

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

For the Fiscal Year Ended June 30, 2017



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, 2017

Roanoke City School Board

Annette Lewis, Chairman
Lori E. Vaught, Vice Chairman
Mark K. Cathey
William B. Hopkins, Jr.
Laura D. Rottenborn
Lutheria H. Smith
Richard Willis

Dr. Rita D. Bishop, Superintendent

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

Table of Contents

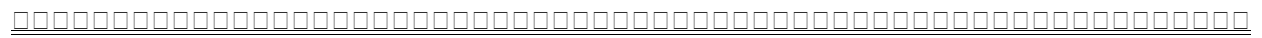
	<i>Page Number</i>
 INTRODUCTORY SECTION:	
Letter of Transmittal	1
Association of School Business Officials International Certificate of Excellence in Financial Reporting.	12
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting	13
Organizational Chart	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.	71
Schedule B Budgetary Comparison Schedule - Food Service Fund	72
Notes to the Budgetary Comparison Schedules	73
Schedule C Schedule of Funding Progress – Other Postemployment Benefits and Employer Contributions.	74
Schedule D Required Pension Schedules	75
Notes to Required Supplementary Information	79
 Other Supplementary Information:	
Schedule E Schedule of Cash Receipts and Expenditures by School - School Activity Funds.	83
Schedule F Statement of Changes in Fiduciary Assets and Liabilities	84
Schedule G Schedule of Insurance Coverage.	85

STATISTICAL SECTION (UNAUDITED):

Table 1	Roanoke City Public Schools Net Position by Component.	90
Table 2	Roanoke City Public Schools Changes in Net Position	91
Table 3	Roanoke City Public Schools Fund Balances of Governmental Funds	92
Table 4	Roanoke City Public Schools Changes in Fund Balance of Governmental Funds	93
Table 5	Roanoke City Public Schools Major Local Revenue Sources – General Fund and Food Service.	94
Table 6	City of Roanoke General Property Tax Levies and Collections.	95
Table 7	City of Roanoke Assessed and Estimated Actual Value of Taxable Property	96
Table 8	City of Roanoke Property Tax Rates and Tax Levies	96
Table 9	City of Roanoke Principal Property Taxpayers	97
Table 10	City of Roanoke Taxable Retail Sales	97
Table 11	City of Roanoke Ratio of General Bonded Debt to Total Estimated Actual Value and Bonded Debt Per Capita	98
Table 12	City of Roanoke Computation of Legal Debt Margin.	99
Table 13	City of Roanoke Ratio of Annual Debt Service Expenditures for General Long-Term Debt to Total General Expenditures.	99
Table 14	City of Roanoke Outstanding Debt Incurred by the City of Roanoke for Roanoke City Public School Projects	100
Table 15	City of Roanoke Legal Debt Margin Information	102
Table 16	City of Roanoke Demographic Statistics	103
Table 17	City of Roanoke Principal Employers	103
Table 18	Roanoke City Public Schools Educational Statistics.	104
Table 19	Roanoke City Public Schools Personnel Staffing – Full Time Equivalents (FTE).	104
Table 20	Roanoke City Public Schools Free Lunch Approvals by School	105
Table 21	Roanoke City Public Schools Capital Asset Statistics	106
Table 22	Roanoke City Public Schools Capital Assets by Location	107

COMPLIANCE SECTION:

Schedule of Expenditures of Federal Awards	111
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>	113
Independent Auditor's Report on Compliance For Each Major Program and On Internal Control Over Compliance Required By the Uniform Guidance	115
Summary of Compliance Matters	117
Schedule of Findings and Questioned Costs	118



THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION





THIS PAGE INTENTIONALLY BLANK



October 31, 2017

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, 2017, 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 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 2016 estimated population as per the US Census Bureau of 99,644 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 2016-17 school year, RCPS provided a comprehensive program of study for 13,580 students in grades pre-kindergarten through twelve. In 2016-17, 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 .02% over the next two years.

Roanoke’s student population represents a diversity of cultures and ethnic groups. Approximately 45% of students are black, 37% are white, and 18% are Hispanic or other.

In 2016-17, 60% of RCPS students qualified for free or reduced price school lunch, where eligibility is determined based on poverty level. At two of Roanoke’s twenty-six instructional sites, over 75% of the student populations qualified for free or reduced price school lunch; at twenty sites, over 50% of students were eligible for the program. The USDA’s Community Eligibility Provision (CEP), implemented in fall 2015, provided free lunch for 84.7% of the overall student population.

Compared to the previous year, Roanoke City students’ pass rates on the State Standards of Learning assessments in the 2016-17 school year increased in two test areas. The improvements are as follows: Reading increased one point (73% to 74%) and Writing significantly improved with a gain of nine points (from 65% to 74%). RCPS experienced a slight decline in Mathematics (78.5% to 77%), as well as a slight regression in Science (75% to 74%). The History pass rate remained 79% during the 2016-17 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 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 2016-17 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, 23 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 2016-17 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 who pass SOL tests in four core subject areas: English, Mathematics, History, and Science. State accreditation status by school, based on the 2016-17 student performance data, is listed on the following chart.

**Roanoke City Public Schools
Accreditation Status for 2017-18
Based on 2016-17 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	Fully Accredited
Grandin Court Elementary	Fully Accredited
Highland Park Elementary	Fully Accredited
Hurt Park Elementary	Partially Accredited: Warned School-Pass Rate
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	Fully Accredited
Lucy Addison Middle	Fully Accredited
James Breckinridge Middle	Fully Accredited
Stonewall Jackson Middle	Fully Accredited
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 2017**

Three hundred forty-eight (348) Roanoke City students took the SAT Reasoning Test. The division's mean Evidence-Based Reading and Writing score was five hundred twenty-two (522), the mean Mathematics score was five hundred two (502). Test taking and scored within RCPS should be compared to Virginia and U.S. SAT data in order to evaluate change over time.

Comparison of Roanoke City with Virginia and United States on SAT

The proportion of students by ethnic group who took the SAT in 2017:

	<u>Roanoke</u>	<u>Virginia</u>	<u>U.S.</u>
White	38%	52%	45%
African American	39%	20%	13%
Other Ethnicities	24%	28%	42%

Mean scores of all students tested:

For comparison in the chart the mean critical reading scores are taken into account.

SAT Results	Roanoke	Virginia	U.S.	Difference
	Mean 2016 2017	Mean 2016 2017	Mean 2016 2017	2017 SAT results RCPS vs VA US
ERW*	464 522	520 560	494 538	-38 -16
Mathematics	457 502	517 541	508 533	-39 -31
Total Score	921 1025	1037 1102	1002 1070	-77 -45

Mean scores of tested students by ethnicity:

For the comparison in the chart the mean critical reading scores are taken into account.

SAT Results	Roanoke		Virginia		U.S.		Difference	
	Black	White	Black	White	Black	White	Black	White
	Mean	Mean	Mean	Mean	Mean	Mean	RCPS vs VA US	RCPS vs VA US
ERW*	456	599	492	586	480	568	-36 -24	+13 +31
Mathematics	445	565	468	563	463	556	-23 -18	+2 +9
Total Score	901	1165	959	1149	943	1124	-58 -42	+16 +41

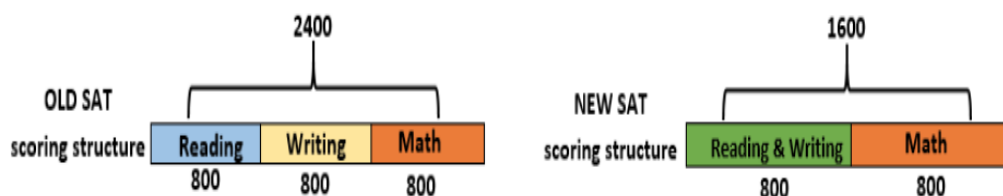
Mean scores of students tested by high school:
For the comparison in the chart the mean critical reading scores are taken into account.

SAT Results	Patrick Henry		William Fleming	
	Mean	Difference VA US	Mean	Difference VA US
ERW*	554	-6 +16	477	-83 -61
Mathematics	536	-5 +3	456	-85 -77
Total Score	1091	-11 +21	932	-170 -138

*ERW is **Evidence-Based Reading and Writing**. It replaced the separate Reading and Writing tests that were part of the SAT from 2011-2016. The new SAT is a different test with a different scoring structure.

The scoring structure for the new SAT:

- **Total Score 400-1600**
- **Evidence-Based Reading and Writing Section: 200-800 (Writing is now COMBINED with Reading for one section.)**
- **Math Section: 200-800**



SAT I: Reasoning Test Scores for Graduating Seniors Roanoke City Public Schools 2007-2017

Table I. Mean Scores on SAT

Table I. Mean Scores on SAT

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Mean Reading *ERW SAT Score	485	474	484	480	469~	475	473	487	483	464	522
Mean Mathematics SAT Score	475	464	472	472	464~	465	468	479	477	457	502
Writing	469	464	460	460	450~	458	453	464	461	433	-
Total	1429	1402	1416	1412	1383	1398	1394	1430	1421	1354	1025

~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

	Black											White										
	07	08	09	10	11	12	13	14	15	16	17	07	08	09	10	11	12	13	14	15	16	17*
<i>Mean Reading *ERW SAT Score</i>	414	411	416	421	409~	409	410	410	422	417	456	548	541	548	545	541~	554	545	551	543	535	599
<i>Mean Mathematics SAT Score</i>	404	405	403	407	398~	399	407	404	419	411	445	534	527	534	535	537~	545	537	540	537	531	565
<i>Writing</i>	395	405	396	400	391~	396	395	395	404	388	-	536	529	521	522	515~	533	521	522	519	507	-
<i>Total</i>	1213	1221	1212	1228	1198	1204	1212	1209	1245	1216	901	1618	1597	1603	1603	1593	1632	1603	1613	1599	1573	1164

*ERW is *Evidence-Based Reading and Writing*. It replaced the separate Reading and Writing tests that were part of the SAT from 2011-2016.

**Roanoke City Public Schools
2017 ACT Results**

Participation in ACT testing among Roanoke City Public School students decreased slightly. During 2017 seventy-four (74) seniors took the ACT compared with one hundred thirty-seven (137) seniors in 2016.

Total participants: 74

Patrick Henry High School: 46

William Fleming High School: 28

Percentage of Students Meeting College Readiness Benchmarks 2015-16/2016-17

	Patrick Henry 2016 / 2017	William Fleming 2016 / 2017	District 2016 / 2017	State 2016 / 2017	National 2016 / 2017
English Composition	82 / 78	32 / 36	52 / 62	78 / 80	61 / 61
College Algebra	60 / 72	11 / 21	31 / 53	59 / 60	41 / 41
Reading	75 / 70	20 / 29	42 / 54	63 / 67	44 / 47
Science	67 / 67	7 / 21	31 / 50	53 / 56	36 / 37
Composite	51 / 59	4 / 11	23 / 41	43 / 45	26 / 27

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

Comparison of Average ACT Scores

	English 2016 2017		Mathematics 2016 2017		Reading 2016 2017		Science 2016 2017		Composite 2016 2017	
PH	23.0	23.2	23.0	24.3	25.2	24.3	24.2	24.3	24.0	24.2
Fleming	15.0	17.6	17.0	18.7	17.1	19.8	16.7	19.3	16.6	19.0
RCPS	18.2	21.0	19.4	22.2	20.4	22.6	19.7	22.4	19.6	22.2
Virginia	22.9	23.5	22.9	23.3	24.0	24.6	23.1	23.5	23.3	23.8
National	20.1	20.3	20.6	20.7	21.3	21.4	20.8	21.0	20.8	21.0

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

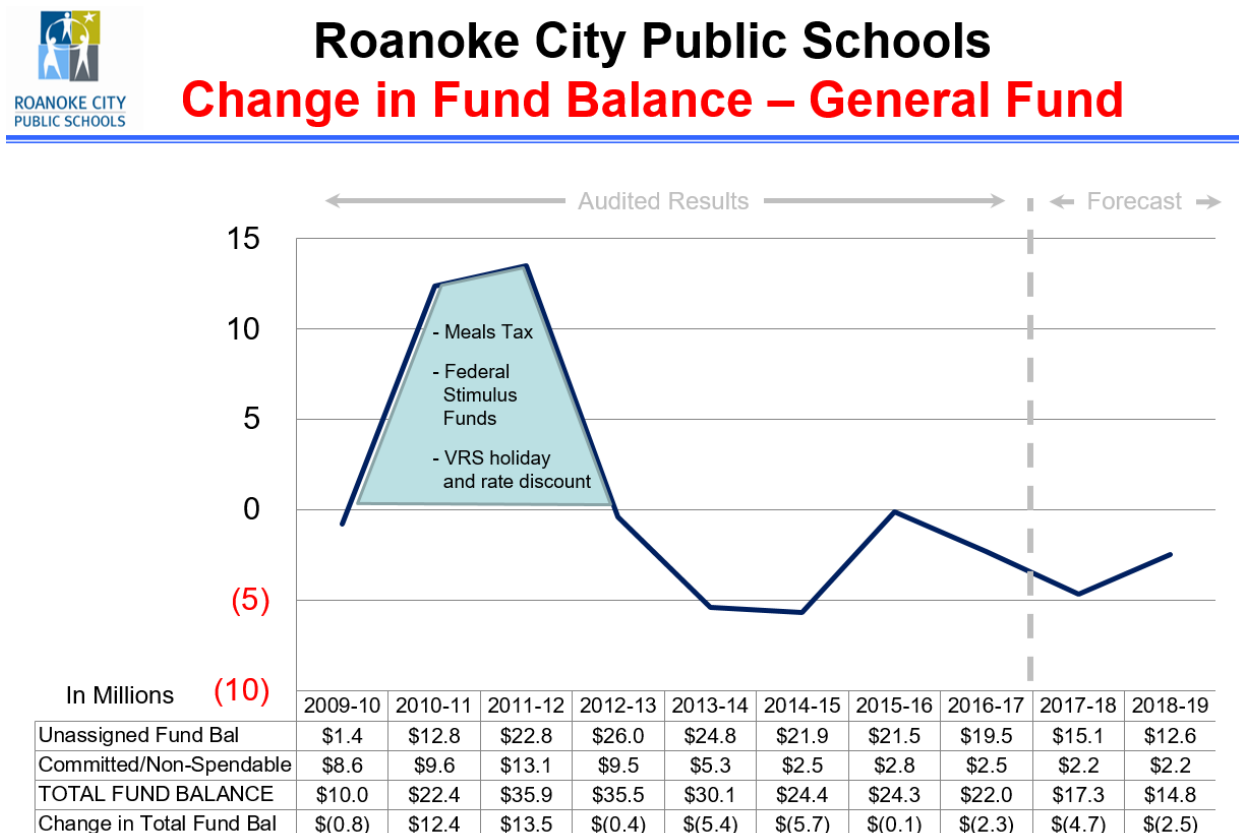
The district's ability to fund its major educational initiatives adequately is significantly affected by the City's economic outlook. City funding for fiscal year 2017 continued to follow the funding formula established in 2012, which stipulates that (a) the schools receive 40% of property and other 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). Unfortunately, the City of Roanoke's revenue experience in 2016-17 did not meet budget. Several local taxes under performed, including sales tax, transient occupancy tax and communications tax. With our funding formula, Roanoke City Public Schools shares the revenue experience of the City of Roanoke in good times and in bad. City of Roanoke funding of schools was \$2,033,142 less than budget in 2016-17.

In its 2016-2018 biennial budget, the Commonwealth of Virginia made strides to move funding of public K-12 education closer to pre-recession levels. However, revenue in 2015-16 did not meet budget, resulting in the removal of funding for 2016-17 that was contingent on the Commonwealth meeting prior year targets. The state share of a partial year 2% raise for Standards of Quality (SOQ) positions, that was to take effect in 2016-17, was eliminated. This amounted to approximately \$600,000 in reduced funding for RCPS. RCPS enrollment continues to increase moderately each year which contributes to increased state support, though educating more students also brings added costs. Funded Average Daily Membership (ADM) in 2016-17 was 12,825, up 33.56 from the division's 2015-16 ADM of 12,791.44. State sales tax receipts were sluggish during much of the year. They rallied in the last few months of the fiscal year, but not enough for RCPS to meet its projected share of state sales tax revenue. Cautious state funding decisions are expected to continue in 2017-18.

At the Federal level, the continuation of two significant areas of funding have been heavily questioned. The long-term availability of Title II Part A funds for improving teacher quality is unknown, but it remained available for class size reduction and professional development during 2016-17. Eliminating Title IV Part B funding for 21st Century Community Learning Centers was also an early proposal from the new administration. That funding too continued through 2016-17. Both of these funding sources are expected to continue at least through 2017-18. The Every Student Succeeds Act (ESSA), which replaced the No Child Left Behind Act of 2002, was signed into law on December 10, 2015. Implementation has been a slow process as new requirements are shared and processes for meeting those requirements are developed. RCPS did not experience a significant impact to its level of Federal funding in 2016-17 as a result of ESSA's implementation. Title I Part A funding in 2017-18 is increased from the prior year, and a new funding area, Title IV Part A funding for student support and academic enrichment, has been introduced.

The growing shortage affecting the teaching profession nation-wide continues to be a challenge for Roanoke City Public Schools. The district's Human Resources professionals begin their recruiting efforts earlier each year. Establishing and maintaining a competitive teacher salary scale is a top priority. In June 2016 the School Board voted to adjust the teacher salary scales to correct a range of steps that lagged behind the average of like salary steps from a pool of comparable districts. This was in addition to a minimum 2% salary increase given to all staff. RCPS has budgeted a step increase for all employees in 2017-18 which amounts to an average increase of 2% per employee. RCPS continues its efforts to keep salaries competitive with comparable districts, but average teacher pay across the nation, when compared with other professions, is grossly inadequate. Finding and retaining quality teachers will continue to be a challenge. This is particularly true for urban school districts like Roanoke City Public Schools where many students lack adequate resources or supports outside of school, and need additional support from their school family to be successful.

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 2018 if current trends continue. The following chart illustrates the projected impact of this deficit spending on total General Fund fund balance:



Accounting System and Budgetary Controls

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

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

General Operations

Management's Discussion and Analysis, which is contained in the financial section of this report, provides a discussion of financial results for fiscal years 2016 and 2017 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.

Awards and Acknowledgments

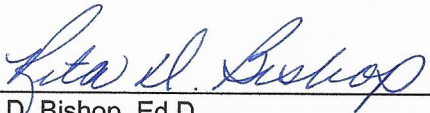
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board of the City of Roanoke, Virginia, for its comprehensive annual financial report for the fiscal year ended June 30, 2016. The 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, 2016. 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-two 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
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, 2016.**

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



Anthony N. Dragona, Ed.D., RSBA
President

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, 2016

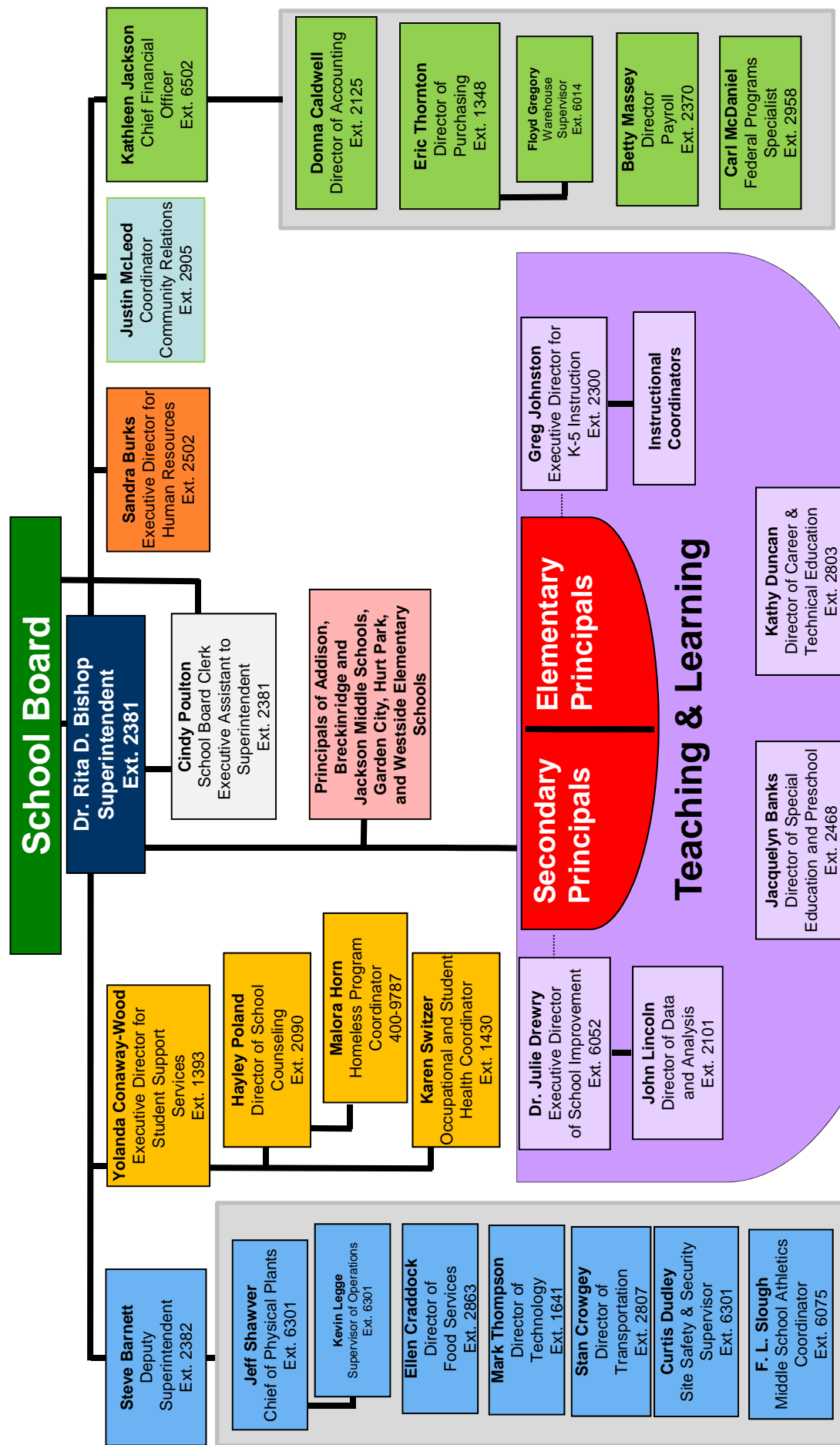
Executive Director/CEO



ROANOKE CITY
PUBLIC SCHOOLS

Roanoke City Public Schools

2016-17 Chart of Organization



August 2016

**Roanoke City Public Schools
Officers and Principal Administrators
(July 1, 2016 through June 30, 2017)**

Roanoke City School Board

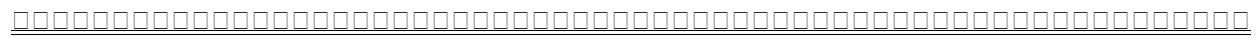
Annette Lewis	Chairman
Lori E. Vaught	Vice Chairman
Mark K. Cathey	Member
William B. Hopkins, Jr.	Member
Lutheria A. Smith	Member
Laura D. Rottenborn	Member
Richard Willis	Member
Cynthia H. Poulton	Clerk of the Board

Superintendent of Schools

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

Executive Staff

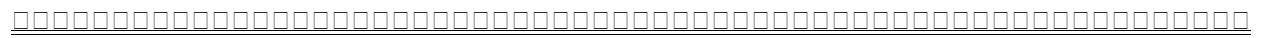
P. Steve Barnett	Deputy Superintendent
Kathleen M. Jackson	Chief Financial Officer
Yolanda Conaway-Wood	Executive Director, Student Services
Julie Drewry, Ph.D.	Executive Director, School Improvement
Greg Johnston	Executive Director, K-5 Instruction
Sandra Burks	Executive Director, Human Resources



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, 2017, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, 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, 2017, 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, 2017 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, 2017

**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, 2017**

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, 2017. 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 and deferred inflows of resources exceeded assets and deferred outflows of resources at the close of the most recent fiscal year by (\$102,433,933) (net position). Of this amount, \$2,913,761 was invested in capital assets, leaving unrestricted net position totaling (\$105,347,694). Unrestricted net position is normally used to meet the School Board's ongoing obligations to citizens and creditors.
- Net position decreased by \$3,433,242, a 3.47% decrease from the prior fiscal year-end balance. Total assets decreased by \$897,858. Total liabilities increased by \$17,338,375. The change in total assets was due to decreases in grant fund receivables and capital assets, offset by increases in cash and cash equivalents for an overall decrease of 2.08% 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 due to an increase in the net pension liability of \$15.5 million, unearned revenue, and net funds due to the City of Roanoke for an overall increase of 11.86%. Other changes in liabilities had a minimal effect on the financial position as a whole.
- The general fund experienced a net operating decrease of \$322,692 largely due to an unexpected decrease in budgeted to actual revenue in funding from state and local governments which was favorably offset by a decrease in health care expenditures. The food service fund experienced a net operating increase of \$327,766 primarily due to an increase in meals served.
- Overall revenues were approximately \$198 million, \$2.2 million less than expenditures. The revenue shortfall of \$2,033,142 from the City of Roanoke was attributable to under performance of local taxes.
- The total cost of basic programs was approximately \$200 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 \$144 million.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$19.3 million, or 11.9% 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 2017.
- 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,	
	2017	2016
Current and other assets	\$ 39,311,844	\$ 40,028,686
Capital Assets, net	2,913,761	3,094,777
Total Assets	42,225,605	43,123,463
Total Deferred Outflows of Resources	24,111,626	14,679,684
Current and other liabilities	13,288,275	11,772,274
Long-term Liabilities	150,295,709	134,473,335
Total Liabilities	163,583,984	146,245,609
Total Deferred Inflows of Resources	5,187,180	10,558,229
Investment in capital assets	2,913,761	3,094,777
Unrestricted	(105,347,694)	(102,095,468)
Total Net Position	\$ (102,433,933)	\$ (99,000,691)

Net position may serve, over time, as a useful indicator of a district's financial position. In the case of the School Board, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$102,433,933 at the close of the most recent fiscal year.

Current and other assets decreased during the fiscal year by \$716,842. The decrease was primarily comprised of decreases of \$2,613,135 due from the City of Roanoke, \$3,290,207 due from other governments, \$79,859 net pension asset, \$26,877 prepaid expenses, \$107,500 accounts receivable, and offset by increases of \$5,291,570 in cash and cash equivalents and other postemployment benefits of \$109,166. The increase in cash and cash equivalents directly relates to the decrease in receivables from other governments at the end of the fiscal year. There was a decrease in capital assets of \$181,016.

The School Board's investment in capital assets, machinery and equipment net of accumulated depreciation, in the amount of \$2,913,761 represents (2.8%) of net position. The School Board uses these capital assets to provide services to students; consequently, these assets are not available for future spending. It should be noted that these assets reflect outlays made during the current fiscal year and previous years. No debt service exists for the reported capital assets.

Current and other liabilities increased by \$1,516,001. The net increase for this category was primarily comprised of an increase of \$319,681 in accounts payable and accrued expenses, an increase in unearned revenue of \$634,493 largely due to the timing of reimbursement of grant funding, an increase in net funds due to the City of Roanoke of \$688,253, an increase in long term liabilities due within one year of \$1,110, and a decrease of \$127,536 in claims payable related to health insurance.

Long-term liabilities increased by \$15,822,374. The net increase for this category was due to an increase of \$15,544,901 in the net pension liability, an increase in compensated absences of \$3,016, and an increase of \$274,457 in the liability for workers' compensation benefits.

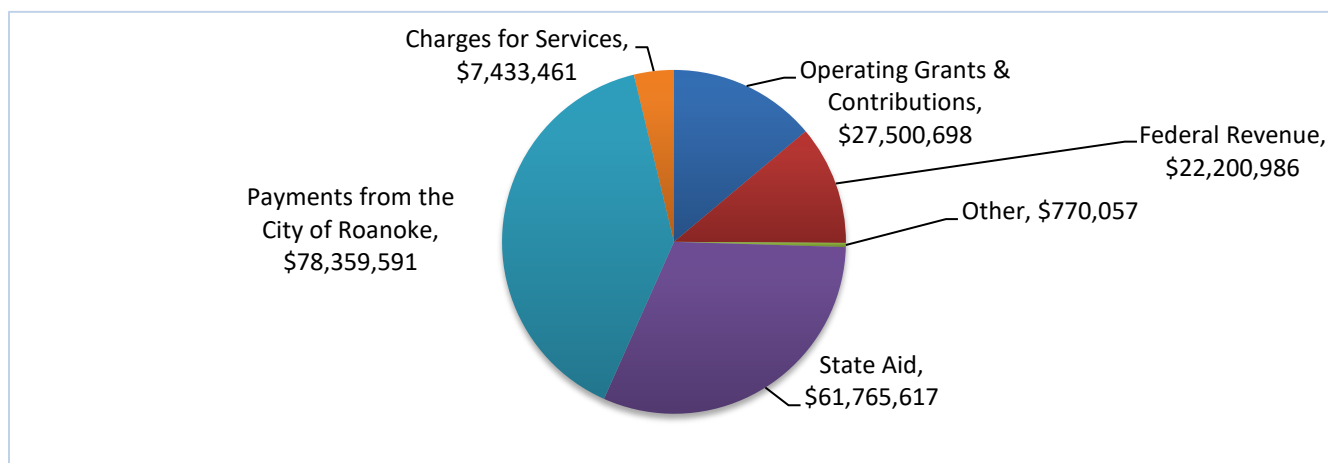
The School Board's change in net position, in the amount of \$24,030,646 exclusive of the net pension liability represents resources that are available to be used to meet the School Board's ongoing obligations to students, staff, and creditors. The increase of unrestricted net position from the prior year is \$3,252,226.

Governmental Activities. Governmental activities resulted in a decrease in the School Board's net position of \$3,433,242 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 \$144 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, \$86.7 million, comprises 60.1% of total governmental activities. The net cost of operations, maintenance, and facilities was \$15.7 million, or 10.9% of total governmental activities. The net costs of other functional activities were: athletics, \$1.7 million or 1.2%; transportation, \$10.8 million or 7.5%, payments to the primary government for debt service, \$14.3 million or 9.9%, support services, \$15.5 million or 10.8%. At fiscal year-end, food services had an operating gain in net position of \$288,615 or (0.2%) of the government-wide net cost. Expenses for FY 2017 increased \$9.2 million in total compared to the prior year, with a \$8.6 million increase in the cost of instructional programs largely due to a \$5.5 million increase in regular instruction, \$1.3 million increase in special education instruction, and a \$1.5 million increase in school administration costs along with other smaller combined increases. There was a \$1.2 million increase in food service from additional federal funding, a \$435,753 increase in the cost of operations and maintenance; this increase was partially offset by a decrease of \$560,913 in the cost of support services related to operational expenses, an increase of \$259,781 in transportation, and an increase of \$24,997 in athletics.
- General revenues not identifiable to specific functions or programs totaled \$140.9 million or \$3,433,242 less than the net cost of the division's programs. Total revenues for fiscal year 2017 increased \$3.3 million from the prior year. Program revenues increased by \$925,132 or 1.6% and general revenue collections increased by \$2.4 million or 1.7%. The change in general revenue collection consisted of an increase in state aid not restricted to specific programs of \$3.6 million or 6.1%, and a decrease in payments from the City of Roanoke of \$1.1 million or (1.4%) from the prior year.
- The acquisitions of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. Net capital assets, accordingly, decreased by \$181,016, the amount by which capital asset depreciation expense in the current period and the net book value of capital assets disposed exceeded purchases. Net capital asset decrease of \$814,925 (additions of \$502,980 less retirements of \$1,317,905) were offset by a net decrease in accumulated depreciation for the year of \$633,909.
- The compensated absences liability increased slightly by \$4,126.

Revenues and Expenses Summaries – Governmental Activities:

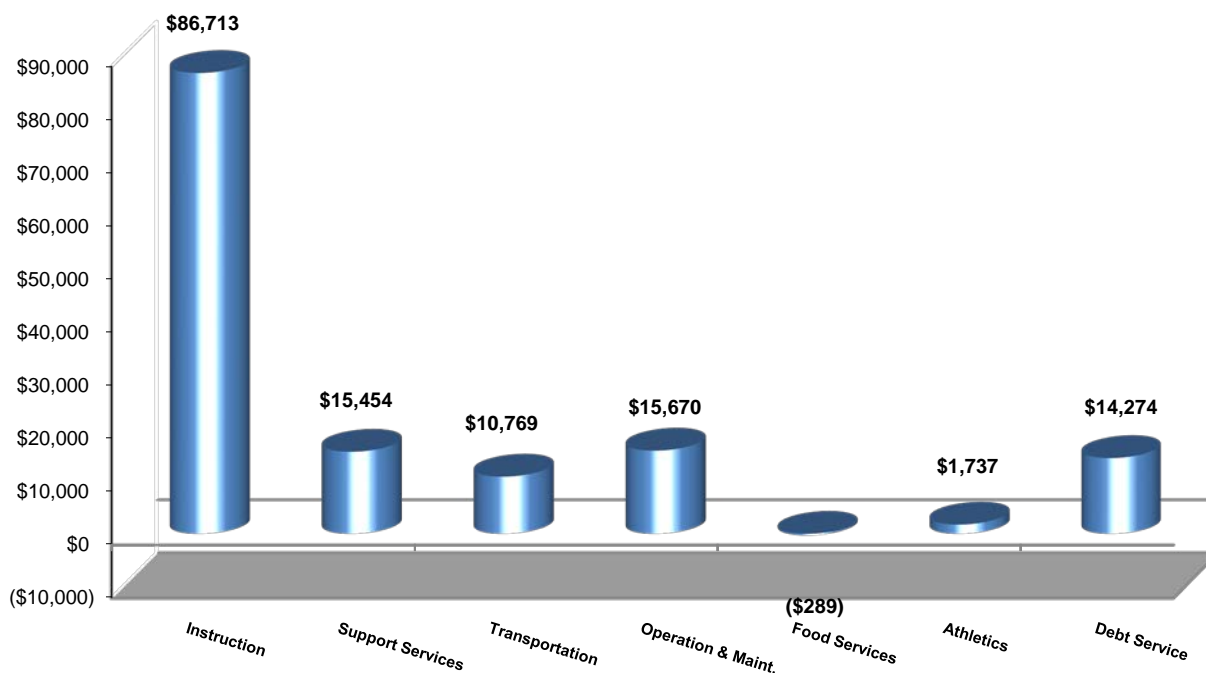
Revenues by Source – Governmental Activities:



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

	Year Ended June 30,	
	2017	2016
Revenues:		
Program Revenues:		
Charges for services	\$ 7,433,461	\$ 6,979,179
Operating grants and contributions	49,701,684	49,230,834
General Revenues:		
Payments from the City of Roanoke	78,359,591	79,435,819
State aid not restricted to specific programs	61,765,617	58,191,410
Interest Income on Investments	120,075	49,145
Other(Miscellaneous on Exhibit 2)	649,982	833,791
Total Revenues	<u>198,030,410</u>	<u>194,720,178</u>
Expenses:		
Instruction	134,380,569	125,138,180
Support Services	15,531,646	16,103,569
Transportation	10,769,118	10,509,337
Operation & Maintenance of Plant	15,670,270	15,234,517
Food Services	8,918,197	7,417,602
Athletics	1,919,667	1,883,433
Payments for Debt Service	14,274,185	15,073,688
Total Expenses	<u>201,463,652</u>	<u>191,360,326</u>
Change in net position	(3,433,242)	3,359,851
Net position - Beginning of year	(99,000,691)	(102,360,542)
Net position - End of year	<u>\$ (102,433,933)</u>	<u>\$ (99,000,691)</u>

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 \$25,181,962, a decrease of \$2,250,972 in comparison with the prior year. Of that amount, \$315,088 was non-spendable, zero was restricted, \$2,537,086 was committed, \$3,043,436 was assigned, and \$19,286,352 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 \$22,080,211. 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 2017 total fund balance represents 13.7% of total general fund expenditures, compared to the prior year total fund balance which represented 15.7% of total general fund expenditures.

The fund balance of the School Board's general fund decreased \$2,278,739 during the current fiscal year, substantially less than the budgeted decrease of \$8.2 million. Key factors in this change are as follows:

- Expenditures exceeded revenues (excluding transfers) by \$322,692 or approximately 0.2% of total revenues. Revenues were lower than budget by \$3.5 million. Expenditures were less than the budget due to a variety of reduced costs in fiscal year 2017 including lower than anticipated insurance costs and increased grant funding to cover extended school year programs.
- Transfers to the school grants fund for program local match funds, in the amount of \$3,412,992, 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 \$327,766. The final budget to actual revenue decreased largely due to the federally funded food program which reduced charges for services. The budget was amended for an increase in food costs but anticipated costs were approximately 5% less than the amended budget.

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, 2017, totaled \$2,913,761 (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 \$502,980, netted against the retirement of assets with a net book value of \$72,110 and depreciation expense for the year of \$611,886, resulting in a net decrease in capital assets of \$181,016. 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>

Exhibit 1

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
Statement of Net Position
June 30, 2017**

<u>Assets</u>	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 29,981,035
Accounts Receivable	128,387
Due From City of Roanoke	6,904
Due From Other Governments	7,344,618
Prepays	315,088
Net Pension Asset	919,615
Other Postemployment Benefits	616,197
Capital Assets, net	2,913,761
Total Assets	<u>42,225,605</u>
 <u>Deferred Outflows of Resources</u>	
Deferred outflows related to pensions (Note IV. A.)	<u>24,111,626</u>
 Total Deferred Outflows	 <u>24,111,626</u>
 <u>Liabilities</u>	
Accounts Payable and Accrued Expenses	4,761,094
Unearned Revenue	2,167,129
Due to the City of Roanoke	688,253
Claims Payable	4,842,081
Long-Term Liabilities Due Within One Year	829,718
Long-Term Liabilities:	
Workers' Compensation	1,732,333
Compensated Absences Payable	2,254,736
 Net Pension liability	 146,308,640
Total Liabilities	<u>163,583,984</u>
 <u>Deferred Inflows of Resources</u>	
Deferred inflows related to pensions (Note IV. A.)	<u>5,187,180</u>
 Total Deferred Inflows	 <u>5,187,180</u>
 <u>Net Position</u>	
Investment in Capital Assets	2,913,761
Unrestricted	(105,347,694)
Total Net Position	<u>\$ (102,433,933)</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
Statement of Activities
For the Year Ended June 30, 2017

<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	(81,633,639)	\$ 202,068	\$ 23,456,587	\$ (57,974,984)
Special Education	(29,345,584)	5,266,542	12,910,296	(11,168,746)
Vocational Instruction	(3,156,674)	-	854,343	(2,302,331)
Gifted	(1,355,158)	835,738	488,944	(30,476)
Guidance	(4,216,048)	-	1,521,310	(2,694,738)
Media Services	(1,171,871)	-	725,306	(446,565)
School Administration	(10,269,931)	-	248,227	(10,021,704)
District-Wide Instructional Programs	(3,231,664)	-	1,158,322	(2,073,342)
Support Services:	-			
Administration	(13,231,068)	11,662	-	(13,219,406)
Attendance and Health Services	(2,300,578)	-	66,000	(2,234,578)
Transportation	(10,769,118)	-	-	(10,769,118)
Operation & Maintenance of Plant	(15,670,270)	-	-	(15,670,270)
Food Services	(8,918,197)	934,463	8,272,349	288,615
Athletics	(1,919,667)	182,988	-	(1,736,679)
Debt Service - City of Roanoke	(14,274,185)	-	-	(14,274,185)
Total Governmental Activities	<u>\$ (201,463,652)</u>	<u>\$ 7,433,461</u>	<u>\$ 49,701,684</u>	<u>(144,328,507)</u>
General Revenues:				
				78,359,591
				61,765,617
				649,982
				120,075
Total General Revenues				<u>140,895,265</u>
Change in Net Position				(3,433,242)
Net Position - Beginning of Year				<u>(99,000,691)</u>
Net Position - End of Year				<u>\$ (102,433,933)</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
Balance Sheet
Governmental Funds
June 30, 2017

<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	\$ 26,806,811	\$ 3,174,224	\$ -	\$ 29,981,035
Accounts Receivable	82,524	31,171	14,692	128,387
Due From City of Roanoke	-	6,904	-	6,904
Due From Other Governments	2,714,004	207,422	4,423,192	7,344,618
Due From Other Funds	1,251,216	-	-	1,251,216
Prepays	315,088	-	-	315,088
Total Assets	<u>\$ 31,169,643</u>	<u>\$ 3,419,721</u>	<u>\$ 4,437,884</u>	<u>\$ 39,027,248</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ 3,497,685	\$ 296,352	\$ 967,057	\$ 4,761,094
Claims Payable	4,773,281	21,618	47,182	4,842,081
Due to Other Funds	-	-	1,251,216	1,251,216
Due to the City of Roanoke	688,253	-	-	688,253
Unearned Revenue	-	-	2,167,129	2,167,129
Total Liabilities	<u>8,959,219</u>	<u>317,970</u>	<u>4,432,584</u>	<u>13,709,773</u>
Deferred Inflows:				
Unavailable Revenue	130,213	-	5,300	135,513
Total Deferred Inflows	<u>130,213</u>	<u>-</u>	<u>5,300</u>	<u>135,513</u>
Fund Balances:				
Non-spendable:	315,088	-	-	315,088
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:	-	3,043,436	-	3,043,436
Unassigned:	19,286,352	-	-	19,286,352
Total Fund Balances	<u>22,080,211</u>	<u>3,101,751</u>	<u>-</u>	<u>25,181,962</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 31,169,643</u>	<u>\$ 3,419,721</u>	<u>\$ 4,437,884</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.

135,513

Capital assets used in governmental activities are not current financial resources

2,913,761

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

(3,084,454)

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.

(1,732,333)

Other postemployment benefits asset

616,197

Pensions are applicable to future periods and, therefore, are not reported in the funds.

Net Pension Asset	919,615
Net Deferred outflows related to pensions	23,962,765
Net Deferred inflows related to pensions	(5,038,319)
Net pension liability	<u>(146,308,640)</u>

(126,464,579)

Net position of governmental activities

\$ (102,433,933)

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
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>School Grants Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Investment Income	\$ 120,075	\$ -	\$ -	\$ 120,075
Intergovernmental:				
City of Roanoke	78,369,658	-	-	78,369,658
Commonwealth of Virginia	81,640,953	211,512	7,908,356	89,760,821
Federal Government	-	8,060,837	14,140,149	22,200,986
Other Agencies	-	-	333,927	333,927
Charges for Services	232,929	934,463	5,266,542	6,433,934
Athletics	182,988	-	-	182,988
Miscellaneous	627,205	-	10,883	638,088
Total Revenues	<u>161,173,808</u>	<u>9,206,812</u>	<u>27,659,857</u>	<u>198,040,477</u>
Expenditures:				
Current - Education:				
Instruction	107,520,709	-	28,185,061	135,705,770
Administration, Technology, Attendance & Health	11,846,252	-	1,422,239	13,268,491
Transportation	10,640,665	-	81,175	10,721,840
Operation & Maintenance of Plant	15,387,928	-	217,749	15,605,677
Food Services	-	8,879,046	-	8,879,046
Athletics	1,826,761	-	9,680	1,836,441
Payments for Debt Service - City of Roanoke	14,274,185	-	-	14,274,185
Total Expenditures	<u>161,496,500</u>	<u>8,879,046</u>	<u>29,915,904</u>	<u>200,291,450</u>
Revenues Over (Under) Expenditures	<u>(322,692)</u>	<u>327,766</u>	<u>(2,256,047)</u>	<u>(2,250,973)</u>
Other Financing Sources (Uses):				
Transfers From Other Funds	1,456,945	-	3,412,992	4,869,937
Transfers To Other Funds	(3,412,992)	(300,000)	(1,156,945)	(4,869,937)
Other Financing Sources (Uses), Net	<u>(1,956,047)</u>	<u>(300,000)</u>	<u>2,256,047</u>	<u>-</u>
Net Change in Fund Balances	(2,278,739)	27,766	-	(2,250,973)
Fund Balances, Beginning of Year	<u>24,358,950</u>	<u>3,073,985</u>	<u>-</u>	<u>27,432,935</u>
Fund Balances, End of Year	<u>\$ 22,080,211</u>	<u>\$ 3,101,751</u>	<u>\$ -</u>	<u>\$ 25,181,962</u>
Net Change in Fund Balances				\$ (2,250,973)
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.				(10,067)
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 depreciation expense and losses on disposal in the current period exceeded purchases.				(181,016)
Increase 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.				(4,126)
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			11,822,461	
Net Pension Expense			<u>(12,644,230)</u>	(821,769)
Increases in long-term Worker's Compensation do not represent a use of current financial resources, and therefore, are not reported in governmental funds.				(274,457)
Increase 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>109,166</u>
Change in net position of governmental activities				<u>\$ (3,433,242)</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
Statement of Fiduciary Assets and Liabilities
June 30, 2017**

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 915,237
<u>Liabilities</u>	
Accounts Payable	\$ 46,261
Due to Students	868,976
Total Liabilities	\$ 915,237
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, 2017

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, 2017 are \$1,251,216. 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 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 \$3,084,454 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 \$552,596 is included as a component of claims payable. The remaining \$1,732,333 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, 2017 was \$2,167,129 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 four 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. The fourth item is the difference between projected and actual earnings on Virginia Retirement System plan investments. The difference will be recognized in pension expense over a closed five-year period.

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 city 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 (\$616,197) is included. At June 30, 2017 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 School Board has 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) or the City of Roanoke pension plan. 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, however, the School Board adopted a Fund Balance Management policy (Policy DBA) on March 28, 2017 that stipulates a minimum of \$10 million will be held as a reserve to serve as a stabilization fund within the unassigned fund balance. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, in accordance with School Board Policy, 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, 2017.

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 \$181,016 difference are as follows:

	Capital	Depreciation	Net Book Value	Net Change in
	Outlay	Expense	of Assets Disposed	Capital Assets
Regular Instruction	\$ 200,316	\$ (255,821)	\$ (48,330)	\$ (103,835)
Administration	177,869	(283,624)	(23,215)	(128,970)
Transportation	86,138	(9,255)	-	76,883
Operation/Maintenance	38,657	(63,186)	(565)	(25,094)
	<u>\$ 502,980</u>	<u>\$ (611,886)</u>	<u>\$ (72,110)</u>	<u>\$ (181,016)</u>

Another element of that reconciliation states that "increases, reported in the statement of activities, do not represent income from current financial resources and, therefore, are not reported as revenue in governmental funds." The details of this \$278,583 difference are as follows:

	Compensated Absences	Workers' Compensation	Total
Liability as of June 30, 2017	\$ 3,084,454	\$ 1,732,333	\$ 4,816,787
Liability as of June 30, 2016	3,080,328	1,457,876	4,538,204
Current Year Increase (Decrease)	<u>\$ 4,126</u>	<u>\$ 274,457</u>	<u>\$ 278,583</u>

Another element of that reconciliation is "increase in other postemployment benefits asset". The details of this \$109,166 difference are as follows:

	OPEB (Asset)
Net OPEB Asset as of June 30, 2016	\$ (507,031)
Net OPEB Asset as of June 30, 2017	(616,197)
Current Year Increase in OPEB Asset	<u>\$ 109,166</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 for the first part of the year, in 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, 2017, 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, 2017, the School Board had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Virginia LGIP	\$ 28,146,900	\$ 28,146,900
TOTAL	\$ 28,146,900	\$ 28,146,900

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.

As of June 30, 2017, the School Board had the following cash and investments:

Cash	\$ 22,800
Deposits	2,726,572
Virginia LGIP	28,146,900
Total Cash and Investments	<u>\$30,896,272</u>

Statements of net position:	
Cash and cash equivalents	\$ 29,981,035
Fiduciary fund cash and cash equivalents	915,237
Total Cash and Investments	<u>\$30,896,272</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, 2017, 100.0 percent of the School Board’s investment portfolio was invested in the Virginia LGIP.

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

B. Due from Other Governments

Due from other governments as of June 30, 2017 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	\$2,714,004	\$ -	\$346,210	\$3,060,214
Federal Government	-	207,422	4,076,982	\$4,284,404
City of Roanoke	-	6,904	-	\$6,904
Totals	<u>\$2,714,004</u>	<u>\$ 214,326</u>	<u>\$4,423,192</u>	<u>\$7,351,522</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets				
Equipment:				
Instruction	\$ 4,450,335	\$ 200,316	\$ 871,455	\$ 3,779,196
Administration	2,025,979	177,869	276,677	1,927,172
Transportation	37,670	86,138	-	123,808
Maintenance	<u>1,602,541</u>	<u>38,657</u>	<u>169,773</u>	<u>1,471,424</u>
Total Equipment	8,116,525	502,980	1,317,905	7,301,600
Less:				
Accumulated Depreciation	<u>(5,021,748)</u>	<u>(611,886)</u>	<u>1,245,795</u>	<u>(4,387,839)</u>
Governmental activities, net	<u>\$ 3,094,777</u>	<u>\$ (108,906)</u>	<u>\$ 72,110</u>	<u>\$ 2,913,761</u>

Depreciation expense and accumulated depreciation was allocated as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Depreciation per class:				
Instruction	\$ (2,482,138)	\$ (255,821)	\$ 823,125	\$ (1,914,834)
Administration	(1,230,666)	(283,624)	253,461	(1,260,829)
Transportation	(31,143)	(9,255)	-	(40,398)
Maintenance	<u>(1,277,801)</u>	<u>(63,186)</u>	<u>169,209</u>	<u>(1,171,778)</u>
Accumulated Depreciation	<u>\$ (5,021,748)</u>	<u>\$ (611,886)</u>	<u>\$ 1,245,795</u>	<u>\$ (4,387,839)</u>

Land, buildings, structures and construction in progress are owned by the City of Roanoke on behalf of the Roanoke City Public Schools and, as such, are not included in the basic financial statements of the School Board of the City of Roanoke. Capital assets shown in this report reflect 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, 2017:

From:	To General Fund	To School Grants	Total
General Fund	\$ -	\$ 3,412,992	\$ 3,412,992
Food Service	300,000	-	300,000
School Grants	1,156,945	-	1,156,945
	<u>\$ 1,456,945</u>	<u>\$ 3,412,992</u>	<u>\$ 4,869,937</u>

E. Accounts Payable and Accrued Expenditures

The composition of accounts payable and accrued expenditures as of June 30, 2017, is as follows:

	<u>General</u>	<u>Food Service</u>	<u>School Grants</u>	<u>Total</u>
Accrued Payroll	\$ 787,929	\$ -	\$ 531,783	\$ 1,319,713
Payroll Withholdings	212,437	1,700	58,996	273,133
Flexible Spending	9,117	-	-	9,117
Accounts Payable	2,488,202	294,652	376,278	3,159,132
Totals	<u>\$ 3,497,685</u>	<u>\$ 296,352</u>	<u>\$ 967,057</u>	<u>\$ 4,761,094</u>

F. Claims Payable

As of June 30, 2017, 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	\$ 4,254,443	\$ -	\$ 35,043	\$ 4,289,485
Workers' Compensation	518,839	21,618	12,139	552,596
Totals	<u>\$ 4,773,281</u>	<u>\$ 21,618</u>	<u>\$ 47,182</u>	<u>\$ 4,842,081</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. Workers' 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, 2016	\$ 3,080,328
Increases	3,856,419
Decreases	<u>(3,852,293)</u>
Balance June 30, 2017	\$ 3,084,454
Amount Due Within One Year	<u>(829,718)</u>
Long-Term Payable	<u>\$ 2,254,736</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 is \$315,088..

Commitments at June 30, 2017, 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, 2017, consist of the following:

Food Service Fund:

\$3,043,436 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. Members earn one month of service credit for each month they are employed and for which they and their employers pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously funded service.

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** – VRS non-hazardous duty covered 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 political subdivisions 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 non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **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. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **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. Age 50 with at least five years of creditable service for hazardous duty employees.
- **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%.
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – 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.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

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 political subdivisions 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 non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **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. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **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%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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 political subdivision 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 political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) 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. 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.
 - **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. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age** –
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **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. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **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. This is not applicable to hazardous duty employees.
 - **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.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.
- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an 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** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
 - **Defined Contribution Component** – Not Applicable.

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, 2015, 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, 2016.

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*
---------------------------	---

- Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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

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 Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
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, 2017 was 14.66%

of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarial rate for the Teacher Retirement Plan was 19.66%.

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 \$11,471,695 and \$11,164,143 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, 2017, the school division reported a liability of \$141,324,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 1.00844% as compared to 1.0014% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$13,035,000. 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, 2017, 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	\$ -	\$ 4,580,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	8,073,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,194,000	-
Employer contributions subsequent to the measurement date	11,471,695	-
Total	<u>\$ 22,738,695</u>	<u>\$ 4,580,000</u>

The \$11,471,695 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:

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to Pension Expense</u>
2018	\$ (63,000)
2019	(63,000)
2020	4,330,000
2021	2,701,000
2022	(218,000)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	\$ 14,014,115
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%

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>\$ 201,458,000</u>	<u>\$ 141,324,000</u>	<u>\$ 91,789,000</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 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	<u>7</u>
Inactive members:	
Vested inactive members	6
Non-vested inactive members	119
Inactive members active elsewhere in VRS	<u>12</u>
Total inactive members	137
Active members	<u>116</u>
Total covered employees	<u>260</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, 2017 was 8.36% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

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 \$93,497 and \$126,073 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Asset

The school division's net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015	\$ 1,309,756	\$2,309,230	\$ (999,474)
Changes for the year:			
Service cost	292,621	-	292,621
Interest	90,855	-	90,855
Differences between expected and actual experience	3,596	-	3,596
Contributions – employer	-	114,441	(114,441)
Contributions – employee	-	145,769	(145,769)
Net investment income	-	48,318	(48,318)
Benefit payments, including refunds of employee contributions	(23,660)	(23,660)	-
Administrative expenses	-	(1,296)	1,296
Other changes	-	(19)	19
Net changes	\$ 363,412	\$ 283,553	\$ 79,859
Balances at June 30, 2016	\$ 1,673,168	\$2,592,783	\$ (919,615)

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	<u>\$ (661,404)</u>	<u>\$ (919,615)</u>	<u>\$ (1,127,847)</u>

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 \$53,679. 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	\$ 2,566	\$ 28,871
Change in assumptions	-	-
Net difference between projected and actual earnings		-
on pension plan investments	68,512	-
Employer contributions subsequent to the measurement date	<u>93,497</u>	<u>-</u>
Total	<u>\$ 164,575</u>	<u>\$ 28,871</u>

The \$71,078 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, 2018. 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,	Increase (Reduction) to Pension Expense
2018	\$ (15,464)
2019	(1,244)
2020	34,602
2021	24,313
2022	-
Thereafter	-

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 2017 and 2016, the annual required contribution was \$257,269 and \$340,838 respectively with a contribution rate of 12.96% in fiscal year 2017 and 13.02% in fiscal year 2016.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, updated to June 30, 2016 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 for 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, 2016	<u>\$6,733,717</u>	<u>\$4,984,640</u>	<u>\$3,507,362</u>

At June 30, 2017, the Schools reported a liability of \$4,984,640 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, 2016 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, 2016 relative to the total of the actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for the City Plan's participating employers.

At June 30, 2016, the Schools' proportion was 2.9386% as compared to 3.4863% at June 30, 2015.

At June 30, 2016 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	\$ 924,667	\$ 226,885
Change in assumptions	26,420	-
Net difference between projected and actual earnings on pension plan investments	-	282,252
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	69,172
Employer contributions subsequent to the measurement date	<u>257,269</u>	<u>-</u>
Total	<u><u>\$1,208,356</u></u>	<u><u>\$ 578,309</u></u>

\$257,269 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Increase (Reduction) to Pension Expense
2016	\$ 93,195
2017	93,195
2018	93,195
2019	93,193
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 2016 CAFR may be obtained 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 began offering alternative coverage options to retirees in 2014-15 in response to significant health care cost increases which largely resulted from the continued inclusion of retirees in the covered pool. Retiree enrollment in the Roanoke City Public Schools Healthcare Plan was completely phased out in 2015-16. Retirees who were already enrolled were grandfathered in at their existing coverage levels. COBRA medical and dental coverage is now offered to all retirees.

b. Funding Policies

The contribution requirements of the Roanoke City Public Schools Healthcare Plan members and 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 June 30, 2010 participate in the plan at a group rate which is blended with that of active employees. Employees who retired after that date and before December 31, 2014 pay an unblended rate. For the fiscal year ended June 30, 2017, Roanoke City Public Schools retirees contributed \$255,830 to the Roanoke City Public Schools Healthcare Plan. The retirees' claims amounted to \$373,838 for the same 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 2016, 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	\$ 94,533
Interest on net OPEB Obligation	(20,281)
Adjustment to net OPEB liability:	<u>72,412</u>
Annual OPEB Cost	146,664
Contributions made	<u>(255,830)</u>
Increase in net OPEB asset	(109,166)
Net OPEB asset at July 1, 2016	<u>(507,031)</u>
Net OPEB asset at June 30, 2017	<u><u>\$ (616,197)</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:

Fiscal Year Ended	Contribution	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2017	\$ 255,830	\$ 146,664	174.43%	\$ (616,197)
June 30, 2016	455,573	219,198	207.84%	(507,031)
June 30, 2015	535,202	234,239	228.50%	(270,656)
June 30, 2014	716,705	191,319	374.60%	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, 2017 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 and are based on the substantive plan (the plan as understood by the employer and the plan members). They 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, 2017 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, 2017. 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, 2017, the School Board remitted \$5,556,638 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, 2017 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 2017, RCPS expended \$125,060 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 2016-17:			
Claims liability at July 1	\$ 4,390,374	\$ 2,037,119	\$ 6,427,493
Claims incurred (including IBNR and changes in estimates)	18,361,236	1,080,666	19,441,902
Claim payments	(18,462,125)	(832,856)	(19,294,981)
Claims liability at June 30	<u>4,289,485</u>	<u>2,284,929</u>	<u>6,574,414</u>
Due within one year	<u>4,289,485</u>	<u>552,596</u>	<u>4,842,081</u>
Long-term payable	<u>\$ -</u>	<u>\$ 1,732,333</u>	<u>\$ 1,732,333</u>
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>

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 2017 and 2016 were \$9,067,770 and \$9,070,714 respectively. Future payments to Mountain Valley Transportation will depend upon the level of service (e.g., number of routes) required by RCPS.

On April 4, 2016, the School Board entered into a contract with SodexoMagic, LLC commencing April 4, 2016 and continuing through June 30, 2016 whereby SodexoMagic, LLC would provide management of school food programs. The parties may renew the agreement up to four additional one year terms beginning July 1, 2016.

Total net payments to SodexoMagic, LLC during fiscal year 2017 and 2016 were \$8,442,667 and \$136,234 respectively. Future payments to SodexoMagic, LLC will depend upon the level of services 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. 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 replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest 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 the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 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, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both

incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.



THIS PAGE INTENTIONALLY BLANK

REQUIRED SUPPLEMENTARY INFORMATION



THIS PAGE INTENTIONALLY BLANK

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts	Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment Income	\$ -	\$ -	\$ 120,075	\$ 120,075
Intergovernmental:				-
City of Roanoke	80,402,800	80,402,800	78,369,658	(2,033,142)
Commonwealth of Virginia	82,069,204	82,069,204	81,640,953	(428,251)
Other Revenue	2,390,000	2,390,000	1,043,122	(1,346,878)
Total Revenues	164,862,004	164,862,004	161,173,808	(3,688,196)
Expenditures:				
Current - Education:				
Instruction	114,770,323	114,770,323	107,520,709	7,249,614
Administration, Technology, Attendance & Health	14,485,894	14,485,894	11,846,252	2,639,642
Transportation	11,268,780	11,268,780	10,640,665	628,115
Operation & Maintenance of Plant	16,310,918	16,310,918	15,387,928	922,990
Athletics	1,982,643	1,982,643	1,826,761	155,882
Payments for Debt Service	14,338,480	14,338,480	14,274,185	64,295
Total Expenditures	173,157,038	173,157,038	161,496,500	11,660,538
Revenues (Under) Over Expenditures	(8,295,034)	(8,295,034)	(322,692)	7,972,342
Other Financing Sources (Uses):				
Transfers From Other Funds	300,000	300,000	1,456,945	1,156,945
Transfers To Other Funds	-	-	(3,412,992)	(3,412,992)
Other Financing Sources (Uses), Net	300,000	300,000	(1,956,047)	(2,256,047)
Net Change in Fund Balance	(7,995,034)	(7,995,034)	(2,278,739)	5,716,295
Fund Balances, Beginning of Year	24,358,950	24,358,950	24,358,950	-
Fund Balances, End of Year	\$ 16,363,916	\$ 16,363,916	\$ 22,080,211	\$ 5,716,295

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
Budgetary Comparison Schedule
Food Service Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Budgeted Amounts	Actual	Variance with
	Original	Final		Amounts	Final Budget
					Positive
					(Negative)
Revenues:					
Intergovernmental:					
Commonwealth of Virginia	\$ 152,201	\$ 202,201	\$ 211,512		9,311
Federal Government	7,336,251	7,506,251	8,060,837		554,586
Charges for Services	804,036	1,584,036	934,463		(649,573)
Total Revenues	8,292,488	9,292,488	9,206,812		(85,676)
Expenditures:					
Current - Education:					
Food Services	7,992,488	9,092,488	8,879,046		213,442
Total Expenditures	7,992,488	9,092,488	8,879,046		213,442
Revenues (Under) Over Expenditures	300,000	200,000	327,766		127,766
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	-	(100,000)	27,766		127,766
Fund Balances, Beginning of Year	3,073,985	3,073,985	3,073,985		-
Fund Balances, End of Year	\$ 3,073,985	\$ 2,973,985	\$ 3,101,751		\$ 127,766

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, 2017

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, 2017.

Schedule C

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
Schedules of Funding Progress and Employer Contributions - Other Postemployment Benefits
For the Year Ended June 30, 2017**

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
6/30/2017	\$ -	\$ 636,468	\$ 636,468	0.00%	N/A	N/A
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
2017	\$ 94,533	174.43%
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 (Asset)
6/30/2017	\$ 146,664	\$ 255,830	174.43%	\$ (616,197)
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
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
June 30, 2017

Schedule D

	Schools- Nonprofessional Employees		
	2016-17	2015-16	2014-15
Total Pension Liability			
Service cost	\$ 292,621	\$ 250,347	\$ 238,778
Interest on total pension liability	90,855	75,430	57,278
Changes in benefit terms	-	-	-
Difference between expected and actual experience	3,596	(71,963)	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(23,660)	(43,270)	(30,199)
Net change in total pension liability	363,412	210,544	265,857
Total pension liability - beginning	1,309,756	1,099,212	833,355
Total pension liability - ending	1,673,168	1,309,756	1,099,212
Plan Fiduciary Net Position			
Contributions - employer	114,441	103,468	167,937
Contributions - employee	145,769	131,040	112,035
Net investment income	48,318	99,131	259,744
Benefit payments, including refunds of employee contributions	(23,660)	(43,270)	(30,199)
Administrative expenses	(1,296)	(1,144)	(1,173)
Other	(19)	(21)	14
Net change in plan fiduciary net position	283,553	289,204	508,358
Plan fiduciary net position - beginning	2,309,230	2,020,026	1,511,668
Plan fiduciary net position - ending	2,592,783	2,309,230	2,020,026
Net pension Asset - ending	\$ (919,615)	\$ (999,474)	\$ (920,814)
Plan fiduciary net position as a percentage of total pension asset	155%	176%	184%
Covered employee payroll	2,099,489	\$ 2,291,710	\$ 2,220,265
Net pension asset as a percentage of covered employee payroll	-44%	-44%	-41%

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

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2017

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					
2017	\$ 93,497	\$ 93,497	\$ -	\$ 2,099,489	4.45%
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 three years of data are available. Additional years will be included as they become available.

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

**VRS TEACHER RETIREMENT PLAN
June 30, 2017**

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
2017	1.01%	\$ 141,324,000	\$ 66,024,081	214.05%	68.28%
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, 2017**

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
2017	2.94%	\$ 4,984,640	\$ 1,985,104	251.10%	68.70%
2016	3.48%	4,882,739	2,690,735	186.52%	73.80%
2015	3.63%	4,256,291	2,937,608	144.89%	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
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS**

**VRS TEACHER RETIREMENT PLAN
June 30, 2017**

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
2017	\$ 11,471,695	\$ 11,471,695	\$ -	\$ 66,024,081	17.38%
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, 2017**

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
2017	\$ 257,269	\$ 257,269	\$ -	\$ 1,985,104	12.96%
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 three 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, 2017

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





THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Cash Receipts and Expenditures by School
School Activity Funds
For the Year Ended June 30, 2017

<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	\$ 112,271	\$ (5,478)	\$ 303,862	\$ 241,212	\$ 169,444
Patrick Henry High School	206,084	(5,701)	269,586	288,896	\$ 181,074
Gibboney Technical Center	50,147	6,063	127,705	118,674	65,241
Roanoke Valley Governor's School	14,828	-	64,504	63,811	15,521
Noel C. Taylor Learning Academy	495	-	947	767	675
Forest Park Academy	2,051	-	6,860	6,573	2,338
Adult Education	61,614	-	4,890	9,100	57,404
Middle Schools:					
Lucy Addison Aerospace Middle School	3,608	-	30,169	30,144	3,633
James Breckinridge Middle School	7,988	-	21,949	25,603	4,333
Stonewall Jackson Middle School	1,532	-	7,809	6,623	2,718
James Madison Middle School	33,527	-	98,208	96,398	35,336
Woodrow Wilson Middle School	35,342	-	61,715	62,228	34,829
Elementary Schools:					
Crystal Spring Elementary School	36,658	-	47,961	48,543	36,076
Fairview Elementary School	7,701	-	27,135	27,371	7,465
Fallon Park Elementary School	10,942	-	8,454	5,107	14,289
Fishburn Park Elementary School	22,521	-	13,907	13,302	23,126
Garden City Elementary School	10,780	-	6,480	8,477	8,783
Grandin Court Elementary School	64,199	-	49,514	49,882	63,831
Highland Park Elementary School	21,424	-	36,566	39,693	18,297
Hurt Park Elementary School	3,725	-	4,159	4,819	3,065
Lincoln Terrace Elementary School	2,881	-	8,071	7,544	3,408
Monterey Elementary School	26,271	-	21,214	21,447	26,037
Morningside Elementary School	6,708	-	10,305	9,966	7,046
Preston Park Primary School	25,389	-	18,448	22,128	21,709
Roanoke Academy for Math and Science	27,357	-	9,528	12,861	24,024
Round Hill Primary School	3,308	-	11,192	12,278	2,222
Virginia Heights Elementary School	10,804	5,116	20,195	20,309	15,806
Wasena Elementary School	14,447	-	5,510	8,527	11,430
Westside Elementary School	11,220	-	20,736	22,851	9,105
Total Due to Students	<u>\$ 835,821</u>	<u>\$ (0.00)</u>	<u>\$ 1,317,579</u>	<u>\$ 1,285,134</u>	<u>\$ 868,266</u>
Fiscal Services	871	-	820	981	710
	<u>\$ 836,692</u>	<u>\$ (0)</u>	<u>\$ 1,318,399</u>	<u>\$ 1,286,115</u>	<u>\$ 868,976</u>
Current Year Accounts Payable					46,261
Total Cash Balance at June 30, 2017					<u>\$ 915,237</u>

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2017

	<u>Assets</u>	<u>Agency Fund</u>
<u>Cash</u>		
Balance June 30, 2016	\$	941,307
Additions		1,364,660
Deductions		(1,390,730)
Balance June 30, 2017	\$	<u><u>915,237</u></u>
	<u>Liabilities</u>	
<u>Accounts Payable</u>		
Balance June 30, 2016	\$	104,615
Additions		46,261
Deductions		(105,615)
Balance June 30, 2017	\$	<u><u>45,261</u></u>
<u>Due to Students</u>		
Balance June 30, 2016	\$	836,692
Additions		1,318,399
Deductions		(1,286,115)
Balance June 30, 2017	\$	<u><u>868,976</u></u>
<u>Total Liabilities</u>		
Balance June 30, 2016	\$	941,307
Additions		1,364,660
Deletions		(1,390,730)
Balance June 30, 2017	\$	<u><u>915,237</u></u>

Schedule G

**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Insurance Coverage
For the Year Ended June 30, 2017**

	<u>Amount</u>
The Virginia Municipal Liability Pool Property and Scheduled Equipment Coverage	\$ 470,833,887
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	980,000
The Virginia Municipal Liability Pool Miscellaneous Equipment	2,310,332
United States Fire Insurance Company Student Accident Insurance - Coordinated with VHSLCI	1,000,000
Safety National Workers' Compensation Employer's Liability Maximum	1,000,000
ReliaStar Life Insurance Company Health Insurance aggregate reimbursement maximum	1,000,000



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	90-94
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	95-97
These schedules contain information to help the reader assess the School Board's most significant local revenue source.	
Debt Capacity	98-102
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.....	103
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	104-107
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 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)
Fiscal Year 2017	2,913,761	(105,347,694)	(102,433,933)

Source: Statement of Net Position (Exhibit 1).

Table 2

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Instruction	\$ 134,380,569	\$ 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
Administration	13,231,068	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
Attendance & Health Services	2,300,578	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
Transportation	10,769,118	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
Operation & Maintenance of Plant	15,670,270	15,234,517	15,423,475	14,311,773	13,338,890	13,060,376	14,861,138	15,256,459	16,058,753	17,480,443
Food Services	8,918,197	7,417,602	6,882,007	6,709,067	6,816,374	6,231,331	5,613,676	5,232,656	5,324,523	5,172,831
Athletics (1)	1,919,667	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
Facilities	-	-	-	-	-	-	-	-	-	3,874
Payments for Debt Service	14,274,185	15,073,688	14,632,053	15,502,968	15,954,665	16,348,372	9,710,060	10,031,481	8,932,913	9,029,155
Total Expenses	201,463,652	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
Program revenues:										
Charges for services:										
Instruction	6,304,348	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
Administration	11,662	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
Operations & maintenance	-	-	-	3,721	74,037	43,041	110,030	204,473	54,713	101,219
Food Services	934,463	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
Athletics (1)	182,988	171,751	186,764	171,605	162,282	184,231	213,882	179,060	110,995	n/a
Operating grants and contributions	49,701,684	49,230,834	42,055,561	42,615,404	44,492,512	50,542,428	48,888,580	43,808,957	40,880,659	35,050,367
Total revenues	57,135,145	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
Net expense	(144,328,507)	(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)
General revenues:										
Payments from the City of Roanoke										
State aid	78,359,591	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
Grants not restricted to a specific program	61,765,617	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
Interest Income on Investments	-	-	-	-	15,809	18,695	23,074	8,197	25,473	151,158
Miscellaneous	120,075	49,145	49,049	73,939	68,365	35,626	-	-	-	-
Special Item - Gain from sale of transportation vehicles and equipment	649,982	833,791	703,547	1,454,980	1,176,318	1,253,544	791,469	144,787	151,797	329,155
Special Item - OPEB reduction in payable	-	-	-	-	-	-	-	1,022,656	-	-
Total general revenues	140,895,265	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
Change in net position	\$ (3,433,242)	\$ 3,359,851	\$ (3,250,946)	\$ (3,787,319)	\$ (716,200)	\$ 13,247,098	\$ 12,621,678	\$ 713,235	\$ 2,535,828	\$ (976,523)

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)

	2008	2009	2010
Pre-GASB 54 implementation:			
General Fund			
Reserved	\$ 929,971	\$ - *	\$ -
Unreserved	7,389,857	10,787,998	9,988,445
Total General Fund	\$ 8,319,828	\$ 10,787,998	\$ 9,988,445
All Other Governmental Funds			
Reserved	\$ 9,708	\$ -	\$ -
Unreserved	764,436	1,111,426	2,817,037
Total all other governmental funds	\$ 774,144	\$ 1,111,426	\$ 2,817,037
	2011	2012	2013
Post-GASB 54 implementation:			
General Fund			
Nonspendable	\$ 738,964	\$ 944,422	\$ 1,197,024
Committed	8,909,493	12,160,042	8,257,297
Assigned	-	-	-
Unassigned	12,704,697	22,791,837	25,999,072
Total General Fund	\$ 22,353,154	\$ 35,896,301	\$ 35,453,393
All Other Governmental Funds			
Nonspendable	\$ -	\$ -	\$ -
Committed	36,082	57,922	305,726
Assigned	3,149,862	2,989,357	2,100,558
Unassigned	-	-	-
Total all other governmental funds	\$ 3,185,944	\$ 3,047,279	\$ 2,406,284

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

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

* As restated

Table 4

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
City of Roanoke	\$ 78,369,658	\$ 79,354,317	\$ 76,437,785	\$ 74,165,273	\$ 73,555,711	\$ 78,351,405	\$ 70,232,036	\$ 63,441,557	\$ 62,506,419	\$ 62,392,633
Commonwealth of Virginia	89,760,821	83,245,409	81,507,123	75,065,989	71,641,056	68,878,360	66,050,074	70,342,651	81,114,482	76,428,772
Federal Government	22,200,986	22,238,051	18,086,127	19,696,156	23,476,103	29,877,473	26,373,082	23,035,591	17,578,897	15,502,981
Charges for services	6,433,934	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
Other	1,275,078	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
Total revenue	198,040,477	192,709,678	184,708,144	175,947,778	176,575,486	184,731,292	170,838,857	163,043,473	167,326,330	159,671,465
Expenditures:										
Current:										
Instruction	\$ 135,705,770	\$ 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
Administration, Technology & Health	13,268,491	14,030,949	12,812,005	12,273,031	12,510,079	10,834,995	10,086,271	11,168,822	11,325,604	9,181,383
Transportation	10,721,840	10,516,866	10,561,909	10,331,893	9,668,779	9,969,049	9,159,765	8,848,642	8,147,387	6,530,019
Operation & Maintenance of Plant	15,605,677	15,531,154	16,036,918	14,257,716	13,392,881	12,964,536	13,468,118	15,161,689	15,021,466	16,107,669
Food Services	8,879,046	7,422,916	6,994,186	6,874,298	6,919,898	6,227,606	5,613,676	5,236,873	5,321,241	4,957,128
Athletics (1)	1,836,441	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
Facilities Capital Outlay	-	-	-	-	-	-	-	-	70,212	117,382
Payments for Debt Service	14,274,185	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
Total expenditures	200,291,450	191,906,963	190,517,663	181,367,716	177,659,389	171,326,810	158,105,241	162,137,415	166,107,869	157,632,057
Excess (deficiency) of revenues over (under) expenditures	(2,250,973)	802,715	(5,809,519)	(5,419,938)	(1,083,903)	13,404,482	12,733,616	906,058	1,218,461	2,039,408
Other financing sources (uses):										
Transfers from Other Funds	\$ 4,869,937	\$ 4,007,153	\$ 2,198,407	\$ 1,681,598	\$ 2,764,928	\$ 2,727,714	\$ 1,278,650	\$ 2,929,796	\$ 1,276,260	\$ 931,444
Transfers to Other Funds	(4,869,937)	(4,007,153)	(2,198,407)	(1,681,598)	(2,764,928)	(2,727,714)	(1,278,650)	(2,929,796)	(1,276,260)	(931,444)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Change in fund balances	\$ (2,250,973)	\$ 802,715	\$ (5,809,519)	\$ (5,419,938)	\$ (1,083,903)	\$ 13,404,482	\$ 12,733,616	\$ 906,058	\$ 1,218,461	\$ 2,039,408

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)

<u>Regional Tuition - General Fund</u>		<u>Charges for Services - Food Services</u>	
<u>Annual Payment Received</u>		<u>Local Breakfast/Lunch Fees</u>	
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
2017	5,266,542	2017	871,425

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

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Total Tax Levies	\$ 120,894,494	\$ 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
Current Tax Collections	110,623,042	110,372,175	105,842,394	103,746,942	103,802,163	103,693,219	102,130,123	100,833,008	98,726,769	95,621,945
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	8,075,992	8,073,460
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
Delinquent Tax Collections - State Share (1)	-	-	-	-	-	-	-	-	-	-
Total Tax Collections	\$ 118,699,034	\$ 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
Current Tax Collections As										
Percent of Levies	98.18%	98.81%	98.30%	98.80%	98.82%	99.36%	97.91%	98.92%	97.06%	97.53%
Total Tax Collections As										
Percent of Levies (2)	98.18%	98.81%	101.69%	102.50%	103.10%	102.01%	100.36%	101.09%	100.29%	100.73%

(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

Table 7
Unaudited

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

Year	REAL PROPERTY				PERSONAL PROPERTY				PUBLIC SERVICE CORPORATIONS				Total Assessed Value
	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	
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	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	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	0.60	439,744,208	0.50%	447,535,616	0.983	8,106,585,880
2017	6,783,463,907	0.88%	6,783,463,907	1.00	943,805,249	0.13%	1,573,008,748	0.60	451,184,702	2.60%	460,947,191	0.979	8,178,453,858

Source: City of Roanoke, Department of Finance

Table 8
Unaudited

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

Year	REAL PROPERTY		PUBLIC SERVICE CORPORATIONS	
	Tax Rate Per \$100	Levy	Tax Rate Per \$100	Levy
2008	1.19	74,451,741	1.19	3,765,019
2009	1.19	78,114,892	1.19	3,993,207
2010	1.19	79,710,636	1.19	4,246,026
2011	1.19	80,943,458	1.19	4,231,507
2012	1.19	80,857,790	1.19	4,316,603
2013	1.19	80,029,509	1.19	4,991,552
2014	1.19	79,491,642	1.19	4,982,967
2015	1.19	79,600,752	1.19	5,260,278
2016	1.22	82,035,606	1.22	5,458,834
2017	1.22	82,758,259	1.22	5,542,928
			Total Tax Levies	
			106,316,893	
			110,034,071	
			110,098,047	
			112,560,131	
			112,485,925	
			113,209,446	
			113,183,821	
			115,885,506	
			119,869,392	
			120,894,494	

(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.

Source: City of Roanoke, Department of Finance

Table 9
Unaudited

CITY OF ROANOKE, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
COMPARISON OF JUNE 30, 2017 AND JUNE 30, 2008

<u>Taxpayer</u>	<u>Description</u>	<u>2017</u>			<u>2008</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	\$ 248,436,278	1	3.04%	\$ 122,025,109	1	1.65%
Norfolk Southern Railway	Transportation	171,179,876	2	2.09%	87,746,846	3	1.18%
Appalachian Power	Public Utility	151,831,850	3	1.86%	91,434,866	2	1.23%
Valley View Mall LLC	Shopping Mall	87,808,139	4	1.07%	70,606,622	4	0.95%
Roanoke Gas Company	Public Utility	50,223,373	5	0.61%	-	-	-
Roanoke Electric Steel Corp	Primary Metals	38,397,772	6	0.47%	31,600,652	6	0.43%
Maple Leaf Bakery	Bakery	35,626,573	7	0.44%	26,398,843	8	0.36%
Verizon Virginia, Inc	Communications	31,393,221	8	0.38%	67,321,491	5	0.91%
Faison Roanoke Office Limited	Office Building	30,044,500	9	0.37%	30,720,200	7	0.41%
Roanoke Times	Newspaper	12,841,889	10	0.16%	22,222,284	9	0.30%
BLC Corp	Lease Company	-	-	-	11,903,564	10	0.16%
		<u>\$ 857,783,471</u>		<u>10.49%</u>	<u>\$ 561,980,477</u>		<u>7.58%</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>
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	1,732,156,837
2017 through June.	855,424,492

(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)				
2008	93,734	7,972,224,770	298,775,968	26,596,538	-	1,143,782	271,035,648	3.40%	2,891.54
2009	94,482	8,255,418,861	304,071,803	24,255,948	-	1,161,895	278,653,960	3.38%	2,949.28
2010	97,032	8,324,026,044	283,602,637	21,987,683	-	1,213,260	260,401,694	3.13%	2,683.67
2011	97,206 (est)	8,442,505,382	277,658,304	19,875,450	1,355,000	1,133,011	255,294,843	3.02%	2,626.33
2012	97,206 (est)	8,515,329,364	260,590,860	17,558,082	910,000	1,317,554	240,805,224	2.83%	2,477.27
2013	98,641 (est)	8,544,527,065	252,346,210	13,389,900	-	1,493,056	237,463,254	2.78%	2,407.35
2014	98,913 (est.)	8,526,954,997	244,078,992	10,989,900	-	1,406,148	231,682,944	2.72%	2,342.29
2015	99,320 (est.)	8,634,365,581	242,088,804	9,968,500	-	1,508,122	230,612,182	2.67%	2,321.91
2016	99,681 (est.)	8,742,785,092	240,502,696	9,405,800	-	1,011,031	230,085,865	2.63%	2,308.22
2017	99,644 (est.)	8,817,419,846	245,775,674	8,213,900	-	535,174	237,026,600	2.69%	2,378.73

Source (A) Weldon - Cooper Center for Public Service

(B) Gross Bonded Debt includes Capital Leases and Bond Premiums.

(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, 2017

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, 2017 (1)		<u>\$ 6,783,463,907</u>
Legal Debt Limit: 10% of \$678,346,391		678,346,391
Debt applicable to limitation:		
General Obligation Serial Bonds - Governmental Activities	\$ 164,283,575	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	8,213,900	
Premium on Bonds - Governmental Activities	12,961,648	
Deferred Bond Costs - Governmental Activities	(5,584,574)	
Qualified Zone Academy Bonds (QZAB)	2,279,530	
State Literary Fund Loans	750,000	
Virginia Public School Authority (VPSA) School Bonds	25,669,404	
Capital Leases	4,689,036	
Civic Facilities Enterprise Fund - Business-type Activities	13,789,620	
Premium on Bonds - Civic Facilities Enterprise Fund Debt	929,823	
Deferred Bond Costs - Civic Facilities Enterprise Fund Debt	(300,997)	
Parking Enterprise Fund Supported Debt - Business-type Activities	10,980,077	
Premium on Bonds - Parking Enterprise Fund Supported Debt	547,534	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	(872,937)	
Stormwater Enterprise Fund Supported Debt - Business-type Activities	7,180,473	
Premium on Bonds - Stormwater Enterprise Fund Supported Debt	259,562	
Total Debt	245,775,674	
Less: Available in Debt Service Fund	(535,174)	
WVWA Supported Debt	(8,213,900)	
Parking Enterprise Fund Supported Debt	(10,980,077)	
Premium on Bonds - Parking Enterprise Fund Supported Debt	(547,534)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	872,937	
Stormwater Enterprise Fund Supported Debt	(7,180,473)	
Premium on Bonds - Stormwater Enterprise Fund Supported Debt	(259,562)	
Legal Debt Margin		<u>\$ 218,931,891</u>
		<u>\$ 459,414,500</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
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	22,571,454	8,301,585	30,873,039	347,306,775	8.9%
2016-17	20,371,658	8,009,420	28,381,078	359,445,090	7.9%

(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.

During Fiscal Year 2017, the Stormwater Fund assumed responsibility for all stormwater debt, including that issued prior to the Fund's formation in FY2014. Debt payments made by the Roanoke City Stormwater Fund are excluded.

Interest payments exclude federal interest subsidies for Recovery Zone Economic Development (RZED) bonds and Qualified School Construction Bonds (QSCB).

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

Source: City of Roanoke, Department of Finance

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, 2017
(Unaudited)

	Interest Rates	Issue Date	Maturity Date	Issue Amount Designated for School Improvements	Balance as of June 30, 2017
<u>General Obligation Bonds, RCPS Portion</u>					
Series 2008 Public Improvement Bonds	3.25% - 5.00%	2/5/2008	2/1/2033	39,740,000	1,590,000
Series 2010A Refunding Bonds	2.00% - 5.00%	3/11/2010	10/1/2021	18,955,400	12,684,100
Series 2010C Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	2,459,100	1,784,145
Series 2012A Public Improvement Bonds	2.00% - 5.00%	3/14/2012	2/1/2032	1,725,000	430,000
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	1,498,200
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	2,460,000
Series 2014A Public Improvement Bonds	3.00%-5.00%	3/5/2014	4/1/2034	3,000,000	2,386,800
Series 2015 Public Improvement Bonds New Money	2.00% - 4.00%	3/25/2014	4/1/2035	5,000,000	4,535,000
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	7,685,000
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:				109,174,500	
<u>School Fund Bonds and Loans</u>					
Virginia Public School Authority-Series 1996B	5.10% - 6.10%	11/14/1996	7/15/2016	-	-
Virginia Public School Authority-Series 1997	4.35% - 5.35%	11/1/1997	7/15/2017	4,578,704 (1)	248,508
Virginia Public School Authority-Series 1998A	3.60% - 5.10%	11/19/1998	7/15/2018	5,000,000	500,000
Virginia Public School Authority-Series 1998B	3.60% - 5.10%	11/19/1998	7/15/2018	1,182,212 (2)	123,676
Virginia Public School Authority-Series 1999A	5.10% - 6.10%	11/18/1999	7/15/2019	3,100,000 (3)	465,000
Virginia Public School Authority-Series 1999B	5.10% - 6.10%	11/18/1999	7/15/2019	1,091,854 (4)	181,954
Virginia Public School Authority - Series 2000B	4.98% - 5.85%	11/16/2000	7/15/2020	2,504,568 (5)	538,704
Virginia Public School Authority - Series 2000B.1	4.98% - 5.85%	11/16/2000	7/15/2020	1,730,421 (6)	372,195
Virginia Public School Authority - Series 2000B.2	4.98% - 5.85%	11/16/2000	7/15/2020	1,730,421 (7)	372,195
Virginia Public School Authority - Series 2001B	3.10% - 5.35%	11/15/2001	7/15/2021	2,594,691 (8)	678,878
Virginia Public School Authority - Series 2001B	3.10% - 5.35%	11/15/2001	7/15/2021	2,358,808 (9)	617,161
Virginia Public School Authority - Series 2003C	3.10% - 5.35%	11/6/2003	7/15/2023	4,595,399 (10)	1,692,550
Virginia Public School Authority - Series 2004B	4.10% - 5.60%	11/1/2004	7/15/2024	1,118,756 (11)	491,122
Virginia Public School Authority - Series 2005D	4.60% - 5.10%	11/10/2005	7/15/2025	992,464 (12)	484,235
Virginia Public School Authority - Series 2005D	4.60% - 5.10%	11/11/2005	7/15/2025	3,291,459 (13)	1,605,913
Virginia Public School Authority - Series 2006B	4.22% - 5.10%	11/9/2006	7/15/2026	6,573,600 (14)	3,506,679
Virginia Public School Authority - Series 2008B	4.10% - 5.35%	12/11/2008	7/15/2028	10,580,000	3,475,633
Virginia Public School Authority - Series 2014B	3.00%- 5.00%	5/15/2014	7/15/2026	1,245,000	950,000
Virginia Public School Authority - Series 2015A	4.10% - 5.35%	2/17/2015	7/15/2028	7,400,000	8,685,000
Total Virginia Public School Authority Bonds:				61,668,357	
Literary Fund Loan-Lucy Addison Middle School	4.00%	10/1999	10/01/2019	5,000,000	750,000
Total Literary Fund Loan Bonds:				5,000,000	-
Qualified Zone Academy Bond - Fallon Park	0%	12/29/2004	12/29/2020	439,100 (15)	138,517
Qualified Zone Academy Bond - Patrick Henry H.S.	0%	12/27/2006	12/27/2022	1,097,571 (15)	493,114
Qualified Zone Academy Bond - School Capital Projects	0%	10/31/2012	6/1/2035	2,014,104 (15)	1,647,900
Total Qualified Zone Academy Bonds:				3,550,775	-
Qualified School Construction Bonds-Elementary Schools	0%	7/8/2010	6/1/2027	1,135,000 (16)	680,000
Total Qualified School Construction Bonds				1,135,000	
Total Outstanding Bonded Debt				\$ 180,528,632	\$ 94,712,179

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

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

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Debt Limit	\$ 678,346,391	\$ 672,422,997	\$ 669,387,435	\$ 667,966,987	\$ 672,516,886	\$ 679,477,230	\$ 680,197,128	\$ 669,839,111	\$ 656,429,496	\$ 625,649,531
Total Net Debt Applicable to Limit	218,931,891	215,556,963	217,064,553	218,489,528	224,003,579	227,263,512	240,667,032	244,769,119	263,493,652	260,060,887
Legal Debt Margin	\$ 459,414,500	\$ 456,866,034	\$ 452,322,882	\$ 449,477,459	\$ 448,513,307	\$ 452,213,718	\$ 439,530,096	\$ 425,069,992	\$ 392,935,844	\$ 365,588,644
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	32.27%	32.06%	32.43%	32.71%	33.31%	33.45%	35.38%	36.54%	40.14%	41.57%

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>
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%
2016-17	99,644	(est.) 40,947	(est.) 4,090,520,000	13,580	4.5%	4.5%

- (1) Source: Weldon - Cooper Center for Public Service, except as noted
(2) Source: Bureau of Economic Analysis
(3) Source: Roanoke City Public Schools, Annual School Report
(4) Source: Virginia Employment Commission (Roanoke Metropolitan Statistical Area)
(5) Source: Bureau of Labor Statistics

Table 17
Unaudited

CITY OF ROANOKE, VIRGINIA
PRINCIPAL EMPLOYERS
COMPARISON AS OF DECEMBER 31, FISCAL YEARS 2017 AND 2008

<u>Employer</u>	<u>December 31, 2016</u>			<u>December 31, 2007</u>		
	<u>Rank</u>	<u>Ownership</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Ownership</u>	<u>Number of Employees</u>
Carilion	1	Private	1000+	1	Private	1000+
Roanoke City Public Schools	2	Local Govt.	1000+	2	Local Govt.	1000+
City of Roanoke	3	Local Govt.	1000+	3	Local Govt.	1000+
Carilion Services	4	Private	500-999	4	Private	1000+
Walmart	5	Private	500-999	7	Private	500-999
United Parcel Service	6	Private	500-999	5	Private	500-999
United States Postal Service	7	Federal Govt.	500-999	8	Federal Govt.	500-999
Virginia Western Community College	8	State Govt.	500-999	-	-	-
Securities Security Service USA Inc	9	Private	500-999	-	-	-
Anthem (Blue Cross & Blue Shield)	10	Private	500-999	9	Private	500-999
Advance Auto Parts	-	Private	500-999	6	Private	500-999
Kroger	-	Private	500-999	10	Private	500-999

Source: Virginia Employment Commission (VEC) and Roanoke Regional Partnership
Note: Total employee count no longer available from VEC

Table 18

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

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Average Daily Membership	13,580	13,585	13,513	13,390	12,438	13,006	12,262	12,266	12,303	12,286
Total Graduates	781	811	783	667	744	746	776	698	686	675
Dropout Rate Percentage	3.19%	3.60%	3.67%	3.48%	4.91%	5.37%	4.03%	6.06%	5.40%	5.72%
Student Attendance Rate	94%	94%	94%	93.79	94%	94%	94%	94%	94%	94%
Total Per Pupil Cost	\$ 12,929	\$ 12,404	\$ 12,472	\$ 11,841	\$ 11,825	\$ 11,328	\$ 11,083	\$ 11,227	\$ 11,615	\$ 12,830
Local Composite Index of Ability to Pay	34%	34%	36%	37%	37%	37%	39%	35.82%	34.20%	37.63%
Average Teacher Salary	\$ 50,277	\$ 48,707	\$ 47,845	\$ 50,509	\$ 47,363	\$ 43,654	\$ 44,425	\$ 43,276	\$ 46,727	\$ 47,416
per 1,000 Students	113.7	112.1	116.1	110.9	115.0	87.7	87.4	87.1	87.2	89.2

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)**

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Superintendent	1	1	1	1	1.0	1.0	1.0	1.0	1.0	1.0
Asst. Supt./Executive Director/Supervisor	6	7	7	7	6.0	6.0	7.0	7.0	5.0	5.0
Principal/Asst. Principal	34	34	35	31.55	36.6	33.0	36.0	36.8	29.0	32.0
Classroom Teacher	55.8	53.8	52.8	52.8	53.8	54.0	52.8	52.0	58.0	43.0
Guidance Counselor	1054.11	1045.61	1052.86	1050.56	1,045.4	1,034.0	1,008.4	1,064.6	1,135.9	1,095.8
Librarian	45.6	44.6	44.6	43.6	43.6	41.1	38.5	44.0	54.4	60.9
Other Professional	26	26	26	26	26.0	26.0	26.0	27.0	30.0	31.0
Clerical	81.4	81.4	69.8	61.9	72.4	57.0	18.0	19.0	1.5	3.2
Teacher Aides	96	96	96.55	96.55	97.1	96.5	97.8	91.0	108.0	103.1
Attendance & Health	318.8	308.8	308.1	296.92	302.1	313.0	340.6	321.1	283.5	288.5
Pupil Transportation	1	1	1	1	1.0	1.0	41.9	42.2	32.7	33.8
Maintenance of Plant	2	2	2	2	2.0	2.0	2.0	2.0	217.0	244.7
Operation of Plant	34	34	31	36	40.0	53.0	53.0	39.0	53.5	56.8
Food Services	121	122	119	121	119.0	132.5	118.0	117.0	136.7	139.1
Total Personnel	2	55	62	69	77.0	108.0	102.0	99.0	161.0	135.2
	1,878.7	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

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)**

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Elementary Schools:										
Crystal Spring	57	48	55	51	57	63	65	58	59	51
Fairview	372	329	391	389	390	388	367	387	346	307
Fallon Park	453	461	551	553	533	517	522	480	494	472
Fishburn Park	201	143	134	167	152	132	143	112	198	172
Forest Park(b)	0	0	0	0	0	0	0	0	0	247
Garden City	180	190	226	245	218	232	218	239	202	176
Grandin Court	102	92	108	104	95	114	106	122	106	98
Highland Park	203	200	217	230	213	231	239	237	179	128
Huff Lane(d)	0	0	0	0	0	0	0	166	157	142
Hurt Park	317	348	366	355	381	282	258	269	221	169
Lincoln Terrace	277	266	277	247	221	222	169	250	206	174
Monterey	268	301	400	386	339	316	343	316	219	201
Morningside	218	225	250	252	227	214	223	216	266	247
Oakland (c)	0	0	0	0	0	0	0	0	137	119
Preston Park	275	240	330	311	286	245	217	222	185	187
Raleigh Court(a)	0	0	0	0	0	0	0	0	99	92
Roanoke Academy	303	325	432	411	398	411	448	302	356	291
Round Hill	422	428	534	530	500	419	429	201	186	177
Virginia Heights	166	206	214	246	230	253	265	214	203	169
Wasena	136	138	151	164	168	119	120	149	68	73
Westside	483	568	673	664	619	546	468	462	430	443
Middle Schools:										
Addison	403	393	467	480	476	431	398	392	338	331
Breckinridge	288	266	369	356	353	362	366	416	222	232
Jackson	362	379	461	489	457	401	394	434	283	279
Madison	327	323	309	295	273	285	279	294	163	163
Ruffner(a)	0	0	0	0	0	0	0	0	244	274
Wilson	240	252	233	263	254	260	237	244	233	265
High Schools:										
William Fleming	757	672	957	891	841	827	856	913	806	843
Forest Park Academy(b)(f)	0	82	125	119	156	156	206	196	153	0
Patrick Henry	1077	952	956	892	857	838	837	915	724	722
Noel Taylor Learning Center (f)	0	65	88	108	89	86	92	105	0	0
Total Free Lunch Approvals	7,887	7,892	9,274	9,198	8,783	8,350	8,265	8,311	7,483	7,244

e.

Total ADM	13,580	13,771	13,623	13,552	13,192	13,006	12,262	12,266	12,303	12,286
Percentage Free Lunch	58.08%	57.31%	68.08%	67.87%	66.58%	64.20%	67.40%	67.76%	60.82%	58.96%

- 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.
f. Forest Park Academy and Noel C. Taylor Learning Academy students' approvals are in the home school in which the students are assigned beginning the 2016-17 school year.

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 FY2015-16	Enrollment FY2016-17	% Of Constructed Capacity	% Of Useable Capacity	Modular Buildings
Elementary Schools:								
Crystal Spring	19.0	425	456	306	328	77%	72%	0
Fairview	30.0	775	600	429	498	64%	83%	0
Fallon Park	43.0	850	624	590	600	71%	96%	3
Fishburn Park	25.0	750	480	205	241	32%	50%	0
Garden City	25.0	575	456	269	240	42%	53%	0
Grandin Court	16.0	525	480	333	335	64%	70%	0
Highland Park	27.0	525	456	322	345	66%	76%	0
Hurt Park	27.0	600	384	362	343	57%	89%	0
Lincoln Terrace	26.0	600	360	307	295	49%	82%	1
Monterey	29.0	775	520	498	507	65%	98%	1
Morningside	26.0	500	312	257	279	56%	89%	2
Preston Park	23.0	525	474	462	486	93%	103%	0
Roanoke Academy	31.0	750	530	337	321	43%	61%	0
Round Hill	36.0	695	762	559	576	83%	76%	3
Virginia Heights	22.0	425	332	315	314	74%	95%	0
Wasena	15.0	400	288	241	222	56%	77%	0
Westside	48.0	850	816	770	705	83%	86%	0
Middle Schools:								
Addison	40.0	1,075	720	576	599	56%	83%	0
Breckinridge	33.0	550	630	571	567	103%	90%	0
Jackson	37.0	775	660	586	592	76%	90%	0
Madison	35.0	900	690	611	586	65%	85%	0
Wilson	40.0	975	840	456	443	45%	53%	0
High Schools:								
William Fleming	93	2,100	1,850	1,540	1,519	72%	82%	0
Patrick Henry	81	2,059	1,850	1,887	1,888	92%	102%	0
Regional Program:								
Roanoke Valley Governor's School	12	160	240	269	264	165%	110%	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, 2017
(Unaudited)

Location	Land	Buildings and Structures	Equipment	Construction in Progress	Total
William Fleming High School	\$ 237,993	\$ 60,685,719	\$ 259,839	\$ -	\$ 61,183,551
Patrick Henry High School	31,127	60,518,391	673,628	-	\$ 61,223,146
Lucy Addison Aerospace Middle School	12,015	13,683,035	97,808	-	\$ 13,792,858
James Breckinridge Middle School	37,500	7,372,487	122,191	-	\$ 7,532,178
Stonewall Jackson Middle School	36,005	6,510,209	95,265	-	\$ 6,641,479
James Madison Middle School	9,883	5,790,621	95,417	-	\$ 5,895,921
William Ruffner Operations Center	35,329	3,708,379	2,653,298	489,207	\$ 6,886,213
Woodrow Wilson Middle School	12,500	12,546,512	177,362	-	\$ 12,736,374
Crystal Spring School	153,444	3,739,875	141,603	538,770	\$ 4,573,692
Fairview School	21,566	5,224,628	95,090	-	\$ 5,341,284
Fallon Park School	13,700	4,441,520	63,285	779,371	\$ 5,297,876
Fishburn Park School	4,236	3,273,694	115,315	-	\$ 3,393,245
Forest Park Academy	27,992	3,908,233	58,671	-	\$ 3,994,896
Garden City School	26,850	5,360,775	68,423	-	\$ 5,456,048
Grandin Court School	33,700	2,980,599	99,546	-	\$ 3,113,845
Highland Park School	600	5,836,666	121,100	-	\$ 5,958,366
Hurt Park School	2,085	3,036,787	107,252	54,215	\$ 3,200,339
Lincoln Terrace School	18,000	3,070,107	108,833	-	\$ 3,196,940
Monterey School	15,000	4,784,399	109,323	-	\$ 4,908,722
Morningside School	22,700	3,345,807	140,001	-	\$ 3,508,508
Noel C. Taylor Academy at Oakland	78,727	2,067,784	49,784	-	\$ 2,196,295
Preston Park School	33,956	3,934,198	55,578	-	\$ 4,023,732
Raleigh Court School	18,750	1,153,893	-	-	\$ 1,172,643
Roanoke Academy for Math and Science	15,000	13,104,073	102,966	-	\$ 13,222,039
Round Hill School	47,790	18,237,957	233,947	-	\$ 18,519,694
Virginia Heights School	32,750	7,038,063	155,590	-	\$ 7,226,403
Wasena School	20,000	4,289,141	41,251	-	\$ 4,350,392
Westside School	45,000	7,067,565	173,304	-	\$ 7,285,869
Governor's School for Math and Science	-	4,117,062	221,890	-	\$ 4,338,952
School Administration	8,050	1,005,553	451,443	-	\$ 1,465,046
Warehouse	-	-	368,030	-	\$ 368,030
School Transportation	360,000	1,883,632	44,567	-	\$ 2,288,199
Total Capital Assets	\$ 1,412,248	\$ 283,717,364	\$ 7,301,600	\$ 1,861,563	\$ 294,292,775

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.



COMPLIANCE SECTION





THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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:					
NSLP Equipment Assistance		10.555	Project source 402540		28,391
<u>Program or Cluster Title</u>					
National School Lunch Program - Commodities Schools (2)	7/1/2016-6/30/2017	10.555	CFDA #10.555	544,888	
Department of Education:					
National school breakfast program	7/1/2016-6/30/2017	10.553	Project source 405910	1,982,323	
National school lunch program	7/1/2016-6/30/2017	10.555	Project source 406230	5,463,984	
Department of Health:					
Child and Adult Care Food Program	7/1/2016-6/30/2017	10.560	EIN 54-6001775; DUNS 809740459 + 3623	141,529	
Summer Food Service Program for children	7/1/2016-6/30/2017	10.559	EIN 54-6001775; DUNS 809740459 + 3623	74,750	
Total Child Nutrition					8,207,474
Fresh Fruit and Vegetable Program	7/1/2016-6/30/2017	10.582	Project source 405990		369,859
Total Department of Agriculture					\$ 8,605,725
<u>Department of Defense:</u>					
Direct Payments:					
ROTC language and culture training grants	12/17/2013	12.357	N/A		114,194
Total Department of Defense					\$ 114,194
<u>Department of Criminal Justice:</u>					
Direct Payments:					
Juvenile Justice & Delinquency Prevention - JUDP Title II Pass Program	1/1/2016-12/31/2016	16.540	16-A3230JJ13		44,299
Juvenile Justice & Delinquency Prevention - JUDP Title II Pass Program	1/1/2017-12/31/2017	16.540	17-B3230JJ15		17,131
Total Department of Criminal Justice					\$ 61,430
<u>Department of Education:</u>					
Passed Through Commonwealth of Virginia Department of Education:					
Adult Education - Basic Grants to States	7/1/2016-6/30/2017	84.002	Grant Award #, AEFLA-42801-139-1617, Federal Award ID #, V002A160047		155,760
Title I-A Improving Basic Programs 2016	7/1/2015-9/30/2017	84.010	S010A150046	899,758	
Title I-A Improving Basic Programs 2017	7/1/2016-9/30/2018	84.010	S010A160046	4,983,282	
Total Title I-A Improving Basic Programs					5,883,041
Title I-D SOP Detention Center Reading Program 2015	7/1/2014-9/30/2016	84.013	S013A140046	4	
Title I-D SOP Detention Center Reading Program 2016	7/1/2015-9/30/2017	84.013	S013A150046	1,996	
Total Title I-D SOP - Neglected and Delinquent					2,000
Special Education-Grants to States - Federal (IDEA, Part B Section 611 Flow-through) 2016	7/1/2015-9/30/2017	84.027	H027A150107	2,051,036	
Special Education-Grants to States - Federal (IDEA, Part B Section 611 Flow-through) 2017	7/1/2016-9/30/2017	84.027	H027A160107	1,628,023	
Special Education-Grants to States - Federal (IDEA, Part B Section 611 - Champions Together)	7/1/2015-9/30/2017	84.027	H027A150107	2,000	
Special Education-Grants to States - Federal (IDEA, Part B Co-Teaching Initiative)	7/1/2015-9/30/2017	84.027	H027A150107	9,875	
Special Education - preschool grants (IDEA, Part B Section 619) 2016	7/1/2015-9/30/2017	84.173	H173A150112	11,849	
Special Education - preschool grants (IDEA, Part B Section 619) 2017	7/1/2016-9/30/2018	84.173	H173A160112	94,720	
Total Special Education (IDEA)					3,797,504
Career and Technical Education: Basic grants to states (Perkins) 2017	7/1/2016-6/30/2017	84.048	V048160046	331,844	
Career and Technical Education: Perkins Secondary Programs Reserve	7/1/2015-6/30/2016	84.048	V048150046	2,681	
Total Career and Technical Education: Basic grants to states (Perkins)					334,525
Title X-C McKinney-Vento Homeless 2017	7/1/2016-9/30/2018	84.196	Direct, G12417		66,000
21st Century CLC (Title IV-B) - Addison Yr2 2016	7/1/2015-9/30/2017	84.287	S287C150047	51,504	
21st Century CLC (Title IV-B) - Addison Yr3 2017	7/1/2016-9/30/2018	84.287	S287C160047	141,840	
21st Century CLC (Title IV-B) - Breckinridge Yr2 2016	7/1/2015-9/30/2017	84.287	S287C150047	23,321	
21st Century CLC (Title IV-B) - Breckinridge Yr3 2017	7/1/2016-9/30/2018	84.287	S287C160047	128,049	
21st Century CLC (Title IV-B) - Garden City Yr1 2016	7/1/2015-9/30/2017	84.287	S287C150047	20,336	
21st Century CLC (Title IV-B) - Garden City Yr2 2017	7/1/2016-9/30/2018	84.287	S287C160047	137,472	
21st Century CLC (Title IV-B) - Highland Park Yr3 2015	7/1/2014-9/30/2016	84.287	S287C140047	14,354	
21st Century CLC (Title IV-B) - Hurt Park Yr1 2016	7/1/2015-9/30/2017	84.287	S287C150047	104,288	
21st Century CLC (Title IV-B) - Hurt Park Yr2 2017	7/1/2016-9/30/2018	84.287	S287C160047	110,536	
21st Century CLC (Title IV-B) - Jackson Yr3 2015	7/1/2014-9/30/2016	84.287	S287C140047	3,189	
21st Century CLC (Title IV-B) - Jackson Yr1 2017	7/1/2016-9/30/2018	84.287	S287C160047	144,741	
21st Century CLC (Title IV-B) - Lincoln Terrace Yr2 2016	7/1/2015-9/30/2017	84.287	S287C150047	35,242	
21st Century CLC (Title IV-B) - Lincoln Terrace Yr3 2017	7/1/2016-9/30/2018	84.287	S287C160047	131,451	
21st Century CLC (Title IV-B) - Morningside Yr1 2017	7/1/2016-9/30/2018	84.287	S287C160047	124,253	
21st Century CLC (Title IV-B) - RAMS Yr2 2016	7/1/2015-9/30/2017	84.287	S287C150047	21,718	
21st Century CLC (Title IV-B) - RAMS Yr3 2017	7/1/2016-9/30/2018	84.287	S287C160047	141,275	
21st Century CLC (Title IV-B) - Round Hill Yr1 2016	7/1/2015-9/30/2017	84.287	S287C150047	89,781	
21st Century CLC (Title IV-B) - Round Hill Yr2 2017	7/1/2016-9/30/2018	84.287	S287C160047	82,768	
21st Century CLC (Title IV-B) - Westside Yr1 2016	7/1/2015-9/30/2017	84.287	S287C150047	21,151	
21st Century CLC (Title IV-B) - Westside Yr2 2017	7/1/2016-9/30/2018	84.287	S287C160047	131,841	
21st Century CLC (Title IV-B) - William Fleming High School Yr1 2017	7/1/2016-9/30/2018	84.287	S287C160047	132,160	
21st Century CLC (Title IV-B) - Woodrow Wilson Yr1 2017	7/1/2016-9/30/2018	84.287	S287C160047	129,101	
Total 21st Century Community Learning Centers (Title IV, Part B)					1,920,369
Advanced Placement (AP) Program (Title I, Part G) 2015	7/1/2015-6/30/2016	84.330	Project source 609570		23,294
English language acquisition grant (Title III, Part A)	7/1/2014-9/30/2016	84.365	S365A140046	10,008	
English language acquisition grant (Title III, Part A)	7/1/2015-9/30/2017	84.365	S365A150046	106,813	
English language acquisition grant (Title III-A, Immigrant Children & Youth)	7/1/2015-6/30/2016	84.365	S365A150046	8,329	
English language acquisition grant (Title III-A, Supplemental Immigrant Children & Youth)		84.365	S365B150046	10,511	
Total English language acquisition grants					135,660
Improving Teacher Quality State Grants (Title II, Part A) 2016	7/1/2015-9/30/2017	84.367	S367A150044	24,088	
Improving Teacher Quality State Grants (Title II, Part A) 2017	7/1/2016-9/30/2018	84.367	S367A160044	779,032	
Total Improving Teacher Quality State Grants					803,121
Total Department of Education					\$ 13,121,272

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Department of Medical Assistance Services:

Passed Through Commonwealth of Virginia Department of Medical Assistance Services:				
FAMIS Reimbursement	7/1/2016-6/30/2017	93.767	--	\$ 23,823
Medicaid Reimbursement	7/1/2016-6/30/2017	93.778	--	571,203
Total Department of Medical Assistance Services				<u>\$ 595,026</u>
Total Expenditures of Federal Awards				<u>\$ 22,497,647</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.

NOTE 2 - FOOD DISTRIBUTION:

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

NOTE 3 - DE MINIMIS INDIRECT COST RATE

The School Board of the City of Roanoke, Virginia used the federal indirect cost rates as furnished by Virginia Department of Education. The restricted rates are 4.0% and 18.8%, respectively

**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, 2017, 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, 2017.

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, 2017

**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 program for the year ended June 30, 2017. The School Board's major federal program is 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 federal statutes and the terms and conditions of its federal awards 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 program 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 the 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 its major federal program for the year ended June 30, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, 2017

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2017

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, 2017

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 program was 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:

<u>Name of Program</u>	<u>CFDA #</u>
Title I-Grants to Local Educational Agencies	84.010

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.

