

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

For the Fiscal Year Ended June 30, 2016



PHOTO CREDITS

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

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

Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

Roanoke City School Board

Suzanne P. Moore, Chairman
Lori E. Vaught, Vice Chairman
Mark K. Cathey
William B. Hopkins, Jr.
Annette Lewis
Laura D. Rottenborn
Richard Willis

Dr. Rita D. Bishop, Superintendent

**Prepared by the Accounting Department and
The Chief Financial Officer**

Table of Contents

	<i>Page Number</i>
 INTRODUCTORY SECTION:	
Letter of Transmittal	1
Organization Chart	11
Association of School Business Officials International Certificate of Excellence in Financial Reporting.	13
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting	14
Officers and Principal Administrators	15
 FINANCIAL SECTION:	
Independent Auditor's Report.	19
Management's Discussion and Analysis	22
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Exhibit 1 Statement of Net Position	29
Exhibit 2 Statement of Activities	30
 Fund Financial Statements:	
Exhibit 3 Balance Sheet - Governmental Funds	31
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	32
Exhibit 5 Statement of Fiduciary Assets and Liabilities.	33
Notes to the Basic Financial Statements.	34
 Required Supplementary Information:	
Schedule A Budgetary Comparison Schedule - General Fund.	69
Schedule B Budgetary Comparison Schedule - Food Service Fund	70
Notes to the Budgetary Comparison Schedules	71
Schedule C Schedule of Funding Progress – Other Postemployment Benefits and Employer Contributions.	72
Schedule D Required Pension Schedules	73
Notes to Required Supplementary Information	77
 Other Supplementary Information:	
Schedule E Schedule of Cash Receipts and Disbursements by School - School Activity Funds.	81
Schedule F Statement of Fiduciary Assets and Liabilities	82
Schedule G Schedule of Insurance Coverage.	83

STATISTICAL SECTION (UNAUDITED):

Table 1	Roanoke City Public Schools Net Position by Component.	88
Table 2	Roanoke City Public Schools Changes in Net Position	89
Table 3	Roanoke City Public Schools Fund Balance of Governmental Funds	90
Table 4	Roanoke City Public Schools Changes in Fund Balance of Governmental Funds	91
Table 5	Roanoke City Public Schools Major Local Revenue Sources – General Fund and Food Service.	92
Table 6	City of Roanoke General Property Tax Levies and Collections.	93
Table 7	City of Roanoke Assessed and Estimated Actual Value of Taxable Property	94
Table 8	City of Roanoke Property Tax Rates and Tax Levies	94
Table 9	City of Roanoke Principal Property Taxpayers	95
Table 10	City of Roanoke Taxable Retail Sales	95
Table 11	City of Roanoke Ratio of General Bonded Debt to Total Estimated Actual Value and Bonded Debt Per Capita	96
Table 12	City of Roanoke Computation of Legal Debt Margin.	97
Table 13	City of Roanoke Ratio of Annual Debt Service Expenditures for General Long-Term Debt to Total General Expenditures.	97
Table 14	City of Roanoke Outstanding Debt Incurred by the City of Roanoke for Roanoke City Public School Projects	98
Table 15	City of Roanoke Legal Debt Margin Information	100
Table 16	City of Roanoke Demographic Statistics	101
Table 17	City of Roanoke Principal Employers	101
Table 18	Roanoke City Public Schools Educational Statistics.	102
Table 19	Roanoke City Public Schools Personnel Staffing – Full Time Equivalents (FTE).	102
Table 20	Roanoke City Public Schools Free Lunch Approvals by School	103
Table 21	Roanoke City Public Schools Capital Asset Statistics	104
Table 22	Roanoke City Public Schools Capital Assets by Location	105

COMPLIANCE SECTION:

Schedule of Expenditures of Federal Awards	109
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	111
Independent Auditor's Report on Compliance For Each Major Program and On Internal Control Over Compliance Required By the Uniform Guidance	113
Summary of Compliance Matters	115
Schedule of Findings and Questioned Costs	116

THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION



THIS PAGE INTENTIONALLY BLANK



October 31, 2016

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

The Comprehensive Annual Financial Report (CAFR) for the School Board of the City of Roanoke, Virginia (School Board), a Component Unit of the City of Roanoke, Virginia, for the fiscal year ended June 30, 2016, is herein submitted. Please note that the School Board is more commonly known as "Roanoke City Public Schools" or "RCPS."

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

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 Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the “Uniform Guidance”). The schedule of expenditures of federal awards and the independent auditor’s report on compliance for each major program and on internal control over compliance are included in this report.

Profile of the School District

Roanoke City Public Schools is a progressive urban school district nestled in the heart of the Blue Ridge Mountains in the City of Roanoke, Virginia. Roanoke, the largest city in the Commonwealth of Virginia (Commonwealth) west of Richmond, is located at the southern end of the Shenandoah Valley, approximately 170 miles west of Richmond and 235 miles southwest of Washington, DC. Roanoke’s 2015 estimated population as per the US Census Bureau of 99,897 accounts for just under 32% of the population in its metropolitan statistical area (MSA), which includes the neighboring city of Salem, Town of Vinton and the Counties of Roanoke, Botetourt, Craig and Franklin.

During the 2015-16 school year, RCPS provided a comprehensive program of study for 13,676 students in grades pre-kindergarten through twelve. In 2015-16, there were seventeen elementary schools, five middle schools, two high schools, the Roanoke Valley Governor’s School for Science and Technology, a vocational school, two alternative education facilities, adult education programs, and preschool programs for at-risk children. Enrollment is predicted to increase at an average rate of .2% over the next three years.

Roanoke’s student population represents a diversity of cultures and ethnic groups. Approximately 45% of students are black, 38% are white, and 17% are Hispanic or other.

In 2015-16, 60% of RCPS students qualified for free or reduced price school lunch, where eligibility is determined based on poverty level. At four of Roanoke’s twenty-six instructional sites, over 75% of the student populations qualified for free or reduced price school lunch; at seventeen sites, over 50% of students were eligible for the program. The USDA’s Community Eligibility Provision (CEP), implemented in fall 2015, and provided free lunch for 70% of the overall student population.

Compared to the previous year, Roanoke City students’ pass rates on the SOL assessments in the 2015-16 school year increased in two test areas. The improvements are as follows: Reading increased one point (72% to 73%) and Mathematics improved one point (78% to 79%). A decline in students passing the Writing SOL of 6 points (71% to 65%), as well as regressions in Science and History occurred during the 2015-16 school year.

The Roanoke City Public Schools’ strategic plan 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 2015-16 school year:

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

Narrowing the Achievement Gap. Roanoke City Public Schools is working to help all students achieve and improve with a special focus on closing achievement gaps between subgroups of students. In total, 18 of 24 schools are fully accredited. The Virginia Department of Education issued a Superintendent’s memo indicating that the state would not report performance against AMOs for the 2015-16 assessments in agreement with a U.S. Department of Education (USED) determination regarding AMO calculations under the USED’s plan to transition from No Child Left Behind (NCLB) to the Every Student Succeeds Act (ESSA).

State accreditation is determined by the overall percentage of students that pass SOL tests in four core subject areas: English, Mathematics, History, and Science. Schools accreditation statuses based on the 2015-16 student performance data are listed on the following chart.

**Roanoke City Public Schools
Accreditation Status for 2016-17**
Based on 2015-16 Student Achievement

School	Accreditation Status
Crystal Spring Elementary	Fully Accredited
Fairview Elementary	Fully Accredited
Fallon Park Elementary	Fully Accredited
Fishburn Park Elementary	Fully Accredited
Garden City Elementary	Partially Accredited: Reconstituted School
Grandin Court Elementary	Fully Accredited
Highland Park Elementary	Fully Accredited
Hurt Park Elementary	Partially Accredited: Reconstituted School
Lincoln Terrace Elementary	Fully Accredited
Monterey Elementary	Fully Accredited
Morningside Elementary	Fully Accredited
Preston Park Elementary	Fully Accredited
Roanoke Academy Elementary	Fully Accredited
Round Hill Elementary	Fully Accredited
Virginia Heights Elementary	Fully Accredited
Wasena Elementary	Fully Accredited
Westside Elementary	Partially Accredited: Reconstituted School
Lucy Addison Middle	Partially Accredited: Warned School-Pass Rate
James Breckinridge Middle	Partially Accredited: Approaching Benchmark-Pass Rate
Stonewall Jackson Middle	Partially Accredited: Warned School-Pass Rate
James Madison Middle	Fully Accredited
Woodrow Wilson Middle	Fully Accredited
Patrick Henry High	Fully Accredited
William Fleming High	Fully Accredited

**Roanoke City Public Schools
SAT Results 2016**

Three hundred thirty-six (336) Roanoke City students took the SAT Reasoning Test. The division's mean (average) Critical Reading score was four hundred sixty-four (464), the mean Mathematics score was four hundred fifty-seven (457) and the mean Writing score was four hundred thirty-three (433).

Comparison of Roanoke City with Virginia and United States on SAT—2016

The proportion of students by ethnic group who took the SAT in 2016:

	<u>Roanoke</u>	<u>Virginia</u>	<u>U.S.</u>
White	35%	55%	45%
African American	46%	19%	12%
Other Ethnicities	19%	26%	43%

Mean (average) scores of all students tested (*and change from 2015*):

	Roanoke		Virginia		U.S.	
	Mean 2015/2016	Change from 2015	Mean 2015/2016	Change from 2015	Mean 2015/2016	Change from 2015
Critical Reading	483/464	-19	518/520	+2	495/494	-1
Mathematics	477/457	-20	516/517	+1	511/508	-3
Writing	461/433	-28	499/498	-1	484/482	-2
Total Score	1421/1354	-67	1533/1535	+2	1490/1484	-6

Mean (average) scores of tested students by ethnicity (*and change from 2015*):

	Roanoke				Virginia				U.S.			
	Black		White		Black		White		Black		White	
	Mean	Change	Mean	Change	Mean	Change	Mean	Change	Mean	Change	Mean	Change
Critical Reading	417	-5	535	-8	442	-3	545	+3	430	-1	528	-1
Mathematics	411	-8	531	-6	433	-2	538	+3	425	-3	533	-1
Writing	388	-16	507	-12	420	-5	520	-1	415	-3	511	-2
Total Score	1,216	-29	1,573	-26	1295	-10	1603	+5	1270	-7	1572	-4

Mean (average) scores of students tested by high school (*and change from 2015*):

	Patrick Henry		William Fleming	
	Mean	Change	Mean	Change
Critical Reading	506	-3	417	-23
Mathematics	504	0	406	-27
Writing	475	-10	388	-33
Total Score	1485	-13	1,211	-83

**SAT I: Reasoning Test Scores for Graduating Seniors
Roanoke City Public Schools 1997-2016**

Table I. Mean Scores on SAT

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Mean (average) Critical Reading SAT Score	483	484	507	493	500	502	487	507	512	481*	485*	474*	484*	480*	469~	475	473	487	483	464
Mean (average) Mathematics SAT Score	477	477	487	482	487	482	482	496	500	473	475	464	472	472	464~	465	468	479	477	457
Writing												464	460	460	450	458	453	464	464	433
Total	960	961	994	975	987	984	969	1003	1012	1429	1429	1402	1416	1412	1383	1398	1394	1430	1421	1354

~SAT data historically has included students who took the SAT at any point in high school through March of their senior year. Starting with 2011 the SAT data includes all students who tested through June of their senior year.

Table II. Mean Scores on SAT by Ethnic Group

	<i>Black</i>											<i>White</i>										
	06	07	08	09	10	11	12	13	14	15	16	06	07	08	09	10	11	12	13	14	15	16
Mean (average) Critical Reading SAT Score	416	414	411	416	421	409~	409	410	410	422	417	532	548	541	548	545	541~	554	545	551	543	535
Mean (average) Mathematics SAT Score	404	404	405	403	407	398~	399	407	404	419	411	520	534	527	534	535	537~	545	537	540	537	531
Writing	405	395	405	396	400	391~	396	395	395	404	388	531	536	529	521	522	515~	533	521	522	519	507
Total	1225	1213	1221	1212	1228	1198	1204	1212	1209	1245	1216	1583	1618	1597	1603	1603	1593	1632	1603	1613	1599	1573

**Roanoke City Public Schools
2016 ACT Results**

Participation in ACT testing among Roanoke City Public School graduates increased slightly. During 2016 one hundred thirty-seven (137) seniors took the ACT compared with one hundred eight (108) in 2015.

Total participants: 137

Forest Park*: 1

Patrick Henry High School: 55

William Fleming High School: 81

Percentage of Students Meeting College Readiness Benchmarks 2016 / 2015

	Patrick Henry 2016 / 2015	William Fleming 2016 / 2015	District 2016 / 2015	State 2016 / 2015	National 2016 / 2015
English Composition	82 / 80	32 / 38	52 / 59	78 / 77	61 / 64
College Algebra	60 / 75	11 / 13	31 / 44	59 / 58	41 / 42
Reading	75 / 76	20 / 32	42 / 55	63 / 61	44 / 46
Science	67 / 71	7 / 19	31 / 45	53 / 53	36 / 38
Composite	51 / 60	4 / 6	23 / 33	43 / 41	26 / 28

Benchmarks: English=18; Math=22; Reading=22; Science=23

Comparison of Average ACT Scores

	English 2016 2015		Mathematics 2016 2015		Reading 2016 2015		Science 2016 2015		Composite 2016 2015	
PH	23.0	23.7	23.0	24.2	25.2	25.7	24.2	24.6	24.0	24.7
Fleming	15.0	16.2	17.0	17.5	17.1	18.7	16.7	18.2	16.6	17.8
RCPS	18.2	20.0	19.4	20.9	20.4	22.3	19.7	21.5	19.6	21.3
Virginia	22.9	22.8	22.9	22.8	24.0	23.6	23.1	22.8	23.3	23.1
National	20.1	20.4	20.6	20.8	21.3	21.4	20.8	20.9	20.8	21.0

*One student registered as a Forest Park student. For privacy protection, the student's data is not displayed. There is no previous year's data.

Factors Affecting Financial Condition

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

Economic Condition and Outlook

The district's ability to fund its major educational initiatives adequately is significantly affected by the City's economic outlook. City funding for fiscal year 2016 continued to follow the funding formula established in 2012, which stipulates that (a) the schools receive 40% of property and other local tax receipts levied by the City of Roanoke and (b) the schools pay 100% of the debt service associated with school projects (up from approximately 50% under the previous funding arrangement). Revenue growth has increased as a result of improved performance in certain categories of local taxes and was slightly higher than was budgeted. Roanoke City Public Schools' share of that increase was \$1,549,117.

State revenues other than state sales tax remain well below fiscal year 2009 levels. Increases in recent years have chiefly resulted from Roanoke's increased student enrollment, which naturally also carried with it increased costs. Enrollment in 2015-16 did continue the upward trend, though the increase was smaller than experienced in prior years. The Commonwealth ended 2014-15 in a favorable position but revenue in 2015-16 did not meet projections. This will impact budgeting across all state functions, including K-12 education, in 2016-17.

At the Federal level, reduced funding levels for certain grant programs, brought about by sequestration, continued in 2015-16. Sequestration continues to be cited by Governor McAuliffe as a significant contributor to Virginia's funding woes, based on Northern Virginia's reliance on federal spending, as well as the large defense contractors located in Northern Virginia and the Hampton Roads area. The new Every Student Succeeds Act (ESSA), which replaces the No Child Left Behind Act of 2002, was signed into law on December 10, 2015. All states, including Virginia, are in the process of establishing guidance and procedures for implementing the changes included in the ESSA. We anticipate that changes in requirements will begin to impact Roanoke City Public Schools during the 2016-17 school year, with more complete implementation occurring in 2017-18. It is unclear at this point what impact ESSA's passage may have on our level of entitlement funding going forward.

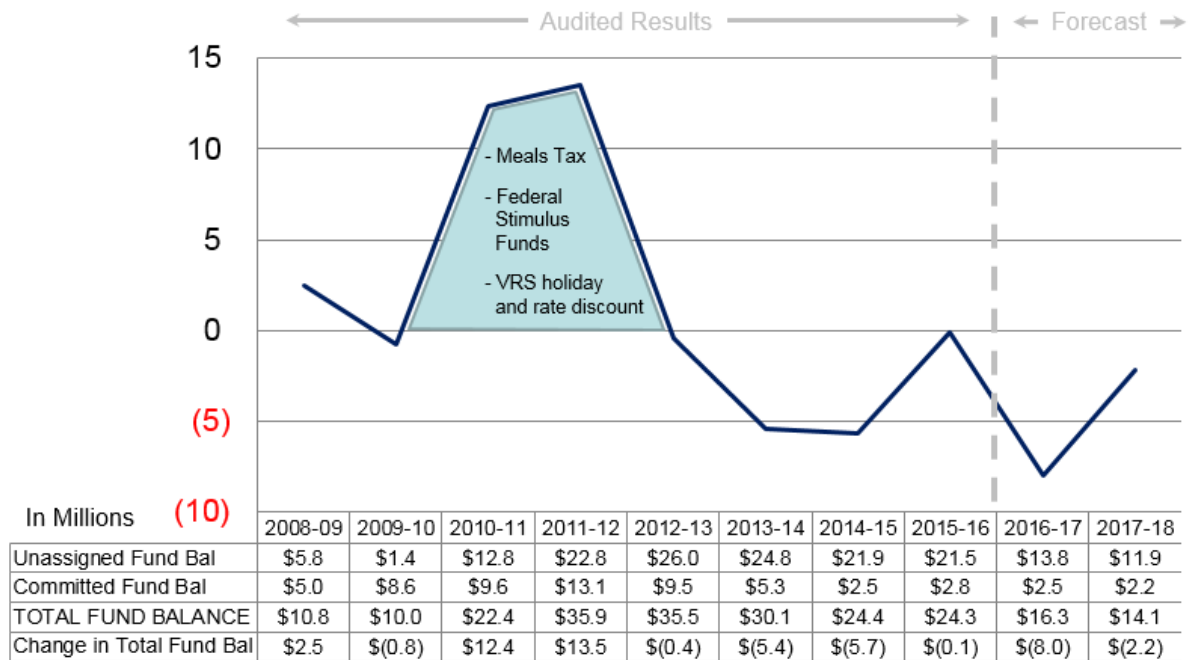
A growing teacher shortage affecting the profession nation-wide has reached Roanoke and there is a significant concern about the district's ability to fill vacancies in the years ahead. The district's recruitment efforts for 2016-17 began much earlier than in prior years; starting in January and February 2016. Even with those ongoing efforts, RCPS did not have all vacancies for the 2016-17 school year filled as of June 30, 2016. For some time, the Roanoke City School Board has analyzed the teacher salary scale and how it compares to the average of a pool of comparable districts across Virginia. Consistently, Roanoke City's pay scale has been competitive for new teachers or those with just a few years of experience, and competitive for teachers with upwards of 20 years of experience. Pay for teachers in the middle of their careers, with between six and 20 years of teaching experience, has lagged behind the average of comparable districts, however. In June 2016 the School Board voted to adjust the teacher salary scales to eliminate the variance for those steps that lagged behind the pool. This adjustment is expected to positively impact teacher retention and recruitment going forward.

In light of the above – and in order to continue providing instruction at the level necessary to sustain the improvements achieved over the past several years – the Schools expect to be in a deficit spending position during fiscal year 2017 if current trends continue. The following chart illustrates the projected impact of this deficit spending on total General Fund fund balance:



Roanoke City Public Schools

Change in Fund Balance – General Fund



Accounting System and Budgetary Controls

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

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

General Operations

Management's Discussion and Analysis, which is contained in the financial section of this report, provides a discussion of financial results for fiscal years 2015 and 2016 as well as summaries of the government-wide financial statements.

Auditing

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

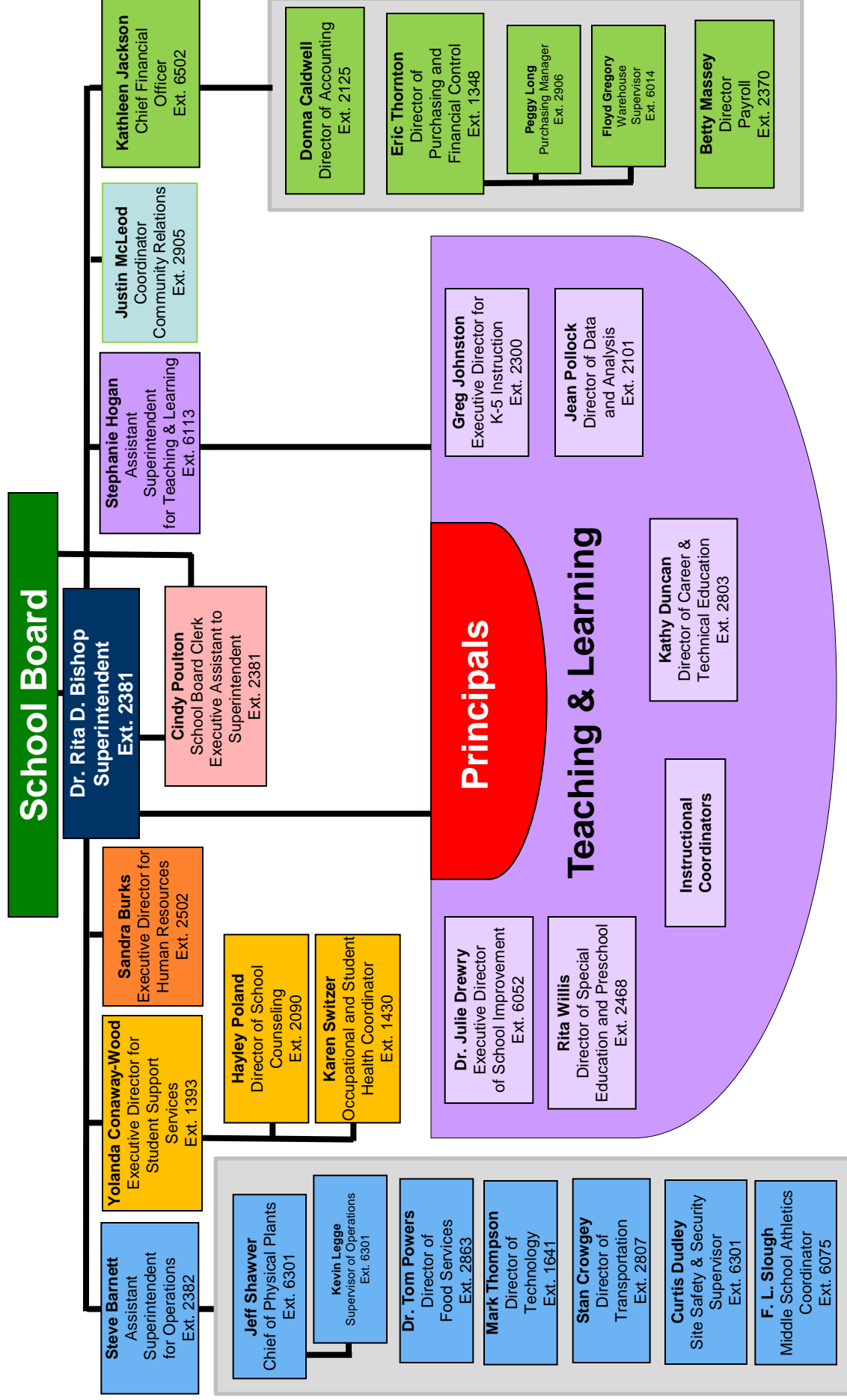
Federal and state agencies also perform audits and reviews of School Board programs and financial records. The School Board's basic financial statements are audited annually by an independent public accounting firm, including a single audit of expenditures of federal awards. The current year independent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

THIS PAGE INTENTIONALLY BLANK



Roanoke City Public Schools

2015-16 Chart of Organization*



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, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In addition, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School Board of the City of Roanoke, Virginia, for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Excellence program is similar to the GFOA Certificate of Achievement program and is an international award recognizing excellence in the preparation and issuance of school system financial reports.

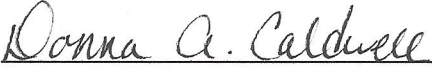
In order to be awarded a Certificate of Achievement, a school board must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both U.S. generally accepted accounting principles and applicable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

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

Sincerely,


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


Kathleen M. Jackson, MBA
Chief Financial Officer


Donna A. Caldwell, CPA
Director of Accounting



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

School Board of the City of Roanoke, Virginia

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015**

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

**Roanoke City Public Schools
Officers and Principal Administrators
(July 1, 2015 through June 30, 2016)**

Roanoke City School Board

Suzanne P. Moore	Chairman
Lori E. Vaught	Vice Chairman
Mark K. Cathey	Member
William B. Hopkins, Jr.	Member
Annette Lewis	Member
Laura D. Rottenborn	Member
Richard Willis	Member
Cynthia H. Poulton	Clerk of the Board

Superintendent of Schools

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

Executive Staff

P. Steve Barnett	Assistant Superintendent of Operations
Kathleen M. Jackson	Chief Financial Officer
Yolanda Conaway-Wood	Executive Director, Student Services
Julie Drewry, Ph.D.	Executive Director, School Improvement
Greg Johnston	Executive Director, K-5 Instruction
Sandra Burks	Executive Director, Human Resources

THIS PAGE INTENTIONALLY BLANK

FINANCIAL SECTION



THIS PAGE INTENTIONALLY BLANK

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the 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, 2016, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the School Board, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The introductory section, other supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016 on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 31, 2016

**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, 2016**

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, 2016. 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

- Liabilities exceeded assets at the close of the most recent fiscal year by (\$99,000,691) (net position). Of this amount, \$3,094,777 was invested in capital assets, leaving unrestricted net position totaling (\$102,095,468). Unrestricted net position is normally used to meet the School Board's ongoing obligations to citizens and creditors.
- Net position increased by \$3,359,851, a 3.28% increase from the prior fiscal year-end balance. Total assets increased by \$1,174,826. Total liabilities increased by \$7,620,057. The change in total assets was due to increases in grant fund receivables, pension asset recognized for non-professional VRS retirement, and an OPEB benefits asset offset by reductions in cash and cash equivalents for an overall increase in 2.8% over the prior year. Other changes in total assets had a minimal effect on the financial position as a whole. The change in total liabilities was largely due to an increase in the net pension liability of \$8.7 million offset by reductions in claims payable for an overall increase of 5.5%. Other changes in liabilities had a minimal effect on the financial position as a whole.
- The general fund experienced a net operating increase of \$1,627,735 largely due to an increase in funding from state and local governments, along with a reduction in health care expenditures during the fiscal year. The food service fund experienced a net operating increase of \$1,189,011 primarily due to an increase in federal funding.
- Overall revenues were approximately \$193 million, \$0.8 million more than expenditures. The excess of revenue over expenditures was largely due to the aforementioned increase in funding from state and local governments, and reductions in insurance expense.
- The total cost of basic programs was approximately \$192 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 \$135 million.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$21.6 million, or 13.9% of total general fund expenditures. Restrictions of fund balance are placed by sources external to RCPS while the School Board may make commitments of fund balance.
- As required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which the Schools adopted as of July 1, 2007, the Schools actuarially determined the liability associated with other postemployment benefits (OPEB) for retirees. The Schools have committed a portion of its fund balance for the annual required contribution of \$829,210 as of the end of fiscal year 2016.
- In 2015 the School Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The overall effect of this standard is to reflect the School Board's long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously, such amounts were mostly disclosed, but were not recognized as long as the School Board was current with its required VRS contributions. The standard not only changes certain measurement methodologies, but also requires certain disclosures and that the School Board record a net pension liability directly on the statement of net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements.

Overview of the Basic Financial Statements

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

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

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

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

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

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School Board, like other state and local governments and other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School Board can be divided into two categories: governmental funds and fiduciary fund.

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

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

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

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

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because

the resources of those funds are not available to support the School Board's programs. The School Board's fiduciary fund consists of the school activity funds.

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

Government-wide Financial Analysis

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

		June 30,	
		2016	2015
Current and other assets	\$	40,028,686	\$ 38,932,506
Capital Assets, net		3,094,777	3,016,131
Total Assets		<u>43,123,463</u>	<u>41,948,637</u>
Total Deferred Outflows of Resources		<u>14,679,684</u>	<u>13,323,271</u>
Current and other liabilities		11,772,274	12,942,635
Long-term liabilities		134,473,335	126,682,917
Total Liabilities		<u>146,245,609</u>	<u>138,625,552</u>
Total Deferred Inflows of Resources		<u>10,558,229</u>	<u>19,006,898</u>
Investment in capital assets		3,094,777	3,016,131
Unrestricted		(102,095,468)	(105,376,673)
Total Net Position	\$	<u><u>(99,000,691)</u></u>	<u><u>(102,360,542)</u></u>

Net position may serve, over time, as a useful indicator of a district's financial position. In the case of the School Board, liabilities exceeded assets by \$99,000,691 at the close of the most recent fiscal year.

Current and other assets increased during the fiscal year by \$1,174,826. The increase was primarily comprised of increases of \$579,705 due from the City of Roanoke, \$2,197,896 due from other governments, \$999,474 net pension asset, \$25,470 prepaid expenses, and other postemployment benefits of \$236,375, offset by decreases of \$2,684,599 in cash and cash equivalents and accounts receivable of \$258,141. The decrease in cash and cash equivalents directly relates to the increase in receivables from other governments at the end of the fiscal year.

The School Board's investment in capital assets, machinery and equipment net of accumulated depreciation, in the amount of \$3,094,777 represents (3.1%) of net position. The School Board uses these capital assets to provide services to students; consequently, these assets are not available for future spending. It should be noted that these assets reflect outlays made during the current fiscal year and previous years. No debt service exists for the reported capital assets.

Current and other liabilities decreased by \$1,170,361. The net decrease for this category was primarily comprised of an increase of \$11,311 in accounts payable and accrued expenses, a decrease of \$1,384,755 in claims payable related to health insurance, an increase in unearned revenue of \$349,559 largely due to the timing of reimbursement of grant funding, and a decrease in long term liabilities due within one year of \$146,476.

Long-term liabilities increased by \$8,790,418. The net increase for this category was due to an increase of \$8,749,262 in the net pension liability, a decrease in compensated absences of \$398,042, and an increase of \$439,198 in the liability for workers' compensation benefits.

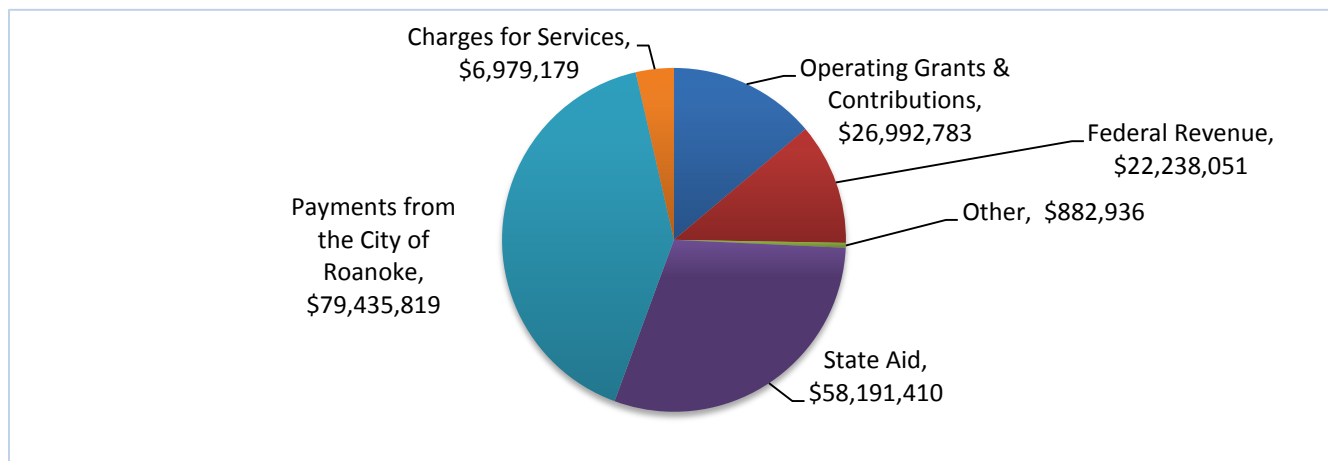
The School Board's change in net position, in the amount of \$27,641,593 exclusive of the net pension liability represents resources that are available to be used to meet the School Board's ongoing obligations to students, staff, and creditors. The increase of unrestricted net position from the prior year is \$3,281,205.

Governmental Activities. Governmental activities resulted in an increase in the School Board's net position of \$3,359,851 during the current fiscal year. Key elements of the change in net position are as follows:

- Expenses for total governmental activities exceeded program revenues by \$135 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, \$78.1 million, comprises 57.8% of total governmental activities. The net cost of operations, maintenance, and facilities was \$15.2 million, or 11.3% of total governmental activities. The net costs of other functional activities were: athletics, \$1.7 million or 1.3%; transportation, \$10.5 million or 7.8%, payments to the primary government for debt service, \$15.1 million or 11.2%, support services, \$16.1 million or 11.9%. At fiscal year-end, food services had an operating gain in net position of \$1,508,025 or (1.1%) of the government-wide net cost. Expenses for FY 2016 decreased \$2.8 million in total compared to the prior year, with a \$3.6 million decrease in the cost of instructional programs due to increases in grant funding and decreases in employee related benefits costs, a \$1.3 million decrease in food service from additional federal funding, a \$188,958 decrease in the cost of operations and maintenance; this decrease was partially offset by an increase of \$1.6 million in the cost of support services related to operational expenses, an increase of \$101,950 in transportation, and an increase of \$71,951 in athletics.
- General revenues not identifiable to specific functions or programs totaled \$138.5 million or \$3,359,851 more than the net cost of the division's programs. Total revenues for fiscal year 2016 increased \$10.0 million from the prior year. Program revenues increased by \$6.2 million or 12.4% and general revenue collections increased by \$3.8 million or 2.8%. The change in general revenue collection consisted of an increase in state aid not restricted to specific programs of \$0.7 million or 1.2%, and an increase in payments from the City of Roanoke of \$3.0 million or 3.9% from the prior year.
- The acquisitions of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. Net capital assets, accordingly, increased by \$78,646, the amount by which capital asset purchases exceeded depreciation expense in the current period and the net book value of capital assets disposed. Net capital asset increases of \$602,144 (additions of \$687,033 less retirements of \$84,889) were offset by a net increase in accumulated depreciation for the year of \$523,498.
- Decrease in compensated absences liability which affects expenses amounted to \$544,518.

Revenues and Expenses Summaries – Governmental Activities:

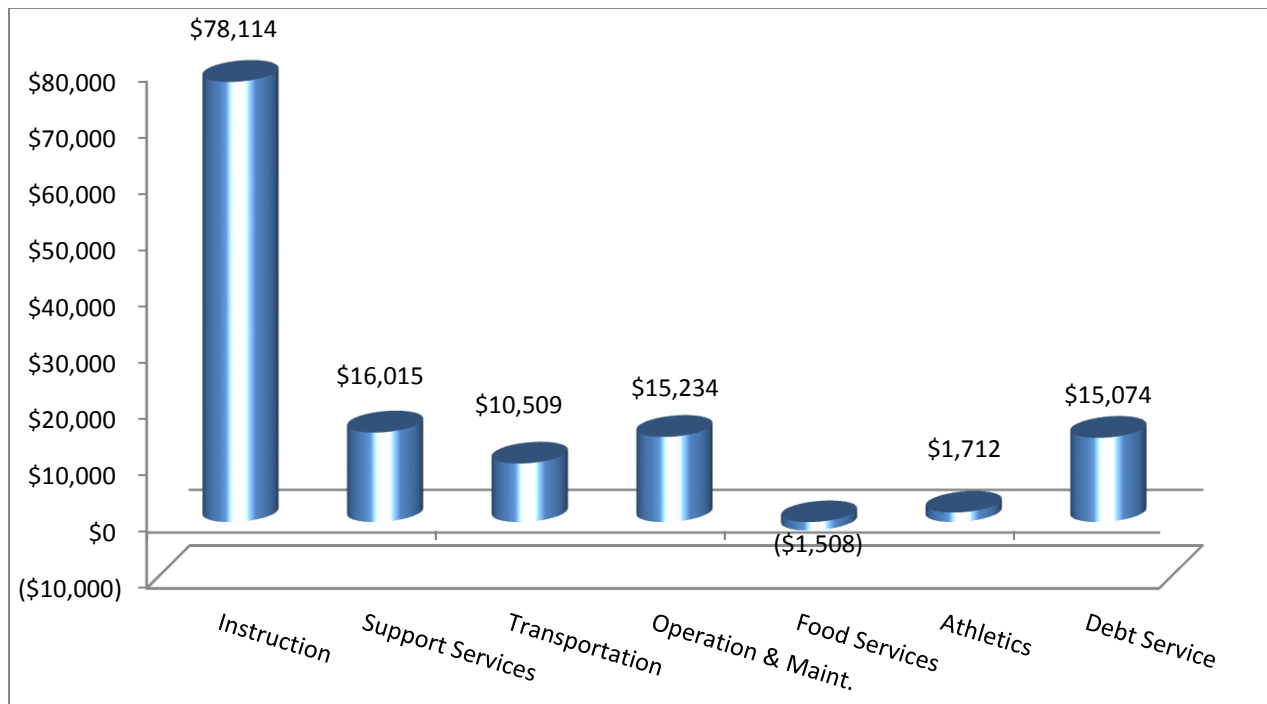
Revenues by Source – Governmental Activities:



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

	Year Ended June 30,	
	2016	2015
Revenues:		
Program Revenues:		
Charges for services	\$ 6,979,179	\$ 7,944,511
Operating grants and contributions	49,230,834	42,055,561
General Revenues:		
Payments from the City of Roanoke	79,435,819	76,437,785
State aid not restricted to specific programs	58,191,410	57,517,691
Interest Income on Investments	49,145	49,049
Other(Miscellaneous on Exhibit 2)	833,791	703,547
Total Revenues	194,720,178	184,708,144
Expenses:		
Instruction	125,138,180	124,257,802
Support Services	16,103,569	14,529,871
Transportation	10,509,337	10,407,387
Operation & Maintenance of Plant	15,234,517	15,423,475
Food Services	7,417,602	6,882,007
Athletics	1,883,433	1,826,495
Payments for Debt Service	15,073,688	14,632,053
Total Expenses	191,360,326	187,959,090
Change in net position	3,359,851	(3,250,946)
Net position - Beginning of year	(102,360,542)	(99,109,596)
Net position - End of year	\$ (99,000,691)	\$ (102,360,542)

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



Financial Analysis of the Governmental Funds

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

Governmental Fund – The focus of the School Board's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School Board's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School Board's total governmental funds reported an ending fund balance of \$27,432,935, an increase of \$802,715 in comparison with the prior year. Of that amount, \$341,965 was non-spendable, zero was restricted, \$2,537,086 was committed, \$2,999,943 was assigned, and \$21,553,940 was unassigned.

The general fund is the chief operating fund of the School Board. At the end of the current fiscal year, total fund balance of the general fund was \$24,358,949. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. The fiscal year 2016 total fund balance represents 15.7% of total general fund expenditures, compared to the prior year total fund balance which represented 14.6% of total general fund expenditures.

The fund balance of the School Board's general fund decreased \$86,296 during the current fiscal year, substantially less than the budgeted decrease of \$7.9 million. Key factors in this change are as follows:

- Revenues exceeded expenditures (excluding transfers) by \$1,627,735 or approximately 1.0% of total revenues. Revenues exceeded the budget by \$2.1 million. State revenue, including state sales tax, fell short of the budget by \$(1.8) million. Expenditures were less than the budget due to a variety of reduced costs in fiscal year 2016 including a change in the reporting of some special education funding to the school grants fund and lower health insurance costs.
- Transfers to the school grants fund for program local match funds, in the amount of \$2,860,592, reflect the commitment of the School Board to pursue grants and other special revenue sources that enhance the educational programs of the division.

The food service fund balance reflects an increase of revenues over expenditures (excluding transfers) of \$1,189,011 which was the result of an increase in meals served due to the Community Eligibility Provision initiative which began in fiscal year 2016, providing additional federal funding to the school division.

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

Capital Asset Administration

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

The School Board's investment in capital assets for its governmental activities as of June 30, 2016, totaled \$3,094,777 (net of accumulated depreciation). The investment in capital assets includes equipment and building improvements. The total increase in the School Board's gross balance of capital assets for the current fiscal year was \$687,033, netted against the retirement of assets with a net book value of \$14,193 and depreciation expense for the year of \$594,194, resulting in a net increase in capital assets of \$78,646. More detailed information about capital assets can be found in Notes I-D-3, II, and III-C of the basic financial statements.

Requests for Information

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

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

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Net Position
June 30, 2016

<u>Assets</u>	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 24,689,465
Accounts Receivable	235,887
Due From City of Roanoke	2,620,039
Due From Other Governments	10,634,825
Prepays	341,965
Net Pension Asset	999,474
Other Postemployment Benefits	507,031
Capital Assets, net	3,094,777
Total Assets	<u>43,123,463</u>
 <u>Deferred Outflows of Resources</u>	
Deferred outflows related to pensions (Note IV. A.)	<u>14,679,684</u>
Total Deferred Outflows	<u>14,679,684</u>
 <u>Liabilities</u>	
Accounts Payable and Accrued Expenses	4,441,413
Unearned Revenue	1,532,636
Claims Payable	4,969,617
Long-Term Liabilities Due Within One Year	828,608
Long-Term Liabilities:	
Workman's Compensation	1,457,876
Compensated Absences Payable	2,251,720
Net Pension liability	130,763,739
Total Liabilities	<u>146,245,609</u>
 <u>Deferred Inflows of Resources</u>	
Deferred inflows related to pensions (Note IV. A.)	<u>10,558,229</u>
Total Deferred Inflows	<u>10,558,229</u>
 <u>Net Position</u>	
Investment in Capital Assets	3,094,777
Unrestricted	(102,095,468)
Total Net Position	<u>\$ (99,000,691)</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, 2016

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
				<u>Governmental Activities</u>
Instruction:				
Regular Instruction	(75,226,258)	\$ 198,820	\$ 22,602,183	\$ (52,425,255)
Special Education	(27,444,489)	4,974,388	12,595,738	(9,874,363)
Vocational Instruction	(3,008,068)	-	945,468	(2,062,600)
Gifted	(1,293,882)	677,475	966,296	349,889
Guidance	(4,098,013)	-	745,189	(3,352,824)
Media Services	(1,113,799)	-	849,359	(264,440)
School Administration	(9,830,714)	-	1,389,496	(8,441,218)
District-Wide Instructional Programs	(3,122,957)	-	1,079,549	(2,043,408)
Support Services:	-			
Administration	(14,014,816)	37,208	-	(13,977,608)
Attendance and Health Services	(2,088,754)	-	51,466	(2,037,288)
Transportation	(10,509,337)	-	-	(10,509,337)
Operation & Maintenance of Plant	(15,234,517)	-	-	(15,234,517)
Food Services	(7,417,602)	919,537	8,006,090	1,508,025
Athletics	(1,883,433)	171,751	-	(1,711,682)
Debt Service	(15,073,688)	-	-	(15,073,688)
Total Governmental Activities	<u>\$ (191,360,327)</u>	<u>\$ 6,979,179</u>	<u>\$ 49,230,834</u>	<u>(135,150,314)</u>
General Revenues:				
Revenues from the City of Roanoke				79,435,819
State Aid not Restricted to a Specific Program				58,191,410
Miscellaneous				833,791
Interest Income on Investments				49,145
Total General Revenues				<u>138,510,165</u>
Change in Net Position				3,359,851
Net Position - Beginning of Year				<u>(102,360,542)</u>
Net Position - End of Year				<u>\$ (99,000,691)</u>

See accompanying notes to the basic financial statements

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2016

<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	\$ 21,685,134	\$ 3,004,331	\$ -	\$ 24,689,465
Accounts Receivable	177,608	58,279	-	235,887
Due From City of Roanoke	2,620,039	-	-	2,620,039
Due From Other Governments	2,567,113	191,112	7,876,600	10,634,825
Due From Other Funds	5,911,011	-	-	5,911,011
Prepays	326,238	15,727	-	341,965
Total Assets	<u>\$ 33,287,143</u>	<u>\$ 3,269,449</u>	<u>\$ 7,876,600</u>	<u>\$ 44,433,192</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>				
Liabilities:				
Accounts Payable and Accrued				
Expenditures	\$ 3,883,329	\$ 172,294	\$ 385,790	\$ 4,441,413
Claims Payable	4,899,284	23,170	47,163	4,969,617
Due to Other Funds	-	-	5,911,011	5,911,011
Unearned Revenue	-	-	1,532,636	1,532,636
Total Liabilities	<u>8,782,613</u>	<u>195,464</u>	<u>7,876,600</u>	<u>16,854,677</u>
Deferred Inflows:				
Unavailable Revenue	<u>145,580</u>	<u>-</u>	<u>-</u>	<u>145,580</u>
Total Deferred Inflows	<u>145,580</u>	<u>-</u>	<u>-</u>	<u>145,580</u>
Fund Balances:				
Non-spendable:	326,238	15,727	-	341,965
Committed:				
Committed for Workers' Compensation	1,399,561	58,315	-	1,457,876
Committed for Other Postemployment Benefits	829,210	-	-	829,210
Committed for Transportation Sinking Fund	250,000	-	-	250,000
Assigned:	-	2,999,943	-	2,999,943
Unassigned:	<u>21,553,941</u>	<u>-</u>	<u>-</u>	<u>21,553,941</u>
Total Fund Balances	<u>24,358,950</u>	<u>3,073,985</u>	<u>-</u>	<u>27,432,935</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 33,287,143</u>	<u>\$ 3,269,449</u>	<u>\$ 7,876,600</u>	

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

Receivables on the Statement of Net Position that do not provide current financial resources are reported as unavailable revenues in the funds.	145,580
Capital assets used in governmental activities are not current financial resources	3,094,777
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	(3,080,328)
Workers' compensation claims payable - long term portion is not due and payable in the current period, and therefore, is not reported as a liability in the governmental funds.	(1,457,876)
Other postemployment benefits asset	507,031
Pensions are applicable to future periods and, therefore, are not reported in the funds.	
Net Pension Asset	999,474
Net Deferred outflows related to pensions	14,679,684
Net Deferred inflows related to pensions	(10,558,229)
Net pension liability	<u>(130,763,739)</u>
	(125,642,810)

Net position of governmental activities

\$ (99,000,691)

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>School Grants Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Investment Income	\$ 49,145	\$ -	\$ -	\$ 49,145
Intergovernmental:				
City of Roanoke	79,354,317	-	-	79,354,317
Commonwealth of Virginia	75,934,391	149,696	7,161,322	83,245,409
Federal Government	-	7,542,693	14,695,358	22,238,051
Other Agencies	-	-	660,494	660,494
Charges for Services	271,779	919,538	4,974,388	6,165,705
Athletics	171,751	-	-	171,751
Miscellaneous	782,498	-	42,308	824,806
Total Revenues	<u>156,563,881</u>	<u>8,611,927</u>	<u>27,533,870</u>	<u>192,709,678</u>
Expenditures:				
Current - Education:				
Instruction	101,027,615	-	26,482,564	127,510,179
Administration, Technology, Attendance & Health	11,243,705	-	2,787,244	14,030,949
Transportation	10,442,497	-	74,369	10,516,866
Operation & Maintenance of Plant	15,327,430	-	203,724	15,531,154
Food Services	-	7,422,916	-	7,422,916
Athletics	1,821,212	-	-	1,821,212
Payments for Debt Service	15,073,687	-	-	15,073,687
Total Expenditures	<u>154,936,146</u>	<u>7,422,916</u>	<u>29,547,901</u>	<u>191,906,963</u>
Revenues Over (Under) Expenditures	<u>1,627,735</u>	<u>1,189,011</u>	<u>(2,014,031)</u>	<u>802,715</u>
Other Financing Sources (Uses):				
Transfers From Other Funds	1,146,561	-	2,860,592	4,007,153
Transfers To Other Funds	<u>(2,860,592)</u>	<u>(300,000)</u>	<u>(846,561)</u>	<u>(4,007,153)</u>
Other Financing Sources (Uses), Net	<u>(1,714,031)</u>	<u>(300,000)</u>	<u>2,014,031</u>	<u>-</u>
Net Change in Fund Balances	(86,296)	889,011	-	802,715
Fund Balances, Beginning of Year	<u>24,445,246</u>	<u>2,184,974</u>	<u>-</u>	<u>26,630,220</u>
Fund Balances, End of Year	<u>\$ 24,358,950</u>	<u>\$ 3,073,985</u>	<u>\$ -</u>	<u>\$ 27,432,935</u>
Net Change in Fund Balances				\$ 802,715
Amounts reported for governmental activities in the Statement of Activities are different due to:				
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.				81,502
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital asset purchases exceeded depreciation expense and losses on disposal in the current period.				78,646
Decrease in compensated absences payable reported in the Statement of Activities, represent a use of current financial resources and therefore are reported as expenditures in governmental funds. Amounts were previously recorded in the statement of activities.				544,517
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.				
Employer pension contributions			11,631,054	
Net Pension Expense			(11,504,760)	
Special Revenue Allocation			<u>1,929,000</u>	2,055,294
Increases in long-term Worker's Compensation do not represent a use of current financial resources, and therefore, are not reported in governmental funds.				(439,198)
Decrease in other postemployment benefits payable, reported in the Statement of Activities, does not represent a use of current financial resources and therefore is not reported in the governmental funds.				<u>236,375</u>
Change in net position of governmental activities				<u>\$ 3,359,851</u>

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Fiduciary Assets and Liabilities
June 30, 2016

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	<u>\$ 941,307</u>
<u>Liabilities</u>	
Accounts Payable	\$ 104,615
Due to Students	836,692
Total Liabilities	<u>\$ 941,307</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, 2016

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

B. Government-wide and Fund Financial Statements.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular

function. Other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

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

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

The School Board reports the following major governmental funds:

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

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

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

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

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

Additionally, the School Board reports the following funds:

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

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balances

1. *Deposits and Investments.*

The School Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Short-term investments consist of the Local Government Investment Pool (LGIP) and a money market account. Interest income is allocated to the participating funds based on each fund's cash balance. School activity funds are managed by the individual school principals. Cash and cash equivalents are recorded at cost, which approximates market value.

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

Transactions between funds and other entities that are representative of the recognition of revenues or expenditures are referred to as "due to/from" the other funds or entities. "Other Funds" are funds managed by the School Board. "Other Governments" can include the Federal Government, the Commonwealth of Virginia (Commonwealth), or school divisions other than the City of Roanoke. Amounts due to the General Fund from the Grants Fund at June 30, 2016 are \$ 5,911,011. There are no other amounts due to or from any other fund.

3. *Capital Assets.*

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

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

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

4. *Compensated Absences Payable.*

It is the School Board's policy to permit employees to accumulate earned but unused compensated absences including vacation and sick leave. For government-wide financial reporting, a liability is recorded for compensated absences and salary-related benefits (the School Board's share of Social Security) when services are rendered and employees have earned the right to receive compensation for such services. Sick leave is payable for employees who retire or resign with ten years of benefited service with the School Board. The maximum unused sick leave days that can be paid out are 180. An estimate of the sick leave liability has been included with compensated absences based on current

accumulated sick leave and management's estimate of those employees who will ultimately receive this payout. The liability for compensated absences will be liquidated through the appropriate fund as a function of payroll.

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, no expenditure is reported in the governmental fund statements for compensated absences until they are due for payment. Current (amounts expected to be paid within one year) and non-current portions of compensated absences totaling \$3,080,328 are recorded for governmental activities in the entity-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. *Workers' Compensation Claims Payable*

In the fund financial statements, an actuarial estimate of the School Board's short-term liability for workers' compensation claims of \$579,243 is included as a component of claims payable. The remaining \$1,457,876 is deemed non-current and included as part of fund balance committed for workman's compensation claims, and a liability in the statement of net position.

6. *Unearned Revenue*

Unearned revenue represents revenue that is initially recorded as a liability but is expected to become an asset over time and/or through normal operations, such as a payment that has been received for work that has not yet been performed. Total unearned revenue at June 30, 2016 was \$1,532,636 which was for the School Grants Fund.

7. *Deferred Inflows and Outflows*

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School Board has three items that qualify for reporting in this category. The first item consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The second item results from participation in the Virginia Retirement System's teacher cost sharing pension plan, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred outflow. The third consists of changes in assumptions used by the actuaries in calculating the net pension liability.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School Board has four types of these items. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from other receivables not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period. The third item, changes in proportion from participation in the City of Roanoke's cost sharing plan, is similar in nature to the deferred outflows described above. The fourth consists of differences between actual and expected experience for economic or demographic factors in the total pension liability calculation.

8. *Other Postemployment Benefits.*

In the government-wide statement of net position, an actuarial estimate of the School Board's annual required contribution for other postemployment overfunded benefit of (\$507,031) is included. At June 30, 2016 the Schools show a committed fund balance for OPEB of \$829,210 to attempt to offset the future costs of any unfunded liability.

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

9. *Prepays*

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

10. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the School Division's Retirement Plan and the additions to/deductions from the School Division's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. *Fund Balances and Net Position.*

Fund Balances

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

The classifications are as follows:

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

Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

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

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

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

The Board establishes fund balance commitments by passage of a resolution. This is typically done in conjunction with adoption and amendment of the budget. Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

Restricted Amounts

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

Minimum Fund Balance Policy

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Management's policy is to cancel all open purchase orders at June 30th 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, 2016.

E. Intergovernmental Revenue

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

F. Interfund Transactions

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

G. 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.

H. Tax Status

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

II. Details of the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that "the acquisitions of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense and the net book value of capital assets disposed exceeded capital asset purchases in the current period". The details of this \$78,646 difference are as follows:

	Capital	Depreciation	Net Book Value	Net Change in
	Outlay	Expense	of Assets Disposed	Capital Assets
Regular Instruction	\$ 223,913	\$ (262,914)	\$ (11,319)	\$ (50,320)
Administration	350,441	(260,853)	-	89,588
Transportation	-	(3,139)	-	(3,139)
Operation/Maintenance	112,679	(67,288)	(2,874)	42,517
	<u>\$ 687,033</u>	<u>\$ (594,194)</u>	<u>\$ (14,193)</u>	<u>\$ 78,646</u>

Another element of that reconciliation states that "decreases, reported in the statement of activities, do not represent expense from current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$105,320 difference are as follows:

	Compensated Absences	Workers' Compensation	Total
Liability as of June 30, 2016	\$ 3,080,328	\$ 1,457,876	\$ 4,538,204
Liability as of June 30, 2015	3,624,846	1,018,678	4,643,524
Current Year Increase (Decrease)	<u>\$ (544,517)</u>	<u>\$ 439,198</u>	<u>\$ (105,319)</u>

Another element of that reconciliation is "increase in other postemployment benefits asset". The details of this \$236,375 difference are as follows:

	OPEB (Asset)
Net OPEB Asset as of June 30, 2015	\$ (270,656)
Net OPEB Asset as of June 30, 2016	(507,031)
Current Year Increase in OPEB Asset	<u>\$ 236,375</u>

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

A. Deposits and Investments

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

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

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

As of June 30, 2016, the School Board's investments, with their respective credit ratings, were as follows:

Investment Type	Credit Rating
Virginia LGIP	AAAm

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

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

As of June 30, 2016, the School Board had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Virginia LGIP	\$ 16,037,161	\$ 16,037,161
Money Market Account	5,120,425	5,120,425
TOTAL	\$ 21,157,586	\$ 21,157,586

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, 2016, the School Board had the following cash and investments:

Cash	\$ 15,925
Deposits	4,457,261
Money Market Account	5,120,425
Virginia LGIP	16,037,161
Total Cash and Investments	<u><u>\$25,630,772</u></u>

Statements of net position:	
Cash and cash equivalents	\$ 24,689,465
Fiduciary fund cash and cash equivalents	941,307
Total Cash and Investments	<u><u>\$25,630,772</u></u>

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

Credit Risk. State law (Code of Virginia, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or school divisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the State and Local Government Investment Pool (LGIP).

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

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

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

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

As of June 30, 2016, 62.6 percent of the School Board's investment portfolio was invested in the Virginia LGIP and 20.0 percent was invested in the money market account.

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

B. Due from Other Governments

Due from other governments as of June 30, 2016, for the School Board's individual major funds is as follows:

	<u>General</u>	<u>Food Service</u>	<u>School Grants</u>	<u>Total</u>
Commonwealth of Virginia	\$2,567,113	\$66,731	\$1,327,736	\$3,961,580
Federal Government	-	124,381	6,548,864	6,673,245
City of Roanoke	2,620,039	-	-	2,620,039
Totals	<u>\$5,187,152</u>	<u>\$191,112</u>	<u>\$7,876,600</u>	<u>\$13,254,864</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital Assets				
Equipment:				
Instruction	\$ 4,277,894	\$ 223,913	\$ 51,472	\$ 4,450,335
Administration	1,690,963	350,441	15,425	2,025,980
Transportation	37,670	-	-	37,670
Maintenance	1,507,854	112,679	17,992	1,602,540
Total Equipment	7,514,381	687,033	84,889	8,116,525
Less:				
Accumulated Depreciation	(4,498,250)	(594,194)	70,696	(5,021,748)
Governmental activities, net	<u>\$ 3,016,131</u>	<u>\$ 92,839</u>	<u>\$ 14,193</u>	<u>\$ 3,094,777</u>

Depreciation expense and accumulated depreciation was allocated as follows:

	Balance			Balance
Depreciation per class:	June 30, 2015	Additions	Deletions	June 30, 2016
Instruction	\$ (2,259,377)	\$ (262,914)	\$ 40,153	\$ (2,482,138)
Administration	(985,239)	(260,853)	15,426	(1,230,666)
Transportation	(28,004)	(3,139)	-	(31,143)
Maintenance	(1,225,630)	(67,288)	15,117	(1,277,801)
Accumulated Depreciation	\$ (4,498,250)	\$ (594,194)	\$ 70,696	\$ (5,021,748)

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 expenditures of the School Board's operating funds.

D. Transfers

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

Inter-fund Transfers consisted of the following for the year ended June 30, 2016:

From:	To General Fund	To School Grants	Total
General Fund	\$ -	\$ 2,860,592	\$ 2,860,592
Food Service	300,000	-	300,000
School Grants	846,561	-	846,561
	\$ 1,146,561	\$ 2,860,592	\$ 4,007,153

E. Accounts Payable and Accrued Expenditures

The composition of accounts payable and accrued expenditures as of June 30, 2016, is as follows:

	<u>General</u>	<u>Food Service</u>	<u>School Grants</u>	<u>Total</u>
Accrued Payroll	\$ 1,250,941	\$ 15,725	\$ 94,073	\$ 1,360,739
Payroll Withholdings	238,583	8,615	27,294	274,492
Flexible Spending	32,968	-	-	32,968
Accounts Payable	2,360,837	147,954	264,424	2,773,215
Totals	\$ 3,883,329	\$ 172,294	\$ 385,790	\$ 4,441,413

F. Claims Payable

As of June 30, 2016, the composition of claims payable includes amounts held to pay current health insurance and workers' compensation claims is as follows:

	<u>General</u>	<u>Food Service</u>	<u>School Grants</u>	<u>Total</u>
Health Insurance	\$ 4,355,350	\$ -	\$ 35,024	\$ 4,390,374
Workers' Compensation	543,934	23,170	12,139	579,243
Totals	<u>\$ 4,899,284</u>	<u>\$ 23,170</u>	<u>\$ 47,163</u>	<u>\$ 4,969,617</u>

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

G. Compensated Absences Payable

The change in compensated absences payable is summarized below:

Balance June 30, 2015	\$ 3,624,846
Increases	2,957,543
Decreases	<u>(3,502,061)</u>
Balance June 30, 2016	\$ 3,080,328
Amount Due Within One Year	<u>(828,608)</u>
Long-Term Payable	<u>\$ 2,251,720</u>

Long-term payables are liquidated using general fund resources unless funds are otherwise committed in fund balance. See note III.H. for further details of commitments.

H. Fund Balances

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

The non-spendable portion of fund balance in the general fund and food service is \$326,238 and \$15,727 respectively.

Commitments at June 30, 2016, consist of the following:

General Fund:

- 1) \$1,399,561 for long-term worker's compensation claims.
- 2) \$829,210 for other postemployment benefits.
- 3) \$250,000 for transportation sinking fund

Food Service Fund:

\$58,315 for long-term workers' compensation claims

Assignments at June 30, 2016, consist of the following:

Food Service Fund:

\$2,999,943 for the operational activities of the fund

IV. Other Information

A. Defined Benefit Pension Plans

General Information about the Teacher Cost Sharing Pool

Plan Description

All full-time, salaried permanent (professional) employees of Virginia school divisions, including the Roanoke School Board (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a multiple employer cost-sharing plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

Prior to the adoption of GASB Statement No. 68 in fiscal year 2015, Virginia local school divisions were required to disclose information about their contributions to the teacher cost-sharing plan, but not report a proportionate share of the plan's net pension liability. Upon adoption of the new pension standards in 2015, the School Division now reports its proportionate share of the plan's net pension liability as well as certain other deferred inflows and/or outflows as disclosed below.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan is as follows:

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the

member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.
- **Normal Retirement Age** – Age 65
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Plan 2 - Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.

- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013 same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes school division employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include school division employees eligible for an optional retirement plan (ORP) who must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service** –
 - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service and is generally subject to the same terms as in Plans 1 and 2.
 - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

- **Vesting –**
 - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component:** See definition under Plan 1.
 - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
- **Normal Retirement Age –**
 - **Defined Benefit Component:** Same as Plan 2.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.
- **Earliest Reduced Retirement Eligibility –**
 - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
 - **Defined Benefit Component:** Same as Plan 2.
- **Disability Coverage –** Employees of school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –** As with Plans 1 and 2, members may choose to purchase prior service credits subject to the Plan provisions.

Actuarial Assumptions – General Employees

The total pension asset for General Employees in the School Division's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

Mortality rates: General employees -14% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows: General Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Long-Term Expected Rate of Return (LTEROR)

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic LTEROR	Weighted Average LTEROR
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50 %	6.28 %	1.04 %
Emerging Market Equity	6.00 %	10.00 %	0.60 %
Fixed Income	15.00 %	0.09 %	0.01 %
Emerging Debt	3.00 %	3.51 %	0.11 %
Rate Sensitive Credit	4.50 %	3.51 %	0.16 %
Non Rate Sensitive Credit	4.50 %	5.00 %	0.23 %
Convertibles	3.00 %	4.81 %	0.14 %
Public Real Estate	2.25 %	6.12 %	0.14 %
Private Real Estate	12.75 %	7.10 %	0.91 %
Private Equity	12.00 %	10.41 %	1.25 %
Cash	1.00 %	(1.50)%	(0.02)%
Total	100.00 %		5.83 %
	Inflation		2.50 %
	* Expected arithmetic nominal return		8.33 %

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the school division's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The school division's allocated portion of this contribution, included in operating grants and contributions in the Statement of Activities, was \$1,929,000. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$11,164,143 and \$11,825,296 for the years ended June 30, 2016 and June 30, 2015, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the school division reported a liability of \$125,881,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 1.00014% as compared to 0.982% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$9,927,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,733,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	7,709,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,009,000	-
Employer contributions subsequent to the measurement date	<u>11,164,143</u>	<u>-</u>
Total	<u>\$ 14,173,143</u>	<u>\$ 9,442,000</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$11,164,143 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (2,705,000)
2018	(2,705,000)
2019	(2,705,000)
2020	1,650,000
2021	32,000

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability of the school division using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ (184,215,000)</u>	<u>\$ (125,881,000)</u>	<u>\$ (77,860,000)</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Defined Benefit Pension Plan – Nonprofessional Employees

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the Roanoke School Board, (the "School Division") are automatically covered by the VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

Plan participants are covered under three different benefit structures – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those of the professional (teacher) plan.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>5</u>
Inactive members:	
Vested inactive members	5
Non-vested inactive members	121
Inactive members active elsewhere in VRS	<u>14</u>
Total inactive members	140
Active members	<u>108</u>
Total covered employees	<u><u>253</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The school division's contractually required contribution rate for the year ended June 30, 2016 was 8.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$126,073 and \$126,993 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Asset

The school division's net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balances at June 30, 2014	\$1,099,212	\$2,020,026	\$(920,814)
Changes for the year:			
Service cost	250,347	-	250,347
Interest	75,430	-	75,430
Differences between expected and actual experience	(71,963)	-	-
Contributions – employer	-	103,468	(71,963)
Contributions – employee	-	131,040	(103,468)
Net investment income	-	99,131	(99,131)
Benefit payments, including refunds of employee contributions	(43,270)	(43,270)	-
Administrative expenses	-	(1,144)	1,144
Other changes	-	(21)	21
Net changes	210,544	289,204	(78,660)
Balances at June 30, 2015	\$1,309,756	\$2,309,230	\$(999,474)

Sensitivity of the Net Pension (Asset) to Changes in the Discount Rate

The following presents the net pension asset of the school division using the discount rate of 7.00%, as well as what the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's net pension liability	\$ (787,154)	\$ (999,474)	\$ (1,169,741)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the school division recognized pension expense of \$7,041. At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 50,417
Change in assumptions	-	-
Net difference between projected and actual earnings		47,997
on pension plan investments	-	-
Employer contributions subsequent to the measurement date	<u>126,073</u>	<u>-</u>
Total	<u><u>\$ 126,073</u></u>	<u><u>\$ 98,414</u></u>

The \$126,073 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2017	\$ (40,806)
2018	(40,806)
2019	(26,586)
2020	9,784

City of Roanoke Pension Plan

Plan Description

The City of Roanoke Pension Plan (Plan) is a cost-sharing, multiple employer, defined benefit pension plan. Of which the Roanoke City School Board is a participant and covers certain non-professional employees of the School Board who were hired prior to June 1, 2006. Effective July 1, 2006 this plan was closed to new employees.

The Pension Plan was established by the City on July 1, 1946. The responsibility for the general administration and proper operation of the Plan is vested in the Board of Trustees. City Council appoints the nine-member Board. The Board consists of the Mayor, City Manager (or his designee), and the

Director of Finance, all of whom serve as ex-officio members, two non-member citizen trustees, who must have experience in the investment of institutional funds or pension administration, one member trustee, who must be an employee of the City's Police or Fire departments, one member trustee who is a City employee other than Police or Fire, one member trustee, who is employed by one of the Plan's other participating employers, and one retired member trustee.

The Plan is established under authority of City Council and is governed by, and administered in accordance with, Chapter 22.3, Pensions and Retirement, of the Code of the City of Roanoke (as amended). City Council maintains the authority to establish or amend the provisions of this Chapter.

As of July 1, 1984, the Plan changed its name from Employees' Retirement System (ERS) of the City of Roanoke, Virginia to the City of Roanoke Pension Plan and incorporated a provision for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by ERS. As disclosed in the letter of transmittal, all Plan related administrative and benefit provisions are established by City ordinance, as contained in Chapter 22.3 of the Code of the City of Roanoke. The Plan maintains a single trust from which ERS and ESRS benefits and all Plan expenses are paid.

Coverage under the ESRS was mandatory for all employees hired or rehired on or after July 1, 1984. On November 28, 1994, June 1, 1998, 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. 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%) 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 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, general employees who have attained age 50 with age plus service equal to 80, and police officers and firefighters who have attained age 45 with age plus service equal to 70, 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 under age 65 terminate before rendering five years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

On May 15, 2000, City Council authorized the Board of Trustees to enter into an agreement with the Virginia Retirement System or other school divisions of the Commonwealth of Virginia, having a defined benefit plan that is not supplemental to the Virginia Retirement System, allowing eligible members of ESRS the option of portability of creditable service between plans. Portability provides ESRS members the opportunity to transfer their vested pension benefits from one Virginia government employer to another. The Board of Trustees has entered into Reciprocal Asset Transfer and Pension Portability Agreements with the Virginia Retirement System and the Newport News Employee's Retirement Fund.

Effective July 1, 2000, City Council adopted provisions providing members of ESRS an opportunity to purchase eligible prior service credit in the Plan. This provision permits members who were formerly grant employees and members who have participated in the portability provisions of the plan to purchase certain eligible service credit.

The Plan also received a private letter ruling dated August 7, 2000 from the Internal Revenue Service allowing the purchase of eligible prior service credit via payroll deduction on a tax-deferred basis.

Effective June 1, 2002, City Council adopted a restatement of the Chapter of the City Code governing the Plan. Included in the restatement was a provision allowing the purchase of prior service credit using a trustee-to-trustee transfer of eligible funds from Internal Revenue Code Section 457 and 403(b) deferred compensation plans.

As part of Chapter 22.3 of City Code, The Plan provides cost of living supplements to members that retire before July 1, 2014 and those members that retire on or after July 1, 2014 and have at least 15 years of creditable service. Members must be retired for one full year to be eligible for a cost of living supplement. The amount of the cost of living supplement is determined annually as 2/3rds of the United States Average Consumer Price Index. The percentage increase for any one (1) year shall not exceed the lesser of four (4) percent or the pay raise awarded generally to active employees.

Employees do not contribute to the Plan unless purchasing service. Approximately 90 days prior to the beginning of each of the City's fiscal years, the Plan files with the City Manager its certification of the appropriation necessary to pay the required contribution as certified by the actuary and such amount is included in the City's annual budget and adopted by City Council. As a governmental plan, the Plan is currently not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974, as amended. For the fiscal year 2016 and 2015, the annual required contribution was \$340,838 and \$527,115 respectively with a contribution rate of 13.02% in fiscal year 2016 and 19.59% in fiscal year 2015.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, updated to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	2.75% percent, inflation plus 0.5% for national productivity plus merit (age-based)
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments	1.83 percent for eligible participants, based on 2/3 of assumed inflation

Mortality rates or pre-retirement and healthy annuitants were based on 125% of RP-2000 Combined Healthy Mortality for males and females with generation mortality projection using Scale AA. For Disabled's, mortality rates were based on 70% of PBGC Disabled Mortality Table 5A for males and 90% of PBGC Disabled Mortality Table 6A for females.

Investment Rate of Return. The long-term expected rate of return on pension plan investments was determined using projected long-term rates of returns developed for each asset class. The expected long- term rate of return for each asset class as weighted by the Investment Policy target asset allocation was used, to derive the overall expected rate of return for the portfolio. The following table reflected the long- term expected rate of return based upon the defined target allocation for each asset class as defined in the Statement of Investment Policy:

	<u>Allocation Target</u>	<u>Weighted Contribution to Rate of Return</u>
Equity		
US Equity	48.5%	4.85%
International Equity	22.0%	2.42%
Real Estate	6.0%	0.42%
Fixed Income		
US Fixed Income	<u>23.5%</u>	<u>1.18%</u>
Total	<u><u>100.0%</u></u>	<u><u>8.87%</u></u>

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan would be made based on actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City of Roanoke Pension Plan – Roanoke City School Board, calculated using the discount rate of 7.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage- point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% decrease (6.75%)	Current discount (7.75%)	1.00% Increase (8.75%)
Net Pension Liability – June 30, 2015	<u>\$ 6,936,641</u>	<u>\$ 4,882,739</u>	<u>\$ 3,149,029</u>

At June 30, 2016, the Schools reported a liability of \$4,882,739 for its proportionate share of the Collective Net Pension Liability of the City's Pension Plan. The Collective Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Collective Net Pension Liability was determined by an actuarial valuation as of that date. The Schools' proportion of the Collective Net Pension Liability was based on the Schools' actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for the City Plan's participating employers.

At June 30, 2015, the Schools' proportion was 3.4839% as compared to 3.6259% at June 30, 2014.

At June 30, 2015 the schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 118,559
Change in assumptions	39,630	-
Net difference between projected and actual earnings on pension plan investments	-	478,642
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	420,614
Employer contributions subsequent to the measurement date	340,838	-
Total	<u>\$ 380,468</u>	<u>\$ 1,017,815</u>

\$380,468 is reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2016	\$ (254,454)
2017	(254,454)
2018	(254,454)
2019	(254,453)
Thereafter	

Pension Plan Fiduciary Net Position

Detailed information about the Fiduciary Net Portion of the City's pension plan is available in the separately issued Comprehensive Annual Financial Report (CAFR). A copy of the 2014 CAFR may be downloaded from the Roanoke City, Virginia's website at <http://www.roanokeva.gov/ArchiveCenter/ViewFile/Item/464> or by writing to the City's Director of Finance at 215 Church Avenue, SW, Room 461, Roanoke, Virginia 24011.

B. Other Post-Employment Benefits

a. Plan Descriptions

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

b. Funding Policies

The contribution requirements of the Roanoke City Public Schools Healthcare Plan members and the Roanoke City Public Schools are established and may be amended by the Roanoke City School Board. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health and dental insurance, the School Board contributes 0% of all premium payments, and the retirees contribute 100%. Employees who retired on or before July 1, 2010, participate in the plan at a group rate which is blended with that of active employees. Employees who retired after that date pay an unblended group rate. For the fiscal year ended June 30, 2015, the Roanoke City Public Schools retirees contributed \$388,884 to the Roanoke City Public Schools Healthcare Plan. The retiree's claims amounted to \$844,457 for the same time period.

c. Annual OPEB Cost and Net OPEB Obligation (Asset)

The Roanoke City Public Schools' annual other post-employment benefit (OPEB) cost(expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Roanoke City Public Schools' annual OPEB cost for fiscal year end 2015, the amount actually contributed to the plan, and changes in the Roanoke City Public Schools' net OPEB obligation to the Retiree Health Benefit Fund:

Components of Annual OPEB Cost

	<u>Healthcare Plan</u>
Annual Required Contribution	\$ 195,023
Interest on net OPEB Obligation	(10,826)
Adjustment to net OPEB liability:	<u>35,001</u>
Annual OPEB Cost	219,198
Contributions made	<u>(455,573)</u>
Increase in net OPEB asset	(236,375)
Net OPEB asset at July 1, 2015	<u>(270,656)</u>
Net OPEB asset at June 30, 2016	<u><u>\$ (507,031)</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 (asset) for the past three years are shown below:

<u>Fiscal Year</u> <u>Ended</u>	<u>Contribution</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation (Asset)</u>
June 30, 2016	\$ 455,573	\$ 219,198	207.8%	\$ (507,031)
June 30, 2015	535,202	234,239	228.5%	(270,656)
June 30, 2014	716,705	191,319	374.6%	30,307

d. Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the Roanoke City Public Schools' Healthcare Plan was zero percent funded. The actuarial accrued liability for benefits was \$636,468 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$636,468. The covered payroll was \$0. The plan does not have separately issued financial statements.

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

e. Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information

following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial valuation of the liabilities as of June 30, 2016 is based on a closed group. Current retirees only are considered; no provision is made for future hires as they are not eligible to enter the plan. For the five-year projection, the actuarial valuation has assumed no new entrants. Therefore, the active population will decline each year as the exiting group ages out of coverage.

f. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 valuation, the projected unit credit actuarial cost method was used. Past service liability is amortized over a level dollar, open 20 year period that declines year per year. The remaining amortization period at July 1, 2016 was 10 years.

The actuarial assumptions included a 4 percent discount rate. A general inflation rate of 2.5% is used. Annual medical rates are expected to increase at an annual trend rate of 8.0% for the year ending June 30, 2016. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

C. Jointly Governed Organizations

The counties of Craig, Botetourt, and Franklin, and the cities of Roanoke and Salem jointly participate in a regional education program for severely handicapped students, operated by the Roanoke Valley Regional Board (Regional Board). The Regional Board is composed of six members, one from each participating locality. The School Board has control over budget and financing of the venture only to the extent of representation by the one board member appointed. Each locality's financial obligation is based on its proportionate share of students attending the regional program. For the fiscal year ended June 30, 2016, the School Board remitted \$5,489,200 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, 2016 we had contracts for ongoing asbestos monitoring, annual walkthroughs, permit review and sampling. The total obligation for the remaining portion of these contracts is \$0. During fiscal year 2016, RCPS expended \$131,063 for pollution remediation of certain environmental products including paints, solvents and cleaners and asbestos monitoring which is included in amounts shown for Operation and Maintenance of Plant on both the district-wide Statement of Activities (exhibit 2) and the governmental Statement of Revenues, Expenditures, and Changes in Fund Balances (exhibit 4). Management is not aware of any obligation related to removal or disposal of any other paints, chemicals, cleaning fluids, etc., other than those items already properly removed and disposed.

E. Risk Management

The School Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school division, through a competitive procurement process is using the professional services of a firm to assist in determining

appropriate levels of insurance coverage. Further, the firm assists with the placement of coverage with third party providers, including the Virginia Municipal League as noted below. Risk management activities are accounted for in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported (IBNR) primarily based upon past claims and an estimate by a qualified claims adjuster with a third party administrator. Workers' compensation claims have been estimated by an actuary.

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

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

	Healthcare Claims	Workers' Compensation	Total
Fiscal Year 2015-16:			
Claims liability at July 1	\$ 5,747,406	\$ 1,625,644	\$ 7,373,050
Claims incurred (including IBNR and changes in estimates)	15,290,346	1,093,560	16,383,906
Claim payments	(16,647,378)	(682,085)	(17,329,463)
Claims liability at June 30	<u>4,390,374</u>	<u>2,037,119</u>	<u>6,427,493</u>
Due within one year	<u>4,390,374</u>	<u>579,243</u>	<u>4,969,617</u>
Long-term payable	<u>\$ -</u>	<u>\$ 1,457,876</u>	<u>\$ 1,457,876</u>
Fiscal Year 2014-15:			
Claims liability at July 1	\$ 4,629,630	\$ 2,048,334	\$ 6,677,964
Claims incurred (including IBNR and changes in estimates)	17,191,787	447,985	17,639,772
Claim payments	(16,074,011)	(870,675)	(16,944,686)
Claims liability at June 30	<u>5,747,406</u>	<u>1,625,644</u>	<u>7,373,050</u>
Due within one year	<u>5,747,406</u>	<u>606,966</u>	<u>6,354,372</u>
Long-term payable	<u>\$ -</u>	<u>\$ 1,018,678</u>	<u>\$ 1,018,678</u>

F. Contingent Liabilities

Grants

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

Litigation

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

Contract Renewal

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

Total net payments to Mountain Valley Transportation during fiscal year 2016 and 2015 were \$10,965,923 and \$9,711,993 respectively. Future payments to Mountain Valley Transportation will depend upon the level of service (e.g., number of routes) required by RCPS.

G. New Accounting Pronouncements

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at

amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION



THIS PAGE INTENTIONALLY BLANK

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Investment Income	\$ -	\$ -	\$ 49,145	\$ 49,145
Intergovernmental:				
City of Roanoke	76,579,200	77,805,200	79,354,317	1,549,117
Commonwealth of Virginia	75,860,534	75,860,534	75,934,391	73,857
Other Revenue	2,100,000	2,150,000	1,226,028	(923,972)
Total Revenues	<u>154,539,734</u>	<u>155,815,734</u>	<u>156,563,881</u>	<u>748,147</u>
Expenditures:				
Current - Education:				
Instruction	104,941,106	106,166,244	101,027,615	5,138,629
Administration, Technology, Attendance & Health	13,424,400	13,079,666	11,243,705	1,835,961
Transportation	11,042,050	10,862,050	10,442,497	419,553
Operation & Maintenance of Plant	15,513,119	15,513,119	15,327,430	185,689
Athletics	1,800,000	1,900,000	1,821,212	78,788
Payments for Debt Service	15,954,528	15,254,124	15,073,687	180,437
Total Expenditures	<u>162,675,203</u>	<u>162,775,203</u>	<u>154,936,146</u>	<u>7,839,057</u>
Revenues (Under) Over Expenditures	<u>(8,135,469)</u>	<u>(6,959,469)</u>	<u>1,627,735</u>	<u>8,587,204</u>
Other Financing Sources (Uses):				
Transfers From Other Funds	300,000	300,000	1,146,561	846,561
Transfers To Other Funds	-	-	(2,860,592)	(2,860,592)
Other Financing Sources (Uses), Net	<u>300,000</u>	<u>300,000</u>	<u>(1,714,031)</u>	<u>(2,014,031)</u>
Net Change in Fund Balance	(7,835,469)	(6,659,469)	(86,296)	6,573,173
Fund Balances, Beginning of Year	<u>24,445,246</u>	<u>24,445,246</u>	<u>24,445,246</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 16,609,777</u>	<u>\$ 17,785,777</u>	<u>\$ 24,358,950</u>	<u>\$ 6,573,173</u>

See accompanying notes to the budgetary comparison schedules

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Budgetary Comparison Schedule
Food Service Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original		Final			
Revenues:						
Intergovernmental:						
Commonwealth of Virginia	\$ 157,502	\$	143,935	\$	149,696	\$ 5,761
Federal Government	6,048,608		7,097,849		7,542,693	444,844
Charges for Services	803,548		803,548		919,538	115,990
Total Revenues	7,009,658		8,045,332		8,611,927	566,595
Expenditures:						
Current - Education:						
Food Services	7,152,836		8,152,836		7,422,916	729,920
Total Expenditures	7,152,836		8,152,836		7,422,916	729,920
Revenues Over Expenditures	(143,178)		(107,504)		1,189,011	(163,325)
Other Financing Sources (Uses):						
Transfers To Other Funds	(300,000)		(300,000)		(300,000)	-
Other Financing Sources (Uses), Net	(300,000)		(300,000)		(300,000)	-
Net Change in Fund Balance	(443,178)		(407,504)		889,011	(163,325)
Fund Balances, Beginning of Year	2,184,974		2,184,974		2,184,974	-
Fund Balances, End of Year	\$ 1,741,796	\$	1,777,470	\$	3,073,985	\$ (163,325)

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, 2016

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, 2016.

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, 2016

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
6/30/2016	\$ -	\$ 636,468	\$ 636,468	0.00%	N/A	N/A
6/30/2015	-	1,450,062	1,450,062	0.00%	N/A	N/A
6/30/2014	-	1,919,200	1,919,200	0.00%	N/A	N/A
6/30/2013	-	2,015,639	2,015,639	0.00%	N/A	N/A
6/30/2012	-	2,166,661	2,166,661	0.00%	N/A	N/A
6/30/2011	-	2,437,419	2,437,419	0.00%	N/A	N/A
6/30/2010	-	4,083,544	4,083,544	0.00%	N/A	N/A
6/30/2009	-	7,964,432	7,964,432	0.00%	85,979,029	9.3%
6/30/2008	-	20,074,254	20,074,254	0.00%	83,474,785	24.0%

Schedule of Employer Contributions		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	\$ 195,023	207.84%
2015	236,620	228.50%
2014	230,083	374.6%
2013	230,862	120.3%
2012	244,094	292.8%
2011	289,043	209.6%
2010	684,706	55.8%

Fiscal Year	Annual OPEB Cost	Contribution	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 219,198	\$ 455,573	207.84%	\$ (507,031)
6/30/2015	234,239	535,202	228.50%	(270,656)
6/30/2014	191,319	716,705	374.60%	30,307
6/30/2013	193,701	233,028	120.30%	555,693
6/30/2012	180,534	714,619	395.80%	595,020
6/30/2011	289,043	605,735	209.60%	1,129,105
6/30/2010	684,706	381,702	55.80%	1,445,797

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
June 30, 2016

Schedule D

	Schools- Nonprofessional Employees	
	2015-16	2014-15
Total Pension Liability		
Service cost	\$ 250,347	\$ 238,778
Interest on total pension liability	75,430	57,278
Changes in benefit terms	-	-
Difference between expected and actual experience	(71,963)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(43,270)	(30,199)
Net change in total pension liability	210,544	265,857
Total pension liability - beginning	1,099,212	833,355
Total pension liability - ending	1,309,756	1,099,212
Plan Fiduciary Net Position		
Contributions - employer	103,468	167,937
Contributions - employee	131,040	112,035
Net investment income	99,131	259,744
Benefit payments, including refunds of employee contributions	(43,270)	(30,199)
Administrative expenses	(1,144)	(1,173)
Other	(21)	14
Net change in plan fiduciary net position	289,204	508,358
Plan fiduciary net position - beginning	2,020,026	1,511,668
Plan fiduciary net position - ending	2,309,230	2,020,026
Net pension Asset - ending	\$ (999,474)	\$ (920,814)
Plan fiduciary net position as a percentage of total pension asset	176%	184%
Covered employee payroll	\$ 2,291,710	\$ 2,220,265
Net pension asset as a percentage of covered employee payroll	-44%	-41%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data is available. However, additional years will be included as they become available.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2016

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Schools - Nonprofessional Employees					
2016	\$ 126,073	\$ 126,073	\$ -	\$ 2,294,401	5.49%
2015	126,993	126,993	-	2,291,710	5.54%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data are available. Additional years will be included as they become available.

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**

**VRS TEACHER RETIREMENT PLAN
June 30, 2016**

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	1.00%	\$ 125,881,000	\$ 69,016,143	188.29%	70.68%
2015	0.98%	\$ 118,679,000	\$ 71,425,124	166.16%	70.88%

**CITY OF ROANOKE PENSION PLAN
June 30, 2016**

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	1.00%	\$ 4,882,739	\$ 2,690,735	186.52%	73.80%
2015	3.63%	4,526,291	2,937,608	154.08%	77.23%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data are available. However, additional years will be included as they become available.

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS**

**VRS TEACHER RETIREMENT PLAN
June 30, 2016**

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2016	\$ 11,164,143	\$ 11,164,143	\$ -	\$ 66,856,351	16.70%
2015	11,825,296	11,825,296	-	69,016,143	17.13%

**CITY OF ROANOKE PENSION PLAN
June 30, 2016**

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2016	\$ 340,838	\$ 340,838	\$ -	\$ 2,617,813	13.02%
2015	527,115	527,115	-	2,690,735	19.59%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data are available. However, additional years will be included as they become available.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

Note 1. Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Teacher cost-sharing pool

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

THIS PAGE INTENTIONALLY BLANK

OTHER SUPPLEMENTARY INFORMATION



THIS PAGE INTENTIONALLY BLANK

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Cash Receipts and Expenditures by School
School Activity Funds
For the Year Ended June 30, 2016

<u>School</u>	<u>Balance at Beginning of Year</u>	<u>Inter-School Transfers</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance at End of Year</u>
Due to Students					
High Schools:					
William Fleming High School	\$ 102,527	\$ (3,643)	\$ 262,036	\$ 248,649	\$ 112,271
Patrick Henry High School	256,529	631	234,498	285,574	206,084
Gibboney Technical Center	124,826	3,012	131,446	209,137	50,147
Roanoke Valley Governor's School	29,092	-	73,025	87,289	14,828
Noel C. Taylor Learning Academy	1,097	-	706	1,308	495
Forest Park Academy	2,688	-	6,952	7,589	2,051
Adult Education	64,162	-	11,104	13,651	61,614
Middle Schools:					
Lucy Addison Aerospace Middle School	6,559	-	37,928	40,880	3,608
James Breckinridge Middle School	5,033	-	42,799	39,844	7,988
Stonewall Jackson Middle School	437	-	14,984	13,889	1,532
James Madison Middle School	32,560	-	80,208	79,240	33,527
Woodrow Wilson Middle School	41,052	-	51,916	57,627	35,342
Elementary Schools:					
Crystal Spring Elementary School	39,740	-	36,415	39,497	36,658
Fairview Elementary School	8,920	-	25,229	26,448	7,701
Fallon Park Elementary School	10,700	-	5,762	5,520	10,942
Fishburn Park Elementary School	21,726	-	21,514	20,719	22,521
Garden City Elementary School	9,432	-	4,367	3,019	10,780
Grandin Court Elementary School	60,144	-	34,951	30,896	64,199
Highland Park Elementary School	16,248	-	36,744	31,568	21,424
Hurt Park Elementary School	6,765	-	6,682	9,722	3,725
Lincoln Terrace Elementary School	2,310	-	8,820	8,249	2,881
Monterey Elementary School	23,238	-	28,241	25,208	26,271
Morningside Elementary School	8,132	-	7,667	9,091	6,708
Preston Park Primary School	22,693	-	22,305	19,610	25,389
Roanoke Academy for Math and Science	29,190	-	9,682	11,515	27,357
Round Hill Primary School	4,104	-	13,438	14,234	3,308
Virginia Heights Elementary School	12,612	-	16,506	18,315	10,804
Wasena Elementary School	17,967	-	6,109	9,629	14,447
Westside Elementary School	16,198	-	24,673	29,651	11,220
Total Due to Students	\$ 976,680	\$ -	\$ 1,256,707	\$ 1,397,567	\$ 835,821
Fiscal Services	-	-	871	-	871
Grand Total	\$ 976,680	\$ -	\$ 1,257,579	\$ 1,397,567	\$ 836,692

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2016

	<u>Assets</u>	<u>Agency Fund</u>
<u>Cash</u>		
Balance June 30, 2015	\$	1,035,745
Additions		1,362,194
Deductions		(1,456,632)
Balance June 30, 2016	\$	<u><u>941,307</u></u>
	<u>Liabilities</u>	
<u>Accounts Payable</u>		
Balance June 30, 2015	\$	59,065
Additions		104,615
Deductions		(59,065)
Balance June 30, 2016	\$	<u><u>104,615</u></u>
<u>Due to Students</u>		
Balance June 30, 2015	\$	976,680
Additions		1,257,579
Deductions		(1,397,567)
Balance June 30, 2016	\$	<u><u>836,692</u></u>
<u>Total Liabilities</u>		
Balance June 30, 2015	\$	1,035,745
Additions		1,362,194
Deletions		(1,456,632)
Balance June 30, 2016	\$	<u><u>941,307</u></u>

Schedule G

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Insurance Coverage
For the Year Ended June 30, 2016**

	<u>Amount</u>
The Virginia Municipal Liability Pool Property and Scheduled Equipment Coverage	\$ 433,492,330
The Virginia Municipal Liability Pool Local Government Liability Coverage	1,000,000
The Virginia Municipal Liability Pool Automobile Coverage	1,000,000
The Virginia Municipal Liability Pool No Fault Property Coverage	10,000
The Virginia Municipal Liability Pool Excess Liability Coverage	10,000,000
The Virginia Municipal Liability Pool Boiler and Machinery Coverage	1,000,000
The Virginia Municipal Liability Pool Fidelity/Crime Coverage	1,000,000
The Virginia Municipal Liability Pool Miscellaneous Equipment	592,458
Ace American Insurance Company Student Accident Insurance - Coordinated with VHSLCI	1,000,000
Safety National Workers' Compensation Employer's Liability Maximum	1,000,000
Voya Financial Health Insurance aggregate reimbursement maximum	1,000,000

THIS PAGE INTENTIONALLY BLANK

STATISTICAL SECTION (Unaudited)



THIS PAGE INTENTIONALLY BLANK

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	88-92
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	93-95
These schedules contain information to help the reader assess the School Board's most significant local revenue source.	
Debt Capacity	96-100
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	101
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	102-105
These schedules contain service and infrastructure data to help the reader understand how the information in the School Board's financial report relates to the services provided and the activities it performs.	

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

Table 1

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

	Net Investment in Capital Assets	Unrestricted	Total Net Position
Fiscal Year 2007	4,594,989	2,929,159	7,524,148
Fiscal Year 2008	4,682,939	1,864,686	6,547,625
Fiscal Year 2009	4,137,983	4,945,470	9,083,453
Fiscal Year 2010	2,904,199	6,892,489	9,796,688
Fiscal Year 2011	2,799,326	19,619,040	22,418,366
Fiscal Year 2012	2,787,940	32,877,524	35,665,464
Fiscal Year 2013	2,760,872	32,188,392	34,949,264
Fiscal Year 2014	2,740,357	28,421,588	31,161,945
Fiscal Year 2015	3,016,131	(105,376,673)	(102,360,542)
Fiscal Year 2016	3,094,777	(102,095,468)	(99,000,691)

Source: Statement of Net Position (Exhibit 1).

Table 2

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Instruction	\$ 125,138,180	\$ 124,257,802	\$ 115,218,083	\$ 113,261,181	\$ 108,920,537	\$107,067,285	\$109,338,130	\$ 111,483,779	\$ 110,294,480	\$ 103,824,545
Administration	14,014,816	12,521,240	12,161,115	12,319,863	10,847,658	8,032,822	11,206,444	10,017,243	9,197,034	7,053,154
Attendance & Health Services	2,088,754	2,008,631	4,464,234	4,164,983	3,998,564	2,279,228	1,709,483	3,414,687	2,319,315	2,145,467
Transportation	10,509,337	10,407,387	10,331,892	9,671,918	10,024,200	9,159,765	8,848,642	8,046,245	7,150,856	6,645,788
Operation & Maintenance of Plant	15,234,517	15,423,475	14,311,773	13,338,890	13,060,376	14,861,138	15,256,459	16,088,753	17,480,443	15,008,538
Food Services	7,417,602	6,882,007	6,709,067	6,816,374	6,231,331	5,613,676	5,324,656	5,324,523	5,172,831	4,952,841
Athletics (1)	1,883,433	1,826,495	1,626,777	1,583,315	1,557,556	1,380,626	1,181,887	1,512,359	n/a	n/a
Facilities	-	-	-	-	-	-	-	-	3,874	44,730
Payments for Debt Service	15,073,688	14,632,053	15,502,968	15,954,665	16,348,972	9,710,060	10,031,481	8,932,913	9,029,155	8,225,021
Total Expenses	191,360,327	187,959,090	180,325,909	177,111,189	170,989,194	158,104,600	162,805,182	164,790,502	160,647,988	147,900,084
Program revenues:										
Charges for services:										
Instruction	5,850,683	6,567,954	4,140,707	3,797,462	3,299,018	3,126,427	2,867,222	2,883,589	3,031,069	2,581,920
Administration	37,208	91,742	272,605	158,267	49,577	1,768,215	493,428	-	-	-
Technology	-	-	-	-	-	-	3,600	-	-	-
Transportation	-	-	27,768	66,138	63,840	209,661	154,061	974,079	569,552	763,741
Operations & maintenance	-	-	3,721	74,037	43,041	110,030	204,473	54,713	101,219	122,329
Food Services	919,537	1,098,051	1,148,606	1,146,209	1,269,261	1,138,961	1,248,571	1,368,128	1,316,086	1,449,759
Athletics (1)	171,751	186,764	171,605	162,282	184,231	213,882	179,060	110,995	n/a	n/a
Operating grants and contributions	49,230,834	42,055,561	42,615,404	44,492,512	50,542,428	46,888,580	43,808,957	40,880,659	35,050,367	34,501,837
Total revenues	56,210,013	50,000,072	48,380,416	49,896,907	55,451,396	53,455,756	48,959,372	46,272,163	40,068,293	39,419,586
Net expense	(135,150,314)	(137,959,018)	(131,945,493)	(127,214,282)	(115,537,798)	(104,648,844)	(113,845,810)	(118,518,339)	(120,579,695)	(108,480,498)
General revenues:										
Payments from the City of Roanoke	79,435,819	76,437,785	74,366,181	73,870,214	78,351,405	70,232,036	63,441,557	62,506,419	62,392,633	58,669,043
State aid	58,191,410	57,517,691	52,263,074	51,367,376	49,125,626	45,907,251	49,941,848	58,370,478	56,730,226	55,710,091
Grants not restricted to a specific program	-	-	-	15,809	18,695	23,074	8,197	25,473	151,158	113,331
Interest Income on Investments	49,145	49,049	73,939	68,365	35,626	-	-	-	-	-
Miscellaneous	833,791	703,547	1,454,980	1,176,318	1,253,544	791,469	144,787	151,797	329,155	126,216
Special item - Gain from sale of transportation vehicles and equipment	-	-	-	-	-	-	1,022,656	-	-	-
Special item - OPEB reduction in payable	-	-	-	-	-	316,692	-	-	-	-
Total general revenues	138,510,165	134,708,072	128,158,174	126,498,082	128,784,896	117,270,522	114,559,045	121,054,167	119,603,172	114,618,681
Change in net position	\$ 3,359,851	\$ (3,250,946)	\$ (3,787,319)	\$ (716,200)	\$ 13,247,098	\$ 12,621,678	\$ 713,235	\$ 2,535,828	\$ (976,523)	\$ 6,138,183

Source: Statement of Activities (Exhibit 2).

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

Table 3

Roanoke City Public Schools
Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	2007	2008	2009	2010		2011	2012	2013	2014	2015	2016
Pre-GASB 54 implementation:											
General Fund											
Reserved	\$ 1,638,071	\$ 929,971	\$ -	\$ -	\$ -						
Unreserved	4,975,948	7,389,857	10,787,998	9,988,445							
Total General Fund	\$ 6,614,019	\$ 8,319,828	\$ 10,787,998	\$ 9,988,445							
All Other Governmental Funds											
Reserved	\$ 179,985	\$ 9,708	\$ -	\$ -							
Unreserved	260,560	764,436	1,111,426	2,817,037							
Total all other governmental funds	\$ 440,545	\$ 774,144	\$ 1,111,426	\$ 2,817,037							
Post-GASB 54 implementation:											
General Fund											
Nonspendable	\$ 738,964	\$ 944,422	\$ 1,197,024	\$ 505,968	\$ 316,495	\$ 326,238					
Committed	8,909,493	12,160,042	8,257,297	4,757,561	2,201,835	2,478,771					
Assigned	-	-	-	-	-	-					
Unassigned	12,704,697	22,791,837	25,999,072	24,841,317	21,926,916	21,553,941					
Total General Fund	\$ 22,353,154	\$ 35,896,301	\$ 35,453,393	\$ 30,104,846	\$ 24,445,246	\$ 24,358,950					
All Other Governmental Funds											
Nonspendable	\$ -	\$ -	\$ -	\$ 5,214	\$ -	\$ 15,727					
Committed	36,082	57,922	305,726	182,116	132,428	58,315					
Assigned	3,149,862	2,989,357	2,100,558	2,147,563	2,052,546	2,999,943					
Unassigned	-	-	-	-	-	-					
Total all other governmental funds	\$ 3,185,944	\$ 3,047,279	\$ 2,406,284	\$ 2,334,893	\$ 2,184,974	\$ 3,073,985					

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

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

* As restated

Table 4

Roanoke City Public Schools
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years

	(Unaudited) Fiscal Year Ended June 30, 2016									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
City of Roanoke	\$ 79,354,317	\$ 76,437,795	\$ 74,165,273	\$ 73,555,711	\$ 79,351,405	\$ 70,232,036	\$ 63,441,557	\$ 62,506,419	\$ 62,392,633	\$ 58,669,043
Commonwealth of Virginia	83,245,409	81,507,123	75,065,989	71,641,056	68,878,360	66,050,074	70,342,651	81,114,462	76,428,772	74,587,049
Federal Government	22,238,051	18,066,127	19,696,156	23,476,103	29,877,473	26,373,082	23,035,591	17,578,897	15,502,981	15,738,210
Charges for services	6,165,705	7,019,218	5,593,407	5,220,361	4,724,737	6,263,751	2,537,590	5,280,509	5,017,926	4,880,917
Other	1,706,196	1,677,891	1,426,953	2,682,255	2,899,317	1,919,914	3,686,084	846,023	329,153	163,048
Total revenue	<u>192,709,678</u>	<u>184,708,144</u>	<u>175,947,778</u>	<u>176,575,486</u>	<u>184,731,292</u>	<u>170,838,857</u>	<u>163,043,473</u>	<u>167,326,330</u>	<u>159,671,485</u>	<u>154,038,267</u>
Expenditures:										
Current:										
Instruction	\$ 127,510,179	\$ 127,695,320	\$ 120,501,033	\$ 117,629,772	\$ 113,318,331	\$ 108,674,725	\$ 110,508,021	\$ 115,776,687	\$ 111,709,321	\$ 107,462,621
Administration, Administration & Health	14,030,949	12,812,005	12,273,031	12,510,079	10,934,995	10,098,271	11,168,822	11,325,604	9,181,383	6,313,487
Transportation	10,516,866	10,561,909	10,331,893	9,688,779	9,963,049	9,159,765	8,848,642	8,147,387	6,530,019	6,318,760
Operation & Maintenance of Plant	15,531,154	16,036,918	14,257,716	13,392,861	12,964,536	13,468,118	15,161,689	15,021,466	16,107,669	14,170,006
Food Services	7,422,916	6,984,186	6,874,298	6,919,898	6,227,606	5,613,676	5,236,873	5,321,241	4,957,128	4,896,238
Athletics (1)	1,821,212	1,795,272	1,626,777	1,583,315	1,563,321	1,380,626	1,181,887	1,512,359	n/a	n/a
Facilities Capital Outlay	-	-	-	-	-	-	-	70,212	117,382	883,307
Payments for Debt Service	15,073,687	14,632,053	15,502,968	15,954,665	16,348,972	9,710,060	10,031,481	8,932,913	9,029,155	8,225,021
Total expenditures	<u>191,906,963</u>	<u>190,517,663</u>	<u>181,367,716</u>	<u>177,659,389</u>	<u>171,326,810</u>	<u>158,105,241</u>	<u>162,137,415</u>	<u>166,107,869</u>	<u>157,632,057</u>	<u>148,289,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>802,715</u>	<u>(5,809,519)</u>	<u>(5,419,938)</u>	<u>(1,083,903)</u>	<u>13,404,482</u>	<u>12,733,616</u>	<u>906,058</u>	<u>1,218,461</u>	<u>2,039,408</u>	<u>5,768,827</u>
Other financing sources (uses):										
Transfers from Other Funds	\$ 4,007,153	\$ 2,198,407	\$ 1,681,598	\$ 2,764,928	\$ 2,727,714	\$ 1,278,650	\$ 2,823,796	\$ 1,276,260	\$ 931,444	\$ 836,606
Transfers to Other Funds	<u>(4,007,153)</u>	<u>(2,198,407)</u>	<u>(1,681,598)</u>	<u>(2,764,928)</u>	<u>(2,727,714)</u>	<u>(1,278,650)</u>	<u>(2,823,796)</u>	<u>(1,276,260)</u>	<u>(931,444)</u>	<u>(836,606)</u>
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Change in fund balances	<u>802,715</u>	<u>(5,809,519)</u>	<u>(5,419,938)</u>	<u>(1,083,903)</u>	<u>13,404,482</u>	<u>12,733,616</u>	<u>906,058</u>	<u>1,218,461</u>	<u>2,039,408</u>	<u>5,768,827</u>

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

Information is presented on a modified accrual basis of accounting.

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

Table 5

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

Regional Tuition - General Fund			Charges for Services - Food Services		
Annual Payment Received			Local Breakfast/Lunch Fees		
2007	\$	1,662,137	2007	\$	1,449,759
2008		2,183,557	2008		1,316,086
2009		1,990,872	2009		1,368,128
2010		2,169,750	2010		1,248,572
2011		2,500,940	2011		1,138,961
2012		2,758,907	2012		1,269,261
2013		3,314,639	2013		1,124,458
2014		4,120,989	2014		1,087,442
2015		4,757,979	2015		1,098,052
2016		4,974,388	2016		919,538

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

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Total Tax Levies	\$ 119,869,392	\$ 115,885,506	\$ 113,183,821	\$ 113,209,446	\$ 112,485,925	\$ 112,560,131	\$ 110,098,047	\$ 110,034,071	\$ 106,316,893	\$ 101,301,039
Current Tax Collections	110,372,175	105,842,394	103,746,942	103,802,153	103,693,219	102,130,123	100,833,008	98,726,769	95,621,945	89,761,174
Current Tax Collections - State Share (1)	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,089,164
Delinquent Tax Collections	-	3,926,119	4,193,129	4,838,415	2,972,963	2,756,631	2,389,214	3,555,384	3,393,719	3,332,049
Delinquent Tax Collections - State Share (1)	-	-	-	-	-	-	-	-	-	32,383
Total Tax Collections	\$ 118,448,167	\$ 117,844,505	\$ 116,016,063	\$ 116,716,560	\$ 114,742,174	\$ 112,962,746	\$ 111,298,214	\$ 110,358,145	\$ 107,089,124	\$ 101,214,770
Current Tax Collections As										
Percent of Levies	98.81%	98.30%	98.80%	98.82%	99.36%	97.91%	98.92%	97.06%	97.53%	96.59%
Total Tax Collections As										
Percent of Levies (2)	98.81%	101.69%	102.50%	103.10%	102.01%	100.36%	101.09%	100.29%	100.73%	99.91%

(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) Prior to FY 2014, the City did not have the capability of determining the levy year for delinquent collections. Effective FY 2014, delinquent collections are recorded in the levy year for which they were collected.

Source: City of Roanoke, Department of Finance

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	
2007	5,834,424,939	18.77%	5,834,424,939	1.00	818,058,932	11.90%	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
2011	6,801,971,286	1.55%	6,801,971,286	1.00	769,951,558	1.46%	1,283,252,597	0.60	353,515,462	(1.59%)	357,281,499	0.989	7,925,438,306
2012	6,794,772,298	(0.11%)	6,794,772,298	1.00	816,148,651	6.00%	1,360,247,752	0.60	360,309,314	1.92%	360,309,314	1.000	7,971,230,263
2013	6,725,168,858	(1.02%)	6,725,168,858	1.00	840,633,111	3.00%	1,401,055,185	0.60	416,800,579	15.68%	418,303,022	0.996	7,982,602,548
2014	6,679,969,872	(0.67%)	6,679,969,872	1.00	859,809,462	2.28%	1,433,015,770.00	0.60	414,953,913	(0.44%)	413,969,355	1.002	7,954,733,247
2015	6,693,874,349	0.21%	6,693,874,349	1.00	899,096,367	4.57%	1,498,493,945.00	0.60	437,573,144	5.45%	441,997,287	0.990	8,030,543,860
2016	6,724,229,966	0.45%	6,724,229,966	1.00	942,611,706	4.84%	1,571,019,510.00	0.60	439,744,208	0.50%	447,535,616	0.983	8,106,585,880

Source: City of Roanoke, Department of Finance

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

Year	REAL PROPERTY			PUBLIC SERVICE CORPORATIONS		
	Tax Rate Per \$100	Levy	Tax Rate Per \$100	Tax Rate Per \$100	Levy	Total Tax Levies
2007	1.19	69,429,439	3.45	1.19	3,708,517	101,301,039
2008	1.19	74,451,741	3.45	1.19	3,765,019	106,316,893
2009	1.19	78,114,892	3.45	1.19	3,993,207	110,034,071
2010	1.19	79,710,636	3.45	1.19	4,246,026	110,098,047
2011	1.19	80,943,458	3.45	1.19	4,231,507	112,560,131
2012	1.19	80,857,790	3.45	1.19	4,316,603	112,485,925
2013	1.19	80,029,509	3.45	1.19	4,991,552	113,209,446
2014	1.19	79,491,642	3.45	1.19	4,982,967	113,183,821
2015	1.19	79,600,752	3.45	1.19	5,260,278	115,885,506
2016	1.22	(2)	3.45	1.22	(2)	119,869,392

(1) In fiscal year 1999, the State initiated the Personal Property Tax Relief Act. The levy includes the state portion.

(2) Effective July 1, 2015, the rate became \$1.22.

(3) The Personal Property Tax Relief changed from a percentage relief to a 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, 2016 AND JUNE 30, 2007

<u>Taxpayer</u>	<u>Description</u>	<u>2016</u>			<u>2007</u>		
		<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 Clinic	Healthcare Provider	\$ 223,819,909	1	2.76%	\$ 155,795,269	1	2.24%
Norfolk Southern Corporation	Transportation	168,338,807	2	2.08%	82,668,625	3	1.19%
Appalachian Power	Public Utility	153,038,718	3	1.89%	89,367,381	2	1.28%
Valley View Mall LLC (Formerly Hershey's)	Shopping Mall	83,533,700	4	1.03%	66,310,179	5	0.95%
Roanoke Gas Company	Public Utility	46,663,319	5	0.58%	-	-	-
Steel Dynamics Roanoke Division	Primary Metals	38,616,461	6	0.48%	16,175,581	9	0.23%
Verizon Virginia, Inc	Communications	34,901,868	7	0.43%	69,521,792	4	1.00%
Faison Roanoke Office Limited	Office Building	29,885,900	8	0.37%	30,720,200	6	0.44%
Advance Auto Parts	Auto Parts	24,552,514	9	0.30%	-	-	-
Maple Leaf Bakery	Bakery	15,792,700	10	0.19%	23,457,626	7	0.34%
Times World Corporation	Newspaper	-	-	-	21,010,589	8	0.30%
BLC Corp	Lease Company	-	-	-	15,824,026	10	0.23%
		<u>\$ 819,143,896</u>		<u>10.11%</u>	<u>\$ 570,851,268</u>		<u>8.21%</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>
2007	1,900,930,872
2008	1,925,487,309
2009	1,692,267,903
2010	1,676,331,018
2011	1,649,614,469
2012	1,732,017,118
2013	1,746,710,461
2014	1,785,467,436
2015	1,752,752,699
2016 through June	910,672,643

(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 (B)	Bonds		Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
				Supported By Western Virginia Water Authority	Supported By Hotel Roanoke, LLC (C)				
2007	93,048	7,513,954,307	249,451,409	28,924,766	-	1,021,667	244,080,118	3.25%	2,623.16
2008	93,734	7,972,224,770	272,991,207	26,596,538	-	1,143,782	271,035,648	3.40%	2,891.54
2009	94,482	8,255,418,861	274,721,495	24,255,948	-	1,161,895	278,653,960	3.38%	2,949.28
2010	97,032	8,324,026,044	254,789,731	21,987,683	-	1,213,260	260,401,694	3.13%	2,683.67
2011	97,206	8,442,505,382	250,315,325	19,875,450	1,355,000	1,133,011	255,294,843	3.02%	2,626.33
2012	97,206	8,515,329,364	234,279,293	17,558,082	910,000	1,317,554	240,805,224	2.83%	2,477.27
2013	98,641	8,544,527,065	225,402,117	13,389,900	-	1,493,056	237,463,254	2.78%	2,407.35
2014	98,913	8,526,954,997	217,261,926	10,989,900	-	1,406,148	231,682,944	2.72%	2,342.29
2015	99,320	8,634,365,581	214,885,676	9,968,500	-	1,508,122	230,612,182	2.67%	2,321.91
2016	99,681	8,742,785,092	210,393,462	9,405,800	-	1,011,031	230,085,865	2.63%	2,308.22

Source (A) Weldon - Cooper Center for Public Service

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

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

Table 12
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2016

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

Total Assessed Value of Real Estate, 2016 (1)		<u>\$ 6,724,229,966</u>
Legal Debt Limit: 10% of \$6,724,229,966		672,422,997
Debt applicable to limitation:		
General Obligation Serial Bonds - Governmental Activities	\$ 161,155,600	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	9,405,800	
Premium on Bonds - Governmental Activities	13,016,237	
Deferred Bond Costs - Governmental Activities	(5,959,462)	
Qualified Zone Academy Bonds (QZAB)	2,531,554	
State Literary Fund Loans	1,000,000	
Virginia Public School Authority (VPSA) School Bonds	29,243,733	
Civic Facilities Enterprise Fund - Business-Type Activities	14,905,000	
Premium on Bonds - Civic Facilities Enterprise Fund Debt	1,030,646	
Deferred Bond Costs - Civic Facilities Enterprise Fund Debt	(355,314)	
Parking Enterprise Fund Supported Debt - Business-Type Activities	11,832,600	
Premium on Bonds - Parking Enterprise Fund Supported Debt	619,896	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	(956,691)	
Stormwater Enterprise Fund Supported Debt - Business-Type Activities	2,856,600	
Premium on Bonds - Stormwater Enterprise Fund Supported Debt	176,497	
Total Debt	240,502,696	
Less: Available in Debt Service Fund	(1,011,031)	
WVWA Supported Debt	(9,405,800)	
Parking Enterprise Fund Supported Debt	(11,832,600)	
Premium on Bonds - Parking Enterprise Fund Supported Debt	(619,896)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	956,691	
Stormwater Enterprise Fund Supported Debt	(2,856,600)	
Premium on Bonds - Stormwater Enterprise Fund Supported Debt	(176,497)	
Legal Debt Margin		<u><u>\$ 215,556,962</u></u> <u><u>\$ 456,866,035</u></u>

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

Table 13
Unaudited

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

Fiscal Year	Principal (1)	Interest (1)	Total Debt Service	Total General Expenditures (2)	Percent of Debt Service to General Expenditures
2006-07	17,493,085	10,549,172	28,042,257	318,422,477	8.8%
2007-08	18,181,973	9,880,643	28,062,616	334,448,507	8.4%
2008-09	20,480,823	11,121,043	31,601,866	340,360,591	9.3%
2009-10	21,869,664	11,436,671	33,306,335	324,345,350	10.3%
2010-11	19,093,669	10,346,300	29,439,969	314,114,285	9.3%
2011-12	21,033,664	10,338,250	31,371,914	318,343,912	9.9%
2012-13	22,234,068	9,209,934	31,444,002	330,390,756	9.5%
2013-14	22,092,341	8,888,882	30,981,223	340,700,280	9.1%
2014-15	20,591,147	8,898,421	29,489,568	355,808,118	8.3%
2015-16	21,162,907	7,772,401	28,935,308	347,201,314	8.3%

- (1) Principal and interest payments include all general long term debt payments supported by tax revenues of the City. Debt payments made on behalf of the Roanoke Civic Center are included. Debt payments made by the Roanoke City Parking Fund, Western Virginia Water Authority and the Hotel Roanoke Conference Center Commission are excluded.
- (2) Includes expenditures of the General Funds of the City and School Board less the transfer from the General Fund to the School Board.
- (3) Excludes Bond Anticipation Note of \$5,000,000 which was both issued and repaid during fiscal year 2006.

Table 14

THE SCHOOL BOARD OF THE CITY OF ROANOKE VIRGINIA
Table of Outstanding Debt Incurred by the City of Roanoke
for Roanoke City Public School Projects
June 30, 2016
(Unaudited)

	Interest Rates	Issue Date	Maturity Date	Issue Amount Designated for School Improvements	Balance as of June 30, 2016
<u>General Obligation Bonds, RCPS Portion</u>					
Series 2004A Refunding Bonds	2.00% - 3.63%	3/11/2004	8/1/2016	2,769,626	226,875
Series 2008 Public Improvement Bonds	3.25% - 5.00%	2/5/2008	2/1/2033	39,740,000	3,180,000
Series 2010A Refunding Bonds	2.00% - 5.00%	3/11/2010	10/1/2021	18,955,400	15,407,700
Series 2010C Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	2,459,100	1,911,584
Series 2012A Public Improvement Bonds	2.00% - 5.00%	3/14/2012	2/1/2032	1,725,000	520,000
Series 2012C Refunding Bonds	4.00% - 5.00%	3/14/2012	2/1/2025	7,805,000	7,805,000
Series 2013A Public Improvement Bonds	1.00% - 5.00%	2/27/2013	7/15/2033	2,000,000	1,586,400
Series 2013A Refunding Bonds	1.00% - 5.00%	2/27/2013	7/15/2025	8,085,000	8,085,000
Series 2013B Refunding Bonds	.37% - 2.73%	2/27/2013	7/15/2024	3,195,000	3,195,000
Series 2014A Public Improvement Bonds	3.00%-5.00%	3/5/2014	4/1/2034	3,000,000	2,527,200
Series 2015 Public Improvement Bonds New Money	2.00% - 4.00%	3/25/2014	4/1/2035	5,000,000	4,715,000
Series 2015 Public Improvement Bonds Refunding	2.00% - 4.00%	3/25/2014	4/1/2029	1,765,000	1,765,000
Series 2016 Public Improvement Bonds New Money	2.00% - 5.00%	3/8/2016	4/1/2036	8,500,000	7,930,000
Series 2016 Public Improvement Bonds Refunding	2.00% - 5.00%	3/8/2016	4/1/2036	6,945,000	13,305,000
Total General Obligation Bonds:				<u>111,944,126</u>	
<u>School Fund Bonds and Loans</u>					
Virginia Public School Authority-Series 1996B	5.10% - 6.10%	11/14/1996	7/15/2016	4,512,217 (1)	248,508
Virginia Public School Authority-Series 1997	4.35% - 5.35%	11/1/1997	7/15/2017	4,578,704 (2)	494,107
Virginia Public School Authority-Series 1998A	3.60% - 5.10%	11/19/1998	7/15/2018	5,000,000	750,000
Virginia Public School Authority-Series 1998B	3.60% - 5.10%	11/19/1998	7/15/2018	1,182,212 (3)	184,566
Virginia Public School Authority-Series 1999A	5.10% - 6.10%	11/18/1999	7/15/2019	3,100,000 (4)	620,000
Virginia Public School Authority-Series 1999B	5.10% - 6.10%	11/18/1999	7/15/2019	1,091,854 (5)	240,325
Virginia Public School Authority - Series 2000B	4.98% - 5.85%	11/16/2000	7/15/2020	2,504,568 (6)	670,129
Virginia Public School Authority - Series 2000B.1	4.98% - 5.85%	11/16/2000	7/15/2020	1,730,421 (7)	462,998
Virginia Public School Authority - Series 2000B.2	4.98% - 5.85%	11/16/2000	7/15/2020	1,730,421 (8)	462,998
Virginia Public School Authority - Series 2001B	3.10% - 5.35%	11/15/2001	7/15/2021	2,594,691 (9)	811,360
Virginia Public School Authority - Series 2001B	3.10% - 5.35%	11/15/2001	7/15/2021	2,358,808 (10)	737,599
Virginia Public School Authority - Series 2003C	3.10% - 5.35%	11/6/2003	7/15/2023	4,595,399 (11)	1,925,604
Virginia Public School Authority - Series 2004B	4.10% - 5.60%	11/1/2004	7/15/2024	1,118,756 (12)	548,296
Virginia Public School Authority - Series 2005D	4.60% - 5.10%	11/10/2005	7/15/2025	992,464 (13)	533,577
Virginia Public School Authority - Series 2005D	4.60% - 5.10%	11/11/2005	7/15/2025	3,291,459 (14)	1,769,550
Virginia Public School Authority - Series 2006B	4.22% - 5.10%	11/9/2006	7/15/2026	6,573,600 (15)	3,835,508
Virginia Public School Authority - Series 2008B	4.10% - 5.35%	12/11/2008	7/15/2028	10,580,000	4,303,608
Virginia Public School Authority - Series 2014B	3.00%- 5.00%	5/15/2014	7/15/2026	1,245,000	1,045,000
Virginia Public School Authority - Series 2015A	4.10% - 5.35%	2/17/2015	7/15/2028	7,400,000	8,855,000
Total Virginia Public School Authority Bonds:				<u>66,180,574</u>	
Literary Fund Loan-Lucy Addison Middle School	4.00%	10/1999	10/01/2019	5,000,000	1,000,000
Total Literary Fund Loan Bonds:				<u>5,000,000</u>	
Qualified Zone Academy Bond - Lincoln Terrace	0%	11/01/2002	10/31/2016	800,000 (16)	65,399
Qualified Zone Academy Bond - Fallon Park	0%	12/29/2004	12/29/2020	439,100 (16)	166,411
Qualified Zone Academy Bond - Patrick Henry H.S.	0%	12/27/2006	12/27/2022	1,097,571 (16)	560,293
Qualified Zone Academy Bond - School Capital Projects	0%	10/31/2012	6/1/2035	2,014,104 (16)	1,739,451
Total Qualified Zone Academy Bonds:				<u>4,350,775</u>	
Qualified School Construction Bonds-Elementary Schools	0%	7/8/2010	6/1/2027	1,135,000 (17)	745,000
Total Qualified School Construction Bonds				<u>1,135,000</u>	
Total Outstanding Bonded Debt				<u><u>\$ 188,610,475</u></u>	<u><u>\$ 104,935,046</u></u>

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

Table 14 (continued)

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

- (1) \$5,000,000 proceeds received but repayment of only \$4,512,217 required.
- (2) \$5,000,000 proceeds received but repayment of only \$4,578,704 required.
- (3) \$1,200,000 proceeds received but repayment of only \$1,182,212 required.
- (4) \$3,250,000 proceeds received but repayment of only \$3,100,000 required.
- (5) \$1,250,000 proceeds received but repayment of only \$1,091,854 required.
- (6) \$2,750,000 proceeds received but repayment of only \$2,504,568 required.
- (7) \$1,900,000 proceeds received but repayment of only \$1,730,421 required.
- (8) \$1,900,000 proceeds received but repayment of only \$1,730,421 required.
- (9) \$2,750,000 proceeds received but repayment of only \$2,594,691 required.
- (10) \$2,500,000 proceeds received but repayment of only \$2,358,808 required.
- (11) \$5,000,000 proceeds received but repayment of only \$4,595,399 required.
- (12) \$1,300,000 proceeds received but repayment of only \$1,118,756 required.
- (13) \$1,160,900 proceeds received but repayment of only \$ 992,464 required.
- (14) \$3,850,000 proceeds received but repayment of only \$3,291,459 required.
- (15) \$7,500,000 proceeds received but repayment of only \$6,573,600 required.
- (16) \$7,500,000 proceeds received but repayment of only \$6,350,705 required.
- (17) Annual payments on Qualified Zone Academy Bonds are made to a sinking fund. No interest is accrued on this debt.
- (18) Interest expense on Qualified School Construction Bonds is reimbursed by federal subsidy, subject to available federal funding.

Table 15
Unaudited

		CITY OF ROANOKE LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS									
		2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Debt Limit	\$	672,422,997	\$ 689,387,435	\$ 667,996,987	\$ 672,516,886	\$ 679,477,230	\$ 680,197,128	\$ 669,839,111	\$ 656,429,496	\$ 625,649,531	\$ 583,442,494
Total Net Debt Applicable to Limit		215,556,963	217,064,554	218,489,528	224,003,579	227,263,512	240,667,032	244,769,119	263,493,652	260,060,887	234,919,976
Legal Debt Margin	\$	456,866,034	\$ 452,322,881	\$ 449,507,459	\$ 448,513,307	\$ 452,213,718	\$ 439,530,096	\$ 425,069,992	\$ 392,935,844	\$ 365,588,644	\$ 348,522,518
Total Net Debt Applicable to Limit as a Percentage of Debt Limit		32.06%	32.43%	32.71%	33.31%	33.45%	35.38%	36.54%	40.14%	41.57%	40.26%

Source: City of Roanoke, Department of Finance

Table 16
Unaudited

**CITY OF ROANOKE
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Personal Income</u>	<u>School Enrollment (3)</u>	<u>Local Unemployment Rate (4)</u>	<u>National Unemployment Rate (5)</u>
2006-07	93,048	36,909	(est.) 3,477,315,000	12,256	3.2%	4.6%
2007-08	93,734	38,370	(est.) 3,645,705,000	12,286	3.9%	5.6%
2008-09	94,482	37,929	(est.) 3,636,678,000	12,303	7.7%	9.5%
2009-10	97,032	38,713	(est.) 3,747,025,000	12,266	7.4%	9.4%
2010-11	97,061	(est.) 36,948	(est.) 3,576,942,000	12,261	6.9%	9.1%
2011-12	97,206	(est.) 39,100	(est.) 3,827,065,000	13,006	6.5%	8.4%
2012-13	98,641	(est.) 38,453	(est.) 3,799,698,000	13,192	5.9%	7.8%
2013-14	98,913	(est.) 39,385	(est.) 3,915,935,000	13,390	5.7%	6.3%
2014-15	99,320	(est.) 43,053	(est.) 3,915,935,000	13,513	5.6%	5.5%
2015-16	99,681	(est.) 39,385	(est.) 3,915,935,000	13,585	4.1%	5.1%

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

(2) Source: Bureau of Economic Analysis

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

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

(5) Source: Bureau of Labor Statistics

(6) Source: U.S. Census

Table 17
Unaudited

**CITY OF ROANOKE, VIRGINIA
PRINCIPAL EMPLOYERS
COMPARISON AS OF DECEMBER 31, FISCAL YEARS 2015 AND 2006**

<u>Employer</u>	<u>December 31, 2015</u>				<u>December 31, 2006</u>			
	<u>Rank</u>	<u>Ownership</u>	<u>Number of Employees</u>	<u>% of total Employment</u>	<u>Rank</u>	<u>Ownership</u>	<u>Number of Employees</u>	<u>% of total Employment</u>
Carilion	1	Private	1000+	13.06%	1	Private	1000+	9.32%
Roanoke City Public Schools	2	Local Govt.	1000+	3.03%	2	Local Govt.	1000+	2.47%
City of Roanoke	3	Local Govt.	1000+	2.42%	3	Local Govt.	1000+	2.08%
Advance Auto Parts	4	Private	1000+	2.10%	4	Private	1000+	1.86%
Norfolk Southern	5	Private	1000+	1.89%	-	Private	1000+	-
United Parcel Service	6	Private	500-999	1.43%	5	Private	500-999	-
Walmart	7	Private	500-999	1.03%	7	Private	500-999	-
Anthem (Blue Cross & Blue Shield)	8	Private	500-999	1.01%	8	Private	500-999	-
United Health Group	9	Private	500-999	0.83%	-	Private	500-999	-
Kroger	10	Private	500-999	0.81%	9	Private	500-999	1.54%
Carilion Services	-	Private	500-999	-	6	Private	500-999	-
United States Postal Service	-	Federal Govt.	500-999	-	10	Federal Govt.	500-999	-

Source: Virginia Employment Commission (VEC) and Roanoke Regional Partnership

Table 18

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

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Average Daily Membership	13,585	13,513	13,390	12,438	13,006	12,262	12,266	12,303	12,286	12,256
Total Graduates	811	783	667	744	746	776	698	686	675	686
Dropout Rate Percentage	3.60%	3.67%	3.48%	4.91%	5.37%	4.03%	6.06%	5.40%	5.72%	4.06%
Student Attendance Rate	94%	94%	93.79	94%	94%	94%	94%	94%	94%	94%
Total Per Pupil Cost	\$ 12,404	\$ 12,472	\$ 11,841	\$ 11,825	\$ 11,328	\$11,083	\$11,227	\$11,615	\$12,830	\$12,098
Local Composite Index of Ability to Pay	34%	36%	37%	37%	37%	39%	35.82%	34.20%	37.63%	37.63%
Average Teacher Salary	\$ 48,707	\$ 47,845	\$ 50,509	\$ 47,363	\$ 43,654	\$44,425	\$43,276	\$46,727	\$47,416	\$47,447
per 1,000 Students	112.1	116.1	110.9	115.0	87.7	87.4	87.1	87.2	89.2	89.4

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)**

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Superintendent	1	1	1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Asst. Supt./Executive Director/Supervisor	7	7	7	6.0	6.0	7.0	7.0	5.0	5.0	6.0
Principal/Asst. Principal	34	35	31.55	36.6	33.0	36.0	36.8	29.0	32.0	30.9
Classroom Teacher	53.8	52.8	52.8	53.8	54.0	52.8	52.0	58.0	43.0	46.7
Guidance Counselor	1045.61	1052.86	1050.56	1,045.4	1,034.0	1,008.4	1,064.6	1,135.9	1,095.8	1,095.9
Librarian	44.6	44.6	43.6	43.6	41.1	38.5	44.0	54.4	60.9	63.2
Other Professional	26	26	26	26.0	26.0	26.0	27.0	30.0	31.0	33.2
Clerical	81.4	69.8	61.9	72.4	57.0	18.0	19.0	1.5	3.2	3.2
Teacher Aides	96	96.55	96.55	97.1	96.5	97.8	91.0	108.0	103.1	120.7
Attendance & Health	308.8	308.1	296.92	302.1	313.0	340.6	321.1	283.5	288.5	292.2
Pupil Transportation	1	1	1	1.0	1.0	41.9	42.2	32.7	33.8	30.6
Maintenance of Plant	2	2	2	2.0	2.0	2.0	2.0	217.0	244.7	245.8
Operation of Plant	34	31	36	40.0	53.0	53.0	39.0	53.5	56.8	59.0
Food Services	122	119	121	119.0	132.5	118.0	117.0	136.7	139.1	144.0
Total Personnel	55	62	69	77.0	108.0	102.0	99.0	161.0	135.2	99.8
	1,912.2	1,908.7	1,896.9	1,922.9	1,958.1	1,942.9	1,962.7	2,273.0	2,272.1	2,272.0

Source: Roanoke City Public Schools, Department of Human Resources

Table 20

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

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Elementary Schools:										
Crystal Spring	48	55	51	57	63	65	58	59	51	44
Fairview	329	391	389	390	388	367	387	346	307	314
Fallon Park	461	551	553	533	517	522	480	494	472	448
Fishburn Park	143	134	167	152	132	143	112	198	143	166
Forest Park(b)	0	0	0	0	0	0	0	0	247	266
Garden City	190	226	245	218	232	218	239	202	176	177
Grandin Court	92	108	104	95	114	106	122	106	98	103
Highland Park	200	217	230	213	231	239	237	179	128	112
Huff Lane(d)	0	0	0	0	0	0	166	157	142	130
Hurt Park	348	366	355	381	282	258	269	221	169	163
Lincoln Terrace	266	277	247	221	222	169	250	206	174	190
Monterey	301	400	386	339	316	343	316	219	201	159
Morningside	225	250	252	227	214	223	216	266	247	226
Oakland (c)	0	0	0	0	0	0	0	137	119	107
Preston Park	240	330	311	286	245	217	222	185	187	184
Raleigh Court(a)	0	0	0	0	0	0	0	99	92	88
Roanoke Academy	325	432	411	398	411	448	302	356	291	309
Round Hill	428	534	530	500	419	429	201	186	177	180
Virginia Heights	206	214	246	230	253	265	214	203	169	167
Wasena	138	151	164	168	119	120	149	68	73	86
Westside	568	673	664	619	546	468	462	430	443	465
Middle Schools:										
Addison	393	467	480	476	431	398	392	338	331	337
Breckinridge	266	369	356	353	362	366	416	222	232	247
Jackson	379	461	489	457	401	394	434	283	279	275
Madison	323	309	295	273	285	279	294	163	163	185
Ruffner(a)	0	0	0	0	0	0	0	244	274	286
Wilson	252	233	263	254	260	237	244	233	265	259
High Schools:										
William Fleming	672	957	891	841	827	856	913	806	843	785
Forest Park Academy(b)	82	125	119	156	156	206	196	153	0	0
Patrick Henry	952	956	892	857	838	837	915	724	722	651
Noel Taylor Learning Center	65	88	108	89	86	92	105	0	0	0
Total Free Lunch Approvals	7,892	9,274	9,198	8,783	8,350	8,265	8,311	7,483	7,244	7,109
e.										
Total ADM	13,771	13,623	13,552	13,192	13,006	12,262	12,266	12,303	12,286	12,256
Percentage Free Lunch	57.31%	68.08%	67.87%	66.58%	64.20%	67.40%	67.76%	60.82%	58.96%	58.00%

- a. Raleigh Court Elementary and William Ruffner Middle School closed at the end of the 2008-09 school year.
b. 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.
c. Oakland Intermediate School was consolidated with Preston Park Primary School as a single K-5 elementary school beginning with the 2009-10 school year.
d. Huff Lane Elementary School was consolidated with Round Hill Elementary School beginning with the 2010-2011 school year.
e. During Fiscal Year 16, Roanoke City Schools participated in the Community Eligibility Provision, a program that allows the highest poverty school districts to serve breakfast and lunch at no cost to all enrolled students without the burden of collecting household applications. The total free lunch approvals decreased in fiscal 16 because the school division no longer had to take income applications for participation in free lunch which the above table represents.

Source: Roanoke City Public Schools Department of Food and Nutrition

Table 21
Unaudited

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

School Description	Total Current Classrooms	Constructed Student Capacity	Current Useable Student Capacity	Enrollment FY2014-15	Enrollment FY2015-16	% Of Constructed Capacity	% Of Useable Capacity	Modular Buildings
Elementary Schools:								
Crystal Spring	19.0	425	456	329	306	72%	67%	0
Fairview	30.0	775	600	440	429	55%	72%	0
Fallon Park	43.0	850	624	610	590	69%	95%	3
Fishburn Park	25.0	750	480	215	205	27%	43%	0
Garden City	25.0	575	456	273	269	47%	59%	0
Grandin Court	16.0	525	480	343	333	63%	69%	0
Highland Park	27.0	525	456	341	322	61%	71%	0
Hurt Park	27.0	600	384	338	362	60%	94%	0
Lincoln Terrace	26.0	600	360	278	307	51%	85%	1
Monterey	29.0	775	520	522	498	64%	96%	1
Morningside	26.0	500	312	263	257	51%	82%	2
Preston Park	23.0	525	474	430	462	88%	97%	0
Roanoke Academy	31.0	750	530	353	337	45%	64%	0
Round Hill	36.0	625	762	575	559	89%	73%	3
Virginia Heights	22.0	425	332	297	315	74%	95%	0
Wasena	15.0	400	288	256	241	60%	84%	0
Westside	48.0	850	816	723	770	91%	94%	0
Middle Schools:								
Addison	40.0	1,075	720	584	576	54%	80%	0
Breckinridge	33.0	550	630	555	571	104%	91%	0
Jackson	37.0	775	660	571	586	76%	89%	0
Madison	35.0	900	690	592	611	68%	89%	0
Wilson	40.0	975	840	458	456	47%	54%	0
High Schools:								
William Fleming	93	2,100	1,850	1,520	1,540	73%	83%	0
Patrick Henry	81	2,059	1,850	1,863	1,887	92%	102%	0
Regional Program:								
Roanoke Valley Governor's School	12	160	240	262	269	168%	112%	0

Source: Roanoke City Public Schools Department of Fiscal Services

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

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Table of Capital Assets by Location
June 30, 2016
(Unaudited)

Location	Land	Buildings and Structures	Equipment	Construction in Progress	Total
William Fleming High School	\$ 237,993	\$ 60,973,805	\$ 252,555	\$ -	\$ 61,464,353
Patrick Henry High School	31,127	60,517,609	800,090	-	\$ 61,348,826
Lucy Addison Aerospace Middle School	12,015	13,683,577	130,085	-	\$ 13,825,677
James Breckinridge Middle School	37,500	7,372,779	156,253	-	\$ 7,566,532
Stonewall Jackson Middle School	36,005	6,510,467	79,166	-	\$ 6,625,638
James Madison Middle School	9,883	5,790,850	203,350	-	\$ 6,004,083
William Ruffner Operations Center	35,329	3,708,526	2,752,113	8,331	\$ 6,504,299
Woodrow Wilson Middle School	12,500	12,547,009	198,423	-	\$ 12,757,932
Crystal Spring School	153,444	3,740,023	99,425	115,798	\$ 4,108,690
Fairview School	21,566	5,224,835	79,702	-	\$ 5,326,103
Fallon Park School	13,700	4,441,696	63,285	-	\$ 4,518,681
Fishburn Park School	4,236	3,273,824	120,682	-	\$ 3,398,742
Forest Park Academy	27,992	3,908,388	64,471	-	\$ 4,000,851
Garden City School	26,850	5,360,987	78,878	-	\$ 5,466,715
Grandin Court School	33,700	2,980,717	99,546	-	\$ 3,113,963
Highland Park School	600	5,836,898	126,467	-	\$ 5,963,965
Hurt Park School	2,085	3,036,907	133,080	-	\$ 3,172,072
Lincoln Terrace School	18,000	3,070,228	115,474	-	\$ 3,203,702
Monterey School	15,000	4,784,588	120,119	-	\$ 4,919,707
Morningside School	22,700	3,345,940	140,001	-	\$ 3,508,641
Noel C. Taylor Academy at Oakland	78,727	2,067,865	56,616	-	\$ 2,203,209
Preston Park School	33,956	3,934,353	66,237	-	\$ 4,034,546
Raleigh Court School	18,750	1,153,939	-	-	\$ 1,172,689
Roanoke Academy for Math and Science	15,000	13,104,592	102,966	-	\$ 13,222,558
Round Hill School	47,790	14,856,136	227,219	1,676,966	\$ 16,808,111
Virginia Heights School	32,750	5,704,395	150,192	1,192,489	\$ 7,079,826
Wasena School	20,000	4,289,311	35,853	-	\$ 4,345,164
Westside School	45,000	7,067,844	173,304	-	\$ 7,286,148
Governor's School for Math and Science	-	4,117,225	207,992	-	\$ 4,325,217
School Administration	8,050	1,005,592	801,273	-	\$ 1,814,915
Warehouse	-	-	444,038	-	\$ 444,038
School Transportation	360,000	1,883,707	37,670	-	\$ 2,281,377
Total Capital Assets	<u>\$ 1,412,248</u>	<u>\$ 279,294,613</u>	<u>\$ 8,116,525</u>	<u>\$ 2,993,584</u>	<u>\$ 291,816,970</u>

Note (1): 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.

Note (2): Construction in Progress is provided by the City of Roanoke.

THIS PAGE INTENTIONALLY BLANK

COMPLIANCE SECTION



THIS PAGE INTENTIONALLY BLANK

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Grant Award Dates	Federal CFDA Number	Pass-through Entity Identifying Number	Cluster Amounts	Federal Expenditures
<u>Department of Agriculture:</u>					
Pass Through Payments:					
Child Nutrition Discretionary Grants	7/1/2015-6/30/2016	10.579	Project source 868040		\$ 12,655
<u>Program or Cluster Title</u>					
National School Lunch Program - Commodities Schools (2)	7/1/2015-6/30/2016	10.555	CFDA #10.555	456,366	
Department of Education:					
National school breakfast program	7/1/2015-6/30/2016	10.553	Project source 405910	1,932,055	
National school lunch program	7/1/2015-6/30/2016	10.555	Project source 406230	5,252,445	
Summer Food Service Program for children	7/1/2015-6/30/2016	10.559	EIN 54-6001775; DUNS 809740459 + 3623	66,730	
Total Child Nutrition					7,707,596
Fresh Fruit and Vegetable Program	7/1/2015-6/30/2016	10.582	Project source 405990		278,809
Total Department of Agriculture					\$ 7,999,059
<u>Department of Defense:</u>					
Direct Payments:					
ROTC language and culture training grants	12/17/2013	12.357	N/A		118,261
Total Department of Defense					\$ 118,261
<u>Department of Criminal Justice:</u>					
Direct Payments:					
Juvenile Justice & Delinquency Prevention - JJDP Title II Pass Program	1/1/2016-12/31/2016	16.540	16-A3230JJ13		11,658
Total Department of Criminal Justice					\$ 11,658
<u>Department of Education:</u>					
Passed Through Commonwealth of Virginia Department of Education:					
Adult Education - Basic Grants to States	7/1/2015-6/30/2016	84.002	Grant Award #, AEFLA-42801-139-1617, Federal Award ID #, V002A160047		155,958
Title I-A Improving Basic Programs 2015	7/1/2014-9/30/2016	84.010	S010A140046	308,288	
Title I-A Improving Basic Programs 2016	7/1/2015-9/30/2017	84.010	S010A150046	5,607,958	
Total Title I-A Improving Basic Programs					5,916,246
Title I-D Technical Assistance	7/1/2013-9/30/2015	84.013	S013A130046	1,000	
Title I-D SOP Detention Center Reading Program 2016	7/1/2014-9/30/2016	84.013	S013A140046	724	
Total Title I-D SOP - Neglected and Delinquent					1,724
Special Education-Grants to States - Federal (IDEA, Part B) 2014	7/1/2013-9/30/2015	84.027	H027A130107	330	
Special Education-Grants to States - Federal (IDEA, Part B) 2015	7/1/2014-9/30/2016	84.027	H027A140107	2,323,955	
Special Education-Grants to States - Federal (IDEA, Part B) 2016	7/1/2015-9/30/2017	84.027	H027A150107	1,216,215	
Special Education-Grants to States - Federal (IDEA, Part B Section 611 - Champions Together)	7/1/2014-9/30/2016	84.027	H027A140107	5,000	
Special Education - preschool grants (IDEA) 2014	7/1/2013-9/30/2015	84.173	H173A130112	11,000	
Special Education - preschool grants (IDEA) 2015	7/1/2014-9/30/2016	84.173	H173A140112	8,677	
Special Education - preschool grants (IDEA) 2016	7/1/2015-9/30/2017	84.173	H173A150112	108,497	
Total Special Education (IDEA)					3,673,674
Career and Technical Education: Basic grants to states (Perkins) 2015	7/1/2014-6/30/2015	84.048	V048140046	(641)	
Career and Technical Education: Basic grants to states (Perkins) 2016	7/1/2015-6/30/2016	84.048	V048150046	372,283	
Total Career and Technical Education: Basic grants to states (Perkins)					371,643
Title X-C McKinney-Vento Homeless 2016	7/1/2015-9/30/2016	84.196	Direct, G12415		49,450
21st Century CLC (Title IV-B) - Addison Yr1 2015	7/1/2014-9/30/2016	84.287	S287C140047	86,714	
21st Century CLC (Title IV-B) - Addison Yr2 2016	7/1/2015-9/30/2017	84.287	S287C150047	104,203	
21st Century CLC (Title IV-B) - Breckinridge Yr1 2015	7/1/2014-9/30/2016	84.287	S287C140047	22,431	
21st Century CLC (Title IV-B) - Breckinridge Yr2 2016	7/1/2015-9/30/2017	84.287	S287C150047	151,860	
21st Century CLC (Title IV-B) - Garden City Yr3 2014	7/1/2013-9/30/2015	84.287	S287C130047	9,248	
21st Century CLC (Title IV-B) - Garden City Yr1 2016	7/1/2015-9/30/2017	84.287	S287C150047	154,143	
21st Century CLC (Title IV-B) - Highland Park Yr3 2015	7/1/2014-9/30/2016	84.287	S287C140047	131,714	
21st Century CLC (Title IV-B) - Hurt Park Yr3 2015	7/1/2014-9/30/2016	84.287	S287C140047	157,964	
21st Century CLC (Title IV-B) - Hurt Park Yr1 2016	7/1/2015-9/30/2017	84.287	S287C150047	66,657	
21st Century CLC (Title IV-B) - Jackson Yr3 2015	7/1/2014-9/30/2016	84.287	S287C140047	101,810	
21st Century CLC (Title IV-B) - Lincoln Terrace Yr1 2015	7/1/2014-9/30/2016	84.287	S287C140047	84,137	
21st Century CLC (Title IV-B) - Lincoln Terrace Yr2 2016	7/1/2015-9/30/2017	84.287	S287C150047	105,443	
21st Century CLC (Title IV-B) - Madison Yr3 2014	7/1/2013-9/30/2015	84.287	S287C130047	425	
21st Century CLC (Title IV-B) - RAMS Yr1 2015	7/1/2014-9/30/2016	84.287	S287C140047	60,510	
21st Century CLC (Title IV-B) - RAMS Yr2 2016	7/1/2015-9/30/2017	84.287	S287C150047	143,611	
21st Century CLC (Title IV-B) - Round Hill Yr3 2015	7/1/2014-9/30/2016	84.287	S287C140047	133,742	
21st Century CLC (Title IV-B) - Round Hill Yr1 2016	7/1/2015-9/30/2017	84.287	S287C150047	78,884	
21st Century CLC (Title IV-B) - Westside Yr1 2016	7/1/2015-9/30/2017	84.287	S287C150047	149,794	
21st Century CLC (Title IV-B) - Woodrow Wilson Yr3 2014	7/1/2013-9/30/2015	84.287	S287C130047	22,182	
Total 21st Century Community Learning Centers (Title IV, Part B)					1,765,472
Advanced Placement (AP) Program (Title I, Part G) 2015	7/1/2015-6/30/2016	84.330	Project source 609570		26,978
English language acquisition grant (Title III, Part A)	7/1/2013-9/30/2015	84.365	S365A130046	48,709	
English language acquisition grant (Title III, Part A)	7/1/2014-9/30/2016	84.365	S365A140046	107,302	
English language acquisition grant (Title III-A, Immigrant Children & Youth)		84.365	S365A150046	811	
English language acquisition grant (Title III-A, Supplemental Immigrant Children & Youth)		84.365	S365B150046	3,984	
Total English language acquisition grants					160,806
Improving Teacher Quality State Grants (Title II, Part A) 2015	7/1/2014-9/30/2016	84.367	S367A140044	69,946	
Improving Teacher Quality State Grants (Title II, Part A) 2016	7/1/2015-9/30/2017	84.367	S367A150044	796,643	
Total Improving Teacher Quality State Grants					866,589
Total Department of Education					\$ 12,988,538
(continued)					

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

Department of Medical Assistance Services:

Passed Through Commonwealth of Virginia Department of Medical Assistance Services:					
FAMIS Reimbursement	7/1/2015-6/30/2016	93.767	--	\$	10,454
Medicaid Reimbursement	7/1/2015-6/30/2016	93.778	--		<u>231,755</u>
Total Department of Medical Assistance Services				\$	<u>242,209</u>
Total Expenditures of Federal Awards				\$	<u>21,359,726</u>

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the School Board of the City of Roanoke, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the School Board of the City of Roanoke's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule. The School Board of the City of Roanoke, Virginia used the federal indirect cost rates as furnished by the Virginia Department of Education. The restricted and unrestricted rates are 4.1% and 18.6%, respectively.

NOTE 2 - FOOD DISTRIBUTION:

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund and the 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, 2016, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 31, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the School Board of the City of Roanoke, Virginia's (the "School Board"), a component unit of the City of Roanoke, Virginia, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School Board's major federal programs for the year ended June 30, 2016. The School Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 31, 2016

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2016

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the School Board of the City of Roanoke, Virginia'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, 2016

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required By the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major programs of the School Board are:

Name of Program	CFDA #
Special Education Cluster:	
Special Education – grants to States – Federal (IDEA, Part B)	84.027
Special Education – preschool grants (IDEA)	84.173
21 st Century CLC (Title IV-B)	84.287
Improving Teacher Quality State Grants (Title II, Part A)	84.367

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The School Board of the City of Roanoke **was** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.