787,998 |
| Fiscal Year 2010 | - | 9,988,445 | 9,988,445 |

| | All Other Governmental Funds | | |
|------------------|------------------------------|--------------------------|------------|
| | Reserved | Unreserved Designated | Total |
| Fiscal Year 2002 | \$ 6,330 | \$ 289,448 | \$ 295,778 |
| Fiscal Year 2003 | 25,824 | 410,937 | 436,761 |
| Fiscal Year 2004 | 36,234 | 144,782 | 181,016 |
| Fiscal Year 2005 | 3,448 | 103,370 | 106,818 |
| Fiscal Year 2006 | 3,831 | 147,922 | 151,753 |
| Fiscal Year 2007 | 179,985 | 260,560 | 440,545 |
| Fiscal Year 2008 | 9,708 | 764,436 | 774,144 |
| Fiscal Year 2009 | - | 1,111,426 | 1,111,426 |
| Fiscal Year 2010 | - | 2,817,037 | 2,817,037 |

The change in total fund balance of the general fund and all other governmental funds is explained in Management's Discussion and Analysis.

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

Only nine years of data provided due to GASB 34 implementation in fiscal year 2001-02.

* As restated

Information is presented on a modified accrual basis of accounting.

Table 4

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

| | Fiscal Year Ended June 30, | | | | | | | | |
|---|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Revenues: | | | | | | | | | |
| City of Roanoke | \$ 63,441,557 | \$ 62,506,419 | \$ 62,392,633 | \$ 58,669,043 | \$ 55,843,100 | \$ 52,676,279 | \$ 49,520,072 | \$ 47,408,556 | \$ 46,617,823 |
| Commonwealth of Virginia | 70,342,651 | 81,114,482 | 76,428,772 | 74,587,049 | 65,915,136 | 64,862,765 | 54,679,988 | 54,933,778 | 51,894,673 |
| Federal Government | 23,035,591 | 17,578,897 | 15,502,981 | 15,738,210 | 16,447,023 | 16,052,301 | 14,890,701 | 11,932,136 | 11,648,040 |
| Charges for services | 2,537,590 | 5,280,509 | 5,017,926 | 4,880,917 | 4,811,690 | 4,763,299 | 5,184,640 | 4,782,837 | 4,327,688 |
| Other | 3,686,084 | 846,023 | 329,153 | 163,048 | 49,360 | 45,810 | 139,874 | 255,327 | 182,781 |
| Total revenue | 163,043,473 | 167,326,330 | 159,671,465 | 154,038,267 | 143,066,309 | 138,400,454 | 124,415,275 | 119,312,634 | 114,671,005 |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | \$ 110,508,021 | \$ 115,776,687 | \$ 111,709,321 | \$ 107,462,621 | \$ 104,612,255 | \$ 104,002,373 | \$ 92,366,363 | \$ 88,613,442 | \$ 84,760,931 |
| Administration, Administration & Health | 11,168,822 | 11,325,604 | 9,181,383 | 6,313,487 | 5,756,182 | 5,129,549 | 4,178,997 | 3,851,871 | 4,030,359 |
| Transportation | 8,848,642 | 8,147,387 | 6,530,019 | 6,318,760 | 6,237,424 | 5,602,079 | 4,616,314 | 4,134,463 | 4,008,765 |
| Operation & Maintenance of Plant | 15,161,689 | 15,021,466 | 16,107,669 | 14,170,006 | 12,424,146 | 12,176,055 | 10,875,942 | 10,494,655 | 9,798,913 |
| Food Services | 5,236,873 | 5,321,241 | 4,957,128 | 4,896,238 | 5,163,903 | 5,140,583 | 4,747,977 | 4,301,686 | 4,410,695 |
| Athletics (1) | 1,181,887 | 1,512,359 | n/a | n/a | 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 | 1,908,316 | 1,858,279 |
| Payments to Other Governments | 10,031,481 | 8,932,913 | 9,029,155 | 8,225,021 | 6,531,023 | 5,228,689 | 5,835,409 | 5,696,456 | 4,230,319 |
| Total expenditures | 162,137,415 | 166,107,869 | 157,632,057 | 148,269,440 | 143,599,980 | 139,200,359 | 126,576,493 | 119,000,889 | 113,098,261 |
| Excess (deficiency) of revenues over (under) expenditures | 906,058 | 1,218,461 | 2,039,408 | 5,768,827 | (533,671) | (799,905) | (2,161,218) | 311,745 | 1,572,744 |
| Other financing sources (uses): | | | | | | | | | |
| Transfers from Other Funds | \$ 2,929,796 | \$ 1,276,260 | \$ 931,444 | \$ 836,606 | \$ 1,245,652 | \$ 2,404,928 | \$ 2,053,094 | \$ 2,124,000 | \$ 2,244,118 |
| Transfers to Other Funds | (2,929,796) | (1,276,260) | (931,444) | (836,606) | (1,245,652) | (2,404,928) | (2,053,094) | (2,124,000) | (2,244,118) |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - |
| Change in fund balances | \$ 906,058 | \$ 1,218,461 | \$ 2,039,408 | \$ 5,768,827 | \$ (533,671) | \$ (799,905) | \$ (2,161,218) | \$ 311,745 | \$ 1,572,744 |

Source: Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit 4).
Only nine years of data provided due to GASB 34 implementation in fiscal year 2001-02.

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
Last Ten Fiscal Years
(Unaudited)

| <u>Regional Tuition - General Fund</u> | | <u>Charges for Services - Food Services</u> | |
|--|-----------|---|-----------|
| <u>Annual Payment Received</u> | | <u>Local Breakfast/Lunch Fees</u> | |
| 2001 | 1,353,438 | 2001 | 1,467,153 |
| 2002 | 1,382,707 | 2002 | 1,537,151 |
| 2003 | 1,700,301 | 2003 | 1,460,066 |
| 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 |

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

| | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Tax Levies | \$ 110,098,047 | \$ 110,034,071 | \$ 106,316,893 | \$ 101,301,039 | \$ 94,754,245 | \$ 88,719,548 | \$ 82,947,318 | \$ 78,984,813 | \$ 76,830,266 | \$ 76,063,428 |
| Current Tax Collections | 100,833,008 | 98,726,769 | 95,621,945 | 89,761,174 | 83,902,929 | 78,489,950 | 72,835,920 | 68,960,191 | 67,253,815 | 65,058,343 |
| Current Tax Collections - State Share (1) | 8,075,992 | 8,075,992 | 8,073,460 | 8,089,164 | 7,789,896 | 8,147,634 | 7,551,379 | 7,920,717 | 7,634,673 | 7,718,287 |
| Delinquent Tax Collections | 2,186,663 | 3,450,543 | 3,362,031 | 3,323,515 | 2,544,365 | 2,709,780 | 2,510,372 | 2,888,925 | 2,655,084 | 2,717,996 |
| Delinquent Tax Collections - State Share | - | - | - | 32,383 | 172,172 | 178,186 | 138,153 | 123,180 | 140,426 | 44,729 |
| Total Tax Collections | \$ 111,095,663 | \$ 110,253,304 | \$ 107,057,436 | \$ 101,206,236 | \$ 94,409,362 | \$ 89,525,550 | \$ 83,035,824 | \$ 79,893,013 | \$ 77,683,998 | \$ 75,539,355 |
| Current Tax Collections As | | | | | | | | | | |
| Percent of Levies | 98.92% | 97.06% | 97.53% | 96.59% | 96.77% | 97.65% | 96.91% | 97.34% | 97.47% | 95.68% |
| Total Tax Collections As | | | | | | | | | | |
| Percent of Levies (1) | 100.91% | 100.20% | 100.70% | 99.91% | 99.64% | 100.91% | 100.11% | 101.15% | 101.11% | 99.31% |

(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

| Year | REAL PROPERTY | | | | PERSONAL PROPERTY | | | | PUBLIC SERVICE CORPORATIONS | | | | Total Assessed Value |
|------|----------------|-------------------|------------------------|------------------|-------------------|-------------------|------------------------|------------------|-----------------------------|-------------------|------------------------|------------------|----------------------|
| | Assessed Value | Percentage Growth | Estimated Actual Value | Assessment Ratio | Assessed Value | Percentage Growth | Estimated Actual Value | Assessment Ratio | Assessed Value | Percentage Growth | Estimated Actual Value | Assessment Ratio | |
| | | | | | | | | | | | | | |
| 2001 | 3,843,131,277 | 3.58% | 3,843,131,277 | 1.00 | 737,575,710 | 3.05% | 1,229,292,850 | 0.60 | 339,256,291 | 11.41% | 359,762,769 | 0.943 | 4,919,963,278 |
| 2002 | 4,053,218,187 | 5.47% | 4,053,218,187 | 1.00 | 688,540,754 | (6.65%) | 1,147,567,923 | 0.60 | 331,442,235 | (2.30%) | 345,950,183 | 0.958 | 5,073,201,176 |
| 2003 | 4,251,342,652 | 4.89% | 4,251,342,652 | 1.00 | 685,231,130 | (0.48%) | 1,142,051,883 | 0.60 | 320,712,924 | (3.24%) | 328,933,905 | 0.975 | 5,257,286,706 |
| 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 | 0.986 | 5,607,172,004 |
| 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 | 0.985 | 5,976,975,981 |
| 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 | 0.984 | 6,417,896,664 |
| 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 | 0.983 | 6,963,090,861 |
| 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 | 0.979 | 7,407,774,726 |
| 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 | 0.981 | 7,709,103,732 |
| 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 | 0.995 | 7,816,475,507 |

Source: City of Roanoke, Department of Finance

Table 8
Unaudited

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

| Year | REAL PROPERTY | | PERSONAL PROPERTY | | PUBLIC SERVICE CORPORATIONS | | Total Tax Levies |
|------|--------------------|------------|--------------------|----------------|-----------------------------|-----------|------------------|
| | Tax Rate Per \$100 | Levy | Tax Rate Per \$100 | Levy | Tax Rate Per \$100 | Levy | |
| | | | | | | | |
| 2001 | 1.21 | 46,502,137 | 3.45 | 25,446,362 (1) | 1.21 | 4,114,929 | 76,063,428 |
| 2002 | 1.21 | 49,043,478 | 3.45 | 23,754,656 (1) | 1.21 | 4,032,132 | 76,830,266 |
| 2003 | 1.21 | 51,440,874 | 3.45 | 23,640,474 (1) | 1.21 | 3,903,465 | 78,984,813 |
| 2004 | 1.21 | 55,162,380 | 3.45 | 23,300,981 (1) | 1.21 | 4,483,957 | 82,947,318 |
| 2005 | 1.21 | 59,439,602 | 3.45 | 25,222,479 (1) | 1.21 | 4,057,467 | 88,719,548 |
| 2006 | 1.21 | 64,754,545 | 3.45 | 26,302,920 (1) | 1.21 | 3,696,780 | 94,754,245 |
| 2007 | 1.19 (2) | 69,429,439 | 3.45 | 28,163,083 (3) | 1.19 (2) | 3,708,517 | 101,301,038 |
| 2008 | 1.19 | 74,451,741 | 3.45 | 28,100,133 (1) | 1.19 | 3,765,019 | 106,316,893 |
| 2009 | 1.19 | 78,114,892 | 3.45 | 27,925,972 (1) | 1.19 | 3,993,207 | 110,034,071 |
| 2010 | 1.19 | 79,710,636 | 3.45 | 26,141,385 (1) | 1.19 | 4,246,026 | 110,098,047 |

(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, 2010 AND JUNE 30, 2001

| <u>Taxpayer</u> | <u>Description</u> | 2010 | | | 2001 | | |
|-------------------------------|---------------------------|--|--------------------|---|--|--------------------|---|
| | | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Carilion Healthcare | Healthcare Provider | \$ 188,591,342 | 1 | 2.40% | \$ - | - | - |
| Appalachian Power | Public Utility | 116,609,439 | 2 | 1.48% | 119,992,358 | 1 | 2.42% |
| Norfolk Southern Railway | Transportation | 99,796,031 | 3 | 1.27% | 73,449,128 | 3 | 1.86% |
| Valley View Mall LLC | Shopping Mall | 74,837,241 | 4 | 0.95% | 46,033,635 | 4 | 1.48% |
| Verizon Virginia, Inc | Communications | 57,905,420 | 5 | 0.74% | 92,228,087 | 2 | 0.93% |
| Roanoke Electric Steel | Primary Metals | 36,863,450 | 6 | 0.47% | 21,309,293 | 7 | 0.51% |
| Roanoke Gas Company | Public Utility | 32,634,445 | 7 | 0.42% | 24,037,409 | 6 | 0.48% |
| Maple Leaf Bakery | Bakery | 30,718,382 | 8 | 0.39% | 10,229,322 | 9 | 0.43% |
| Times-World Corp. | Newspaper | 21,978,637 | 9 | 0.28% | - | - | - |
| Coca-Cola Bottling Company | Bottling Plant | 19,686,394 | 10 | 0.25% | - | - | - |
| Faison Roanoke Office Limited | Office Building | - | | - | 25,250,099 | 5 | 0.40% |
| Hotel Roanoke | Hotel | - | | - | 20,027,766 | 8 | 0.21% |
| Elizabeth Arden | Cosmetics Manufacturer | - | | - | 10,102,310 | 10 | 0.20% |
| | | <u>\$ 679,620,781</u> | | <u>8.65%</u> | <u>\$ 442,659,407</u> | | <u>8.92%</u> |

Source: City of Roanoke, Commissioner of the Revenue

Table 10
Unaudited

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

| <u>Calendar Year</u> | <u>Total Retail Sales (1)</u> |
|-----------------------------|--------------------------------------|
| 2001 | 1,578,043,491 |
| 2002 | 1,588,424,788 |
| 2003 | 1,621,479,275 |
| 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 through June. | 827,975,478 |

(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 Enterprise Funds (C)(D) | Bonds Supported By Western Virginia Water Authority | Amount Available in Debt Service Fund | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|-------------|----------------|-----------------------|-----------------------|--|---|---------------------------------------|-----------------|--|----------------------------|
| 2001 | 95,000 | 5,432,186,896 | 191,284,376 | 39,027,391 | - | 13,130,315 | 139,126,670 | 2.56% | 1,464.49 |
| 2002 | 94,600 | 5,546,736,293 | 242,386,235 | 47,001,072 | - | 14,289,750 | 181,095,413 | 3.26% | 1,914.33 |
| 2003 | 93,100 | 5,722,328,440 | 228,050,952 | 44,517,751 | - | 14,436,613 | 169,096,588 | 2.96% | 1,816.29 |
| 2004 | 92,900 | 6,062,851,434 | 223,671,734 | 41,504,678 | - | 15,061,934 | 167,105,122 | 2.76% | 1,798.76 |
| 2005 | 92,671 | 6,469,379,840 | 256,369,208 | 7,818,130 | 33,435,000 | 988,465 (B) | 214,127,613 | 3.31% | 2,310.62 |
| 2006 | 92,994 | 6,931,028,926 | 281,808,817 | 9,863,867 | 31,315,992 | 1,063,737 | 239,565,221 | 3.46% | 2,576.14 |
| 2007 | 92,024 | 7,513,954,307 | 274,026,551 | 9,160,142 | 28,924,766 | 1,021,667 | 234,919,976 | 3.13% | 2,552.81 |
| 2008 | 92,838 | 7,972,224,770 | 298,775,968 | 10,974,761 | 26,596,538 | 1,143,782 | 260,060,887 | 3.26% | 2,801.23 |
| 2009 | 93,304 (est.) | 8,255,418,861 | 304,071,803 | 15,160,308 | 24,255,948 | 1,161,895 | 263,493,652 | 3.19% | 2,824.03 |
| 2010 | 93,304 (est.) | 8,324,026,044 | 283,602,637 | 15,632,575 | 21,987,683 | 1,213,260 | 244,769,119 | 2.94% | 2,623.35 |

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.

Table 12
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2010

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.

| | | |
|---|--------------------|------------------------------|
| Assessed Value of Real Estate, 2010 (1) | | \$ 6,698,391,113 |
| Legal Debt Limit, 10% of \$6,698,391,113 | | <u>669,839,111</u> |
| Debt applicable to limitation: | | |
| General Obligation Serial Bonds - Governmental Activities | \$ 180,062,430 | |
| General Obligation Serial Bonds - Western Virginia Water Authority (WVWA) | 21,987,683 | |
| Qualified Zone Academy Bonds (QZAB) | 2,103,360 | |
| State Literary Fund Loans | 3,160,000 | |
| Virginia Public School Authority (VPSA) School Bonds | 47,476,258 | |
| Civic Facilities Enterprise Fund - Business-Type Activities | 13,642,700 | |
| Deferred Bond Costs - Civic Facilities Enterprise Fund Debt | (462,369) | |
| Parking Enterprise Fund Supported Debt - Business-Type Activities | 16,025,186 | |
| Deferred Bond Costs - Parking Enterprise Fund Supported Debt | (392,611) | |
| Total Bonded Debt | <u>283,602,637</u> | |
| Less: Available in Debt Service Fund | (1,213,260) | |
| Western Virginia Water Authority Supported Debt (WVWA) | (21,987,683) | |
| Parking Enterprise Fund Supported Debt | (16,025,186) | |
| Deferred Bond Costs - Parking Enterprise Fund Supported Debt | <u>392,611</u> | <u>244,769,119</u> |
| Legal Debt Margin | | <u><u>\$ 425,069,992</u></u> |

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

Table 13
Unaudited

CITY OF ROANOKE, VIRGINIA
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 |
|--------------------|----------------------|---------------------|---------------------------|---------------------------------------|--|
| 2000-01 | \$ 9,155,832 | \$ 7,457,895 | \$ 16,613,727 | \$ 231,372,360 | 7.2% |
| 2001-02 | 8,916,243 | 7,361,801 | 16,278,044 | 246,048,365 | 6.6% |
| 2002-03 | 12,083,145 | 9,681,287 | 21,764,432 | 252,841,855 | 8.6% |
| 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 | 325,288,613 | 10.2% |

(1) Principal and interest payments include all general long term debt payments supported by tax revenues of the City. They include the Roanoke Civic Center debt payments. 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, 2010
(Unaudited)

| | Interest Rates | Issue Date | Maturity Date | Issue Amount Designated for School Improvements | Balance as of June 30, 2010 |
|--|----------------|------------|---------------|--|--------------------------------|
| <u>General Obligation Bonds, RCPS Portion</u> | | | | | |
| Series 1999A Public Improvement Bonds | 3.70% - 5.00% | 10/15/1999 | 10/1/2009 | \$ 9,082,000 | \$ - |
| Series 2002A Public Improvement Bonds | 3.00% - 5.25% | 2/1/2002 | 10/1/2021 | 12,800,000 | 2,085,000 |
| Series 2004 Refunding Bonds | 2.00% - 5.00% | 2/25/2004 | 10/1/2019 | 12,457,340 | 9,395,615 |
| Series 2004A Refunding Bonds | 2.00% - 3.63% | 3/11/2004 | 8/1/2017 | 2,769,626 | 1,888,302 |
| Series 2004B Public Improvement Bonds | 3.00% - 5.25% | 11/23/2004 | 2/1/2025 | 25,000,000 | 13,750,000 |
| Series 2006A Public Improvement Bonds | 3.50% - 5.00% | 2/8/2006 | 2/1/2026 | 14,250,000 | 8,550,000 |
| Series 2006C Refunding Bonds | 3.50% - 4.23% | 5/4/2006 | 8/1/2012 | 572,636 | 411,225 |
| Series 2008 Public Improvement Bonds | 3.25% - 5.00% | 2/8/2008 | 2/1/2033 | 39,740,000 | 31,800,000 |
| Series 2010A Refunding Bonds | 2.00% - 5.00% | 3/4/2010 | 4/1/2022 | 18,955,400 | 18,955,400 |
| Total General Obligation Bonds: | | | | 135,627,002 | 86,835,542 |
| <u>School Fund Bonds and Loans</u> | | | | | |
| Virginia Public School Authority-Series 1990B | 6.40% - 7.10% | 7/1/1990 | 7/15/2010 | 800,000 (1) | 45,000 |
| Virginia Public School Authority-Series 1991A | 6.10% - 6.60% | 7/1/1991 | 7/15/2011 | 1,654,827 (2) | 194,859 |
| Virginia Public School Authority-Series 1992A | 4.90% - 6.35% | 12/10/1992 | 7/15/2012 | 2,171,447 (3) | 362,348 |
| Virginia Public School Authority-Series 1994B | 6.25% - 6.75% | 11/1/1994 | 7/15/2014 | 1,679,413 (4) | 471,035 |
| Virginia Public School Authority-Series 1995C | 5.10% - 6.10% | 12/21/1995 | 7/15/2015 | 4,006,579 (5) | 1,280,608 |
| Virginia Public School Authority-Series 1996B | 5.10% - 6.10% | 11/14/1996 | 7/15/2016 | 4,512,217 (6) | 1,683,403 |
| Virginia Public School Authority-Series 1997 | 4.35% - 5.35% | 11/1/1997 | 7/15/2017 | 4,578,704 (7) | 1,916,098 |
| Virginia Public School Authority-Series 1998A | 3.60% - 5.10% | 11/19/1998 | 7/15/2018 | 5,000,000 | 2,250,000 |
| Virginia Public School Authority-Series 1998B | 3.60% - 5.10% | 11/19/1998 | 7/15/2018 | 1,182,212 (8) | 540,694 |
| Virginia Public School Authority-Series 1999A | 5.10% - 6.10% | 11/18/1999 | 7/15/2019 | 3,100,000 (9) | 1,550,000 |
| Virginia Public School Authority-Series 1999B | 5.10% - 6.10% | 11/18/1999 | 7/15/2019 | 1,091,854 (10) | 572,499 |
| Virginia Public School Authority - Series 2000B | 4.97% - 5.85% | 11/16/2000 | 7/15/2020 | 2,504,568 (11) | 1,435,537 |
| Virginia Public School Authority - Series 2000B.1 | 4.97% - 5.85% | 11/16/2000 | 7/15/2020 | 1,730,421 (12) | 991,825 |
| Virginia Public School Authority - Series 2000B.2 | 4.97% - 5.85% | 11/16/2000 | 7/15/2020 | 1,730,421 (13) | 991,825 |
| Virginia Public School Authority - Series 2001B | 3.10% - 5.35% | 11/15/2001 | 7/15/2021 | 2,594,691 (14) | 1,583,924 |
| Virginia Public School Authority - Series 2001B | 3.10% - 5.35% | 11/15/2001 | 7/15/2021 | 2,358,808 (15) | 1,439,931 |
| Virginia Public School Authority - Series 2003C | 3.10% - 5.35% | 11/6/2003 | 7/15/2023 | 4,595,399 (16) | 3,286,048 |
| Virginia Public School Authority - Series 2004B | 4.10% - 5.60% | 11/1/2004 | 1/15/2025 | 1,118,756 (17) | 872,997 |
| Virginia Public School Authority - Series 2005D | 4.60% - 5.10% | 11/10/2005 | 7/15/2025 | 992,464 (18) | 816,315 |
| Virginia Public School Authority - Series 2005D | 4.60% - 5.10% | 11/11/2005 | 7/15/2025 | 3,291,459 (19) | 2,707,216 |
| Virginia Public School Authority - Series 2006B | 4.22% - 5.10% | 11/9/2006 | 7/15/2026 | 6,573,600 (20) | 1,645,000 |
| Virginia Public School Authority - Series 2006B | 4.22% - 5.10% | 11/9/2006 | 7/15/2026 | 1,945,000 | 5,704,354 |
| Virginia Public School Authority - Series 2007A | 4.10% - 5.10% | 5/10/2007 | 7/15/2027 | 3,345,000 (21) | 3,005,000 |
| Virginia Public School Authority - Series 2008B | 3.60% - 5.35% | 12/11/2008 | 7/15/2028 | 6,350,705 (22) | 6,062,742 |
| Virginia Public School Authority - Series 2008B | 3.60% - 5.35% | 12/11/2008 | 7/15/2028 | 10,580,000 | 10,050,000 |
| Total Virginia Public School Authority Bonds: | | | | 79,488,545 | 51,459,258 |
| Literary Fund Loan-Highland Park Elementary School | 4.00% | 3/1991 | 5/15/2010 | 1,000,000 | - |
| Literary Fund Loan-Morningside Elementary School | 4.00% | 8/1995 | 9/1/2015 | 2,090,000 | 660,000 |
| Literary Fund Loan-Lucy Addison Middle School | 4.00% | 10/1999 | 10/01/2019 | 5,000,000 | 2,500,000 |
| Total Literary Fund Loan Bonds: | | | | 8,090,000 | 3,160,000 |
| Qualified Zone Academy Bond- Roanoke Academy | 0% | 12/20/2000 | 12/20/2013 | 1,291,618 (23) | 397,421 |
| Qualified Zone Academy Bond - Lincoln Terrace | 0% | 11/01/2002 | 10/31/2016 | 800,000 | 452,174 |
| Qualified Zone Academy Bond - Fallon Park | 0% | 12/29/2004 | 12/29/2020 | 439,100 | 322,555 |
| Qualified Zone Academy Bond - Patrick Henry High S | 0% | 12/27/2006 | 12/27/2022 | 1,097,571 | 931,210 |
| Total Qualified Zone Academy Bonds: | | | | 3,628,289 | 2,103,360 |
| Total Outstanding Bonded Debt | | | | \$226,833,836 | \$ 143,558,160 |

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.

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.

Table 15
Unaudited

CITY OF ROANOKE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

| | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt Limit | \$ 669,839,111 | \$ 656,429,496 | \$ 625,649,531 | \$ 583,442,494 | \$ 535,163,357 | \$ 491,240,359 | \$ 455,890,060 | \$ 426,377,702 | \$ 409,353,757 | \$ 384,313,128 |
| Total Net Debt Applicable to Limit | 244,769,119 | 263,493,652 | 260,060,887 | 234,919,976 | 239,565,221 | 214,127,613 | 171,889,360 | 169,096,588 | 181,095,412 | 140,928,648 |
| Legal Debt Margin | \$ 425,069,992 | \$ 392,935,844 | \$ 365,588,644 | \$ 348,522,518 | \$ 295,598,136 | \$ 277,112,746 | \$ 284,000,700 | \$ 257,281,114 | \$ 228,258,345 | \$ 243,384,480 |
| Total Net Debt Applicable to Limit as a Percentage of Debt Limit | 36.54% | 40.14% | 41.57% | 40.26% | 44.76% | 43.59% | 37.70% | 39.66% | 44.24% | 36.67% |

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) |
|-------------|----------------|--------------------------|--------------------|--------------------------|-----------------------------------|--------------------------------------|
| 2000-01 | 95,000 | 26,588 (est.) | 2,238,580,000 | 13,251 | 3.0% | 4.8% |
| 2001-02 | 94,600 | 28,197 (est.) | 2,395,177,400 | 13,263 | 4.4% | 4.8% |
| 2002-03 | 93,100 | 29,475 (est.) | 2,470,408,500 | 13,004 | 4.6% | 6.3% |
| 2003-04 | 92,900 | 31,368 (est.) | 2,482,659,600 | 12,861 | 4.0% | 5.8% |
| 2004-05 | 92,671 | 32,167 (est.) | 2,563,142,400 | 12,712 | 3.7% | 5.2% |
| 2005-06 | 92,994 | 33,681 (est.) | 2,672,280,000 | 12,587 | 3.2% | 4.8% |
| 2006-07 | 92,024 | 36,840 (est.) | 3,001,767,936 | 12,256 | 3.2% | 4.7% |
| 2007-08 | 92,838 | 38,169 (est.) | 3,543,533,622 | 12,286 | 3.9% | 5.7% |
| 2008-09 | 93,304 (est.) | 38,169 (est.) | 3,561,320,376 | 12,303 | 7.8% | 9.7% |
| 2009-10 | 93,304 (est.) | 38,169 (est.) | 3,561,320,376 | 12,266 | 7.5% | 9.6% |

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

(2) Source: Bureau of Economic Analysis

(3) Source: Roanoke City Public Schools

(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 2010 AND 2001

| Employer | December 31, 2009 | | | December 31, 2000 | | |
|-------------------------------|-------------------|-------------|------------------------|-------------------|---------------|------------------------|
| | Rank | Ownership | Number of Employees | Rank | Ownership | Number of Employees |
| Carilion Hospitals | 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+ | 9 | Private | 500 to 999 |
| United Parcel Service | 5 | Private | 500 to 999 | 7 | Private | 500 to 999 |
| Healthmarc | 6 | Private | 500 to 999 | - | - | - |
| Wal-Mart | 7 | Private | 500 to 999 | 8 | Private | 500 to 999 |
| Anthem Blue Cross/Blue Shield | 8 | Private | 500 to 999 | 11 | Private | 500 to 999 |
| VA Western Community College | 9 | State Govt. | 500 to 999 | 15 | State Govt. | 250 to 499 |
| Kroger Mid-Atlantic | 10 | Private | 500 to 999 | 5 | Private | 1,000+ |
| United States Postal Service | - | - | - | 6 | Federal Govt. | 500 to 999 |
| Advance Auto Parts | - | - | - | 4 | Private | 1,000+ |
| Orvis | - | - | - | 10 | Private | 500 to 999 |

Source: Virginia Employment Commission (VEC)

Table 18

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

| | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Average Daily Membership | 12,266 | 12,303 | 12,286 | 12,256 | 12,587 | 12,712 | 12,861 | 13,004 | 13,069 | 13,251 |
| Total Graduates | 698 | 686 | 675 | 686 | 666 | 668 | 633 | 656 | 542 | 609 |
| Dropout Rate Percentage | 6.06% | 5.40% | 5.72% | 4.06% | 3.83% | 4.04% | 3.40% | 3.99% | 4.67% | 6.08% |
| Student Attendance Rate | 94% | 94% | 94% | 94% | 94% | 94% | 95% | 95% | 95% | 95% |
| Total Per Pupil Cost | \$11,227 | \$11,615 | \$12,830 | \$12,098 | \$11,409 | \$10,950 | \$9,945 | \$8,556 | \$8,250 | \$7,934 |
| Local Composite Index of Ability to Pay | 35.82% | 34.20% | 37.63% | 37.63% | 37.65% | 37.65% | 39.49% | 39.49% | 40.78% | 40.78% |
| Average Teacher Salary | \$43,276 | \$46,727 | \$47,416 | \$47,447 | \$45,904 | \$44,305 | \$42,474 | \$41,519 | \$40,725 | \$40,951 |
| Instructional Positions per 1,000 Students | 87.1 | 87.2 | 89.2 | 89.4 | 84.4 | 86.2 | 81.9 | 80.0 | 80.1 | 84.3 |

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)**

| | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Superintendent | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Asst. Supt./Executive | 7 | 5 | 5 | 6 | 5 | 6 | 5 | 5 | 5 | 5 |
| Director/Supervisor | 36.8 | 29.0 | 32.0 | 30.9 | 30.5 | 23.9 | 24.2 | 24.9 | 26 | 25 |
| Principal/Asst. Principal | 52.0 | 58.0 | 43.0 | 46.7 | 49.5 | 51.4 | 49.1 | 48.8 | 50 | 50 |
| Classroom Teacher | 1,064.6 | 1,135.9 | 1,095.8 | 1,095.9 | 1,062.0 | 1,096.1 | 1,053.2 | 1,040.2 | 1,046.6 | 1,074.4 |
| Guidance Counselor | 44.0 | 54.4 | 60.9 | 63.2 | 63.1 | 59.7 | 57.4 | 47.4 | 44.5 | 42.6 |
| Librarian | 27.0 | 30.0 | 31.0 | 33.2 | 32.1 | 31.3 | 31.1 | 30.9 | 30.7 | 32.0 |
| Other Professional | 19 | 1.5 | 3.18 | 3.18 | 2 | 1 | 1 | 2.3 | 2.3 | 2 |
| Clerical | 91.0 | 108.0 | 103.1 | 120.7 | 124.2 | 118.3 | 117.4 | 112.9 | 113.4 | 115.4 |
| Teacher Aides | 321.1 | 283.5 | 288.5 | 292.2 | 307.2 | 292.2 | 273.5 | 280.6 | 269.8 | 204.0 |
| Attendance & Health | 42.2 | 32.7 | 33.8 | 30.6 | 29.7 | 32.5 | 30.4 | 29.4 | 24.4 | 21.6 |
| Pupil Transportation | 2.0 | 217.0 | 244.7 | 245.8 | 245.0 | 241.9 | 210.7 | 210.9 | 185.1 | 155 |
| Maintenance of Plant | 39.0 | 53.5 | 56.8 | 59.0 | 59.0 | 59.0 | 57.0 | 58.0 | 58.0 | 57.9 |
| Operation of Plant | 117.0 | 136.7 | 139.1 | 144.0 | 143.5 | 155.1 | 135.8 | 137.6 | 139.1 | 136.5 |
| Food Services | 99 | 161 | 135 | 100 | 118 | 146 | 117 | 104 | 98 | 102 |
| Total Personnel | 1,962.7 | 2,307.2 | 2,273.0 | 2,272.1 | 2,272.0 | 2,316.0 | 2,164.0 | 2,134.1 | 2,093.8 | 2,024.0 |

Source: Roanoke City Public Schools, Department of Human Resources

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

| | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 2000-01 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Elementary Schools: | | | | | | | | | | |
| Crystal Spring | 58 | 59 | 51 | 44 | 43 | 40 | 30 | 33 | 43 | 49 |
| Fairview | 387 | 346 | 307 | 314 | 290 | 322 | 324 | 301 | 337 | 276 |
| Fallon Park | 480 | 494 | 472 | 448 | 397 | 436 | 466 | 374 | 459 | 393 |
| Fishburn Park | 112 | 198 | 172 | 166 | 145 | 131 | 111 | 143 | 114 | 141 |
| Forest Park** | 0 | 0 | 247 | 266 | 255 | 260 | 283 | 263 | 261 | 272 |
| Garden City | 239 | 202 | 176 | 177 | 178 | 165 | 196 | 182 | 213 | 168 |
| Grandin Court | 122 | 106 | 98 | 103 | 122 | 119 | 84 | 84 | 99 | 113 |
| Highland Park | 237 | 179 | 128 | 112 | 187 | 167 | 192 | 172 | 171 | 149 |
| Huff Lane | 166 | 157 | 142 | 130 | 126 | 146 | 131 | 140 | 139 | 151 |
| Hurt Park | 269 | 221 | 169 | 163 | 226 | 215 | 232 | 215 | 263 | 287 |
| Lincoln Terrace | 250 | 206 | 174 | 190 | 164 | 173 | 154 | 145 | 173 | 190 |
| Monterey | 316 | 219 | 201 | 159 | 180 | 179 | 164 | 144 | 151 | 183 |
| Morningside | 216 | 266 | 247 | 226 | 231 | 198 | 191 | 214 | 216 | 211 |
| Oakland*** | 0 | 137 | 119 | 107 | 105 | 99 | 137 | 122 | 117 | 126 |
| Preston Park | 222 | 185 | 187 | 184 | 173 | 188 | 163 | 164 | 138 | 130 |
| Raleigh Court* | 0 | 99 | 92 | 88 | 89 | 74 | 65 | 53 | 54 | 52 |
| Roanoke Academy | 302 | 356 | 291 | 309 | 239 | 281 | 270 | 252 | 286 | 263 |
| Round Hill | 201 | 186 | 177 | 180 | 201 | 182 | 176 | 164 | 160 | 161 |
| Virginia Heights | 214 | 203 | 169 | 167 | 173 | 161 | 178 | 183 | 100 | 153 |
| Wasena | 149 | 68 | 73 | 86 | 86 | 87 | 88 | 85 | 88 | 79 |
| Westside | 462 | 430 | 443 | 465 | 382 | 432 | 400 | 383 | 368 | 384 |
| Middle Schools: | | | | | | | | | | |
| Addison | 392 | 338 | 331 | 337 | 365 | 336 | 345 | 344 | 305 | 301 |
| Breckinridge | 416 | 222 | 232 | 247 | 225 | 255 | 296 | 208 | 198 | 136 |
| Jackson | 434 | 283 | 279 | 275 | 327 | 332 | 342 | 319 | 330 | 279 |
| Madison | 294 | 163 | 163 | 185 | 230 | 226 | 242 | 227 | 180 | 152 |
| Ruffner* | 0 | 244 | 274 | 286 | 301 | 355 | 348 | 355 | 301 | 275 |
| Wilson | 244 | 233 | 265 | 259 | 261 | 257 | 266 | 211 | 206 | 199 |
| High Schools: | | | | | | | | | | |
| William Fleming | 913 | 806 | 843 | 785 | 809 | 614 | 569 | 489 | 434 | 445 |
| Forest Park Academy** | 196 | 153 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Patrick Henry | 915 | 724 | 722 | 651 | 677 | 441 | 577 | 506 | 482 | 369 |
| Noel Taylor Learning Center | 105 | 0 | 0 | 0 | 129 | 149 | 76 | 79 | 93 | 64 |
| Total Free Lunch Approvals | 8311 | 7483 | 7244 | 7109 | 7316 | 7020 | 7096 | 6554 | 6479 | 6151 |
| Total ADM | 12266 | 12303 | 12286 | 12256 | 12587 | 12712 | 12861 | 13004 | 13069 | 13251 |
| Percentage Free Lunch | 67.76% | 60.82% | 58.96% | 58.00% | 58.12% | 55.22% | 55.17% | 50.40% | 49.58% | 46.42% |

* 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

Source: Roanoke City Public Schools Department of Food and Nutrition

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

**Table 21
Unaudited**

| School Description | Total Current Classrooms | Constructed Student Capacity | Current Useable Student Capacity | Enrollment FY2008-09 | Enrollment FY2009-10 | % Of Constructed Capacity | % Of Useable Capacity | Modular Buildings |
|-------------------------------------|---|---|---|---------------------------------|---------------------------------|--|--------------------------------------|------------------------------|
| Elementary Schools: | | | | | | | | |
| Crystal Spring | 17.0 | 425 | 408 | 371 | 371 | 87% | 91% | 0 |
| Fairview | 31.0 | 775 | 744 | 484 | 484 | 62% | 65% | 0 |
| Fallon Park | 41.0 | 850 | 984 | 535 | 535 | 63% | 54% | 3 |
| Fishburn Park | 30.0 | 750 | 720 | 235 | 235 | 31% | 33% | 0 |
| Forest Park | 23.5 | 588 | 564 | | | 0% | 0% | 0 |
| Garden City | 31.0 | 575 | 744 | 318 | 318 | 55% | 43% | 1 |
| Grandin Court | 20.0 | 525 | 480 | 345 | 345 | 66% | 72% | 0 |
| Highland Park | 21.0 | 525 | 504 | 400 | 400 | 76% | 79% | 0 |
| Huff Lane | 20.0 | 500 | 480 | 190 | 190 | 38% | 40% | 0 |
| Hurt Park | 27.0 | 600 | 648 | 278 | 278 | 46% | 43% | 0 |
| Lincoln Terrace | 27.0 | 600 | 648 | 259 | 259 | 43% | 40% | 1 |
| Monterey | 31.0 | 775 | 744 | 476 | 476 | 61% | 64% | 1 |
| Morningside | 22.0 | 500 | 528 | 254 | 254 | 51% | 48% | 2 |
| Oakland | 12.0 | 340 | 288 | 196 | | 0% | 0% | 0 |
| Preston Park | 21.0 | 525 | 504 | 348 | 348 | 66% | 69% | 1 |
| Raleigh Court | 22.0 | 550 | 528 | 356 | | 0% | 0% | 0 |
| Roanoke Academy | 30.0 | 750 | 720 | 332 | 332 | 44% | 46% | 0 |
| Round Hill | 21.0 | 475 | 504 | 240 | 240 | 51% | 48% | 3 |
| Virginia Heights | 20.0 | 425 | 480 | 293 | 293 | 69% | 61% | 1 |
| Wasena | 16.0 | 400 | 384 | 263 | 263 | 66% | 68% | 0 |
| Westside | 40.0 | 850 | 960 | 518 | 518 | 61% | 54% | 0 |
| Middle Schools: | | | | | | | | |
| Addison | 43.0 | 1,075 | 1,032 | 474 | 474 | 44% | 46% | 0 |
| Breckinridge | 36.0 | 550 | 864 | 612 | 612 | 111% | 71% | 0 |
| Jackson | 34.0 | 775 | 816 | 593 | 492 | 77% | 60% | 0 |
| Madison | 39.0 | 900 | 936 | 492 | 593 | 55% | 63% | 2 |
| Ruffner | 42.0 | 1,050 | 1,008 | 393 | | 37% | 0% | 0 |
| Wilson | 39.0 | 975 | 936 | 459 | 459 | 47% | 49% | 0 |
| High Schools: | | | | | | | | |
| William Fleming | 85 | 2,100 | 2,040 | 1,570 | 1,570 | 75% | 77% | 0 |
| Patrick Henry | 92 | 2,059 | 2,208 | 1,847 | 1,845 | 90% | 84% | 0 |
| Regional Program: | | | | | | | | |
| Roanoke Valley Governor's School | 10 | 160 | 240 | 273 | 274 | 171% | 114% | 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.

Table 22

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

Table of Capital Assets by Location

June 30, 2010

(Unaudited)

| Location | Land | Buildings and Structures | Equipment | Construction in Progress | Total |
|--|---------------------|---|---------------------|---|-----------------------|
| William Fleming High School | \$ 237,993 | \$ 61,083,495 | \$ 643,282 | \$ 2,496,827 | \$ 64,461,597 |
| Patrick Henry High School | 31,127 | 61,052,225 | 366,290 | 212,020 | 61,661,662 |
| Lucy Addison Aerospace Middle School | 12,015 | 14,717,370 | 102,799 | - | 14,832,184 |
| James Breckinridge Middle School | 37,500 | 7,413,928 | 94,277 | - | 7,545,705 |
| Stonewall Jackson Middle School | 36,005 | 8,281,513 | 91,047 | - | 8,408,565 |
| James Madison Middle School | 9,883 | 4,327,441 | 174,806 | - | 4,512,130 |
| William Ruffner Middle School | 35,329 | 3,943,258 | 247,788 | - | 4,226,375 |
| Woodrow Wilson Middle School | 12,500 | 11,526,144 | 109,781 | - | 11,648,425 |
| Crystal Spring School | 153,444 | 3,436,163 | 72,809 | - | 3,662,416 |
| Fairview School | 21,566 | 5,206,687 | 118,961 | - | 5,347,214 |
| Fallon Park School | 13,700 | 4,045,346 | 142,715 | 295,418 | 4,497,179 |
| Fishburn Park School | 4,236 | 3,465,087 | 130,378 | - | 3,599,701 |
| Forest Park School | 27,992 | 3,920,916 | 96,826 | - | 4,045,734 |
| Garden City School | 26,850 | 3,607,188 | 112,891 | - | 3,746,929 |
| Grandin Court School | 33,700 | 2,706,239 | 56,143 | 57,223 | 2,853,305 |
| Highland Park School | 600 | 4,245,408 | 53,474 | 441 | 4,299,923 |
| Huff Lane School | 22,000 | 2,055,093 | 63,297 | - | 2,140,390 |
| Hurt Park School | 2,085 | 3,086,901 | 49,997 | - | 3,138,983 |
| Lincoln Terrace School | 18,000 | 3,046,138 | 141,610 | - | 3,205,748 |
| Monterey School | 15,000 | 8,116,773 | 59,071 | - | 8,190,844 |
| Morningside School | 22,700 | 2,781,134 | 132,947 | 195,725 | 3,132,506 |
| Oakland School | 78,727 | 2,085,705 | 83,447 | - | 2,247,879 |
| Preston Park School | 33,956 | 2,706,309 | 52,646 | - | 2,792,911 |
| Raleigh Court School | 18,750 | 1,173,029 | 73,198 | - | 1,264,977 |
| Roanoke Academy for Math and Science | 15,000 | 14,429,750 | 168,466 | - | 14,613,216 |
| Round Hill School | 47,790 | 1,822,699 | 41,386 | - | 1,911,875 |
| Virginia Heights School | 32,750 | 3,101,952 | 61,894 | - | 3,196,596 |
| Wasena School | 20,000 | 4,224,095 | 68,177 | - | 4,312,272 |
| Westside School | 45,000 | 6,507,663 | 151,506 | - | 6,704,169 |
| City School | - | 2,937 | - | - | 2,937 |
| Governor's School for Math and Science | - | 4,225,602 | 108,816 | - | 4,334,418 |
| Noel C. Taylor Learning Center | - | - | 14,500 | - | 14,500 |
| Gibboney | - | - | 314,502 | 438,933 | 753,435 |
| Lawson | - | - | 79,931 | - | 79,931 |
| Coyner Spring | - | - | 15,400 | - | 15,400 |
| School Administration | 8,050 | 1,171,827 | 1,413,785 | - | 2,593,662 |
| School Maintenance | - | 12,268 | 112,412 | - | 124,680 |
| Warehouse | - | - | 70,301 | - | 70,301 |
| School Operations | - | - | 1,046,478 | - | 1,046,478 |
| School Transportation | 360,000 | 2,042,170 | 319,538 | - | 2,721,708 |
| Jefferson Center | 184,309 | 1,248,251 | - | - | 1,432,560 |
| Total Capital Assets | \$ 1,618,557 | \$ 267,122,870 | \$ 7,257,573 | \$ 3,696,587 | \$ 283,759,886 |

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 Ended June 30, 2010

| Federal Grantor/Pass-Through Grantor/Grant Program | Grant Number | Federal Catalogue Number | Expenditures |
|---|-----------------------|---|------------------------------|
| <u>Department of Agriculture</u> | | | |
| Passed Through Commonwealth of Virginia Department of Agriculture: | | | |
| National School Lunch Program - Commodities (1) | - | 10.555 | \$ 250,482 \$ 250,482 |
| Passed Through Commonwealth of Virginia Department of Education: | | | |
| School Breakfast Program | - | 10.553 | \$ 1,029,728 \$ 1,029,728 |
| National School Lunch Program | - | 10.555 | \$ 3,337,285 \$ 3,337,285 |
| <u>Department of Defense</u> | | | |
| Direct Program: | | | |
| Selected Reserve Educational Assistance Program (ROTC) | - | 12.609 | \$ 97,804 \$ 97,804 |
| <u>Department of Education</u> | | | |
| Direct Programs: | | | |
| Title VIII - Impact Aid 2010 | - | 84.041 | \$ 13,292 \$ 13,292 |
| Readiness and Emergency Management 2009 | Q184E080451 | 84.184 | \$ 107,996 \$ 107,996 |
| Teaching American History 2008 | U215X050038 | 84.215 | \$ 67,906 \$ 67,906 |
| Passed Through Commonwealth of Virginia Department of Education: | | | |
| Adult Basic Ed 2009 | V002A080046 | 84.002 | \$ 8,165 |
| Adult Basic Ed 2010 | V002A090046 | 84.002 | 119,775 |
| Adult Education in Jails 2009 | V002A080046 | 84.002 | 1,483 \$ 129,423 |
| Istation Pilot Program 2010 | 124-86604-S010A070046 | 84.010 | \$ 13,000 |
| Title I-A Improving Basic Programs 2009 | S010A080046 | 84.010 | 1,210,517 |
| Title I-A Improving Basic Programs 2010 | S010A090046 | 84.010 | 3,332,904 |
| Title I-A School Improvement Basic 2008 | S010A060046 | 84.010 | 1,500 |
| Title I-A School Improvement 2009 | S010A070046 | 84.010 | 27,354 |
| Title I-A School Improvement 2010 | 124-42892-S010A080046 | 84.010 | 296,259 |
| Vmath Pilot Program 2010 | 124-86604-S010A070046 | 84.010 | 6,000 \$ 4,887,534 |
| Title I-D SOP Detention Center Reading Prog 2009 | S013A080046 | 84.013 | \$ 15,343 |
| Title I-D SOP Detention Center Reading Prog 2010 | S013A090046 | 84.013 | 39,856 \$ 55,199 |

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

| Federal Grantor/Pass-Through Grantor/Grant Program | Grant Number | Federal Catalogue Number | Expenditures |
|---|-----------------------|---|---------------------|
| Passed Through Commonwealth of Virginia Department of Education (continued): | | | |
| Bridging the Gap 2009 | 124-61110-H027A090107 | 84.027 | \$ 5,000 |
| IDEA Part B, Section 611 Flow Through 2008 | H027A070107 | 84.027 | 45,085 |
| IDEA Part B, Section 611 Flow Through 2009 | H027A080107 | 84.027 | 1,389,996 |
| IDEA Part B, Section 611 Flow Through 2010 | H027A090107 | 84.027 | 1,572,397 |
| VA Incentive Prog for Speech-Lang Pathologists 2010 | 124-87138-H027A090107 | 84.027 | 13,500 |
| | | | <u>\$ 3,025,978</u> |
| High Schools That Work 2008 | V048A070046 | 84.048 | \$ 1,369 |
| Perkins Act Fund 2009 | V048A080046 | 84.048 | 15,707 |
| Perkins Act Fund 2010 | V048A090046 | 84.048 | 371,561 |
| | | | <u>\$ 388,637</u> |
| IDEA Part B, Section 619 Preschool 2008 | H173A070112 | 84.173 | \$ 80,960 |
| IDEA Part B, Section 619 Preschool 2009 | H173A080112 | 84.173 | 85,580 |
| IDEA Part B, Section 619 Preschool 2010 | H173A090112 | 84.173 | 2,068 |
| | | | <u>\$ 168,608</u> |
| Title IV-A Drug Free Schools 2009 | Q186A080048 | 84.186 | \$ 30,124 |
| Title IV-A Drug Free Schools 2010 | Q186A090048 | 84.186 | 23,203 |
| | | | <u>\$ 53,327</u> |
| Title X-C McKinney-Vento Homeless 2010 | G12410 | 84.196 | \$ 50,000 |
| | | | <u>\$ 50,000</u> |
| Title IV-B CLC - Addison Yr 2 2009 | S287C070047 | 84.287 | \$ 7,310 |
| Title IV-B CLC - Addison Yr 3 2009 | S287C080047 | 84.287 | 147,297 |
| Title IV-B CLC - Breckinridge Yr 2 2010 | S287C090047 | 84.287 | 170,616 |
| Title IV-B CLC - Fallon Park Yr 3 2009 | S287C070047 | 84.287 | 23,874 |
| Title IV-B CLC - Hurt Park Yr 3 2009 | S287C070047 | 84.287 | 893 |
| Title IV-B CLC - Hurt Park Yr 1 2010 | S287C090047 | 84.287 | 137,301 |
| Title IV-B CLC - Jackson Yr 1 2010 | S287C090047 | 84.287 | 124,594 |
| Title IV-B CLC - Ruffner Yr 1 2009 | S287C080047 | 84.287 | 1,596 |
| Title IV-B CLC - Westside Yr 3 2009 | S287C070047 | 84.287 | 7,076 |
| Title IV-B CLC - Westside Yr 1 2010 | S287C090047 | 84.287 | 160,942 |
| | | | <u>\$ 781,499</u> |
| Title II-D Enhancing Education Thru Tech 2009 | S318X080046 | 84.318 | \$ 36,415 |
| Title II-D Enhancing Education Thru Tech 2010 | S318X090046 | 84.318 | 51,160 |
| NCLB Title II-D Educ Tech Competitive 2010 | S318X090046 | 84.318 | 167,318 |
| | | | <u>\$ 254,893</u> |
| Title I-G Advanced Placement Program 2010 | - | 84.330 | \$ 2,520 |
| | | | <u>\$ 2,520</u> |
| Title III-A Limited English Proficient 2008 | T365A070046 | 84.365 | \$ 53,094 |
| Title III-A Limited English Proficient 2009 | T365A080046 | 84.365 | 78,866 |
| | | | <u>\$ 131,960</u> |
| Title II-A Improving Teacher Quality 2009 | S367A080044 | 84.367 | \$ 575,218 |
| Title II-A Improving Teacher Quality 2010 | S367A090044 | 84.367 | 515,137 |
| | | | <u>\$ 1,090,355</u> |
| Striving Readers Intervention Initiative 2010 | S371A090001 | 84.371 | \$ 2,496 |
| | | | <u>\$ 2,496</u> |
| Title I-A School Improvement 1003(g) 2008 | S377A070047 | 84.377 | \$ 91,689 |
| Title I-A School Improvement 1003(g) 2009 | S377A080047 | 84.377 | 282,455 |
| | | | <u>\$ 374,144</u> |

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

| Federal Grantor/Pass-Through Grantor/Grant Program | Grant Number | Federal Catalogue Number | Expenditures |
|---|---------------------|---|-----------------------------|
| Passed Through Commonwealth of Virginia Department of Education (continued): | | | |
| ARRA Title II-D Enhancing Educ Thru Tech 2010 | S386A090046 | 84.386 | \$ 74,238 |
| ARRA Title II-D Educ Tech Competitive 2010 | S386A090046 | 84.386 | 802,673 |
| | | | <u>\$ 876,911</u> |
| ARRA Title I-A Improving Basic Programs 2010 | S389A090046 | 84.389 | \$ 1,238,971 |
| | | | <u>\$ 1,238,971</u> |
| ARRA IDEA Part B, Section 611 Flow Through 2010 | H391A090107 | 84.391 | \$ 53,281 |
| | | | <u>\$ 53,281</u> |
| ARRA State Fiscal Stabilization Funds 2010 | S394A090047 | 84.394 | \$ 3,927,029 |
| | | | <u>\$ 3,927,029</u> |
| <u>Department of Medical Assistance Services</u> | | | |
| Passed Through Commonwealth of Virginia Department of Medical Assistance Services: | | | |
| FAMIS Reimbursement 2010 | - | 93.767 | \$ 51,243 |
| | | | <u>\$ 51,243</u> |
| Medicaid Reimbursement 2010 | - | 93.778 | \$ 780,172 |
| | | | <u>\$ 780,172</u> |
| Grand Total Federal Financial Assistance | | | <u>\$ 23,228,673</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 3.7% and 24.6%, respectively.

**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 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, 2010 which collectively comprise the School Board's basic financial statements and have issued our report thereon dated November 8, 2010. 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 *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

We noted certain matters that we reported to management of the School Board in a separate letter dated November 8, 2010.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 8, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the School Board of the City of Roanoke, Virginia (the "School Board"), a component unit of the City of Roanoke, Virginia, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Board's management. Our responsibility is to express an opinion on the School Board's compliance based on our audit.

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. Our audit does not provide a legal determination of the School Board's compliance with those requirements.

In our opinion, the School Board complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and that is described in the accompanying schedule of findings and questioned costs as item 10-1.

Internal Control over Compliance

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

A deficiency in internal control over compliance 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, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

The School Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School Board's response, and accordingly we express no opinion on it.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 8, 2010

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2010

As more fully described in the 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, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the 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 with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified 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> |
|---|---------------|
| Title I | 84.010 |
| Title I – ARRA | 84.389 |
| Special Education – IDEA Part B 611 Flow Through | 84.027 |
| Special Education – IDEA Part B Section 619 Preschool | 84.173 |
| Special Education – IDEA Part B Section 611 Flow Through – ARRA | 84.391 |
| State Fiscal Stabilization Funds 2010 – ARRA | 84.394 |
| Title IIA – Improving Teacher Quality | 84.367 |
| Title IID – Enhancing Education Through Technology | 84.318 |
| Title IID – Enhancing Education Through Technology – ARRA | 84.386 |
| Medicaid Reimbursement 2010 | 93.778 |
| Title IV-B Community Learning Centers | 84.287 |

8. The threshold for distinguishing Type A and B programs was \$696,860
9. The School Board of the City of Roanoke was **not** determined to be a **low-risk auditee**.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

10-1: Submission of Single Audit Reporting Package (*FINDING PRESENTATION OPTION 1*)

Condition:

As a result of delays with completion of the financial audit and the ineligibility of the Schools to request an extension due to not low risk auditee status of the City, the required Single Audit reporting package, including audited financial statements and the Data Collection Form, was not filed with the Federal Audit Clearinghouse until after the nine month deadline.

Recommendation:

Management should ensure that the entire Single Audit reporting package is filed timely with the Federal Audit Clearinghouse. Timeliness as defined by OMB Circular A-133 is thirty days after the issuance of the audit opinions on compliance or no later than nine months after year end.

Management's Response:

Roanoke City Public Schools understands the requirement to file timely with the Federal Audit Clearinghouse. With the fiscal year ended June 30, 2010, Roanoke City Public Schools will be filing its own data collection form separately from the City of Roanoke, and will be timely.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None