

ROANOKE COUNTY PUBLIC SCHOOLS

(A component unit of the County of Roanoke, Virginia)

Comprehensive Annual Financial Report



Newly renovated Glenvar High School



Year Ended
June 30, 2016

In 2016, Roanoke County Public Schools completed a renovation and expansion of Glenvar High School, which celebrated its 50th anniversary in 2016. The project added more than 33,000 additional square feet to the facility as well as a new administration/guidance space, new science wing, media center and cafeteria. The facility incorporates geothermal heating and cooling, which cuts down on utility expenses. In addition, many classrooms were expanded and equipped with instructional technology and wireless networking.

Cover design by Chuck Lionberger

Roanoke County Public Schools

(A Component Unit of the County of Roanoke, Virginia)

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



Prepared by the Finance Department

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Roanoke County Public Schools

**Empowering all students through technology and 21st Century Skills:
Critical Thinking; Collaboration; Creativity; Communication**



Roanoke County Public Schools does not discriminate with regard to race, color, age, national origin, sex, or handicapping condition in an educational and/or employment policy or practice. Questions and/or complaints should be addressed to the Director of Administration at (540) 562-3900 ext. 10121 or the Director of Pupil Personnel Services/504 Coordinator at (540) 562-3900 ext. 10181

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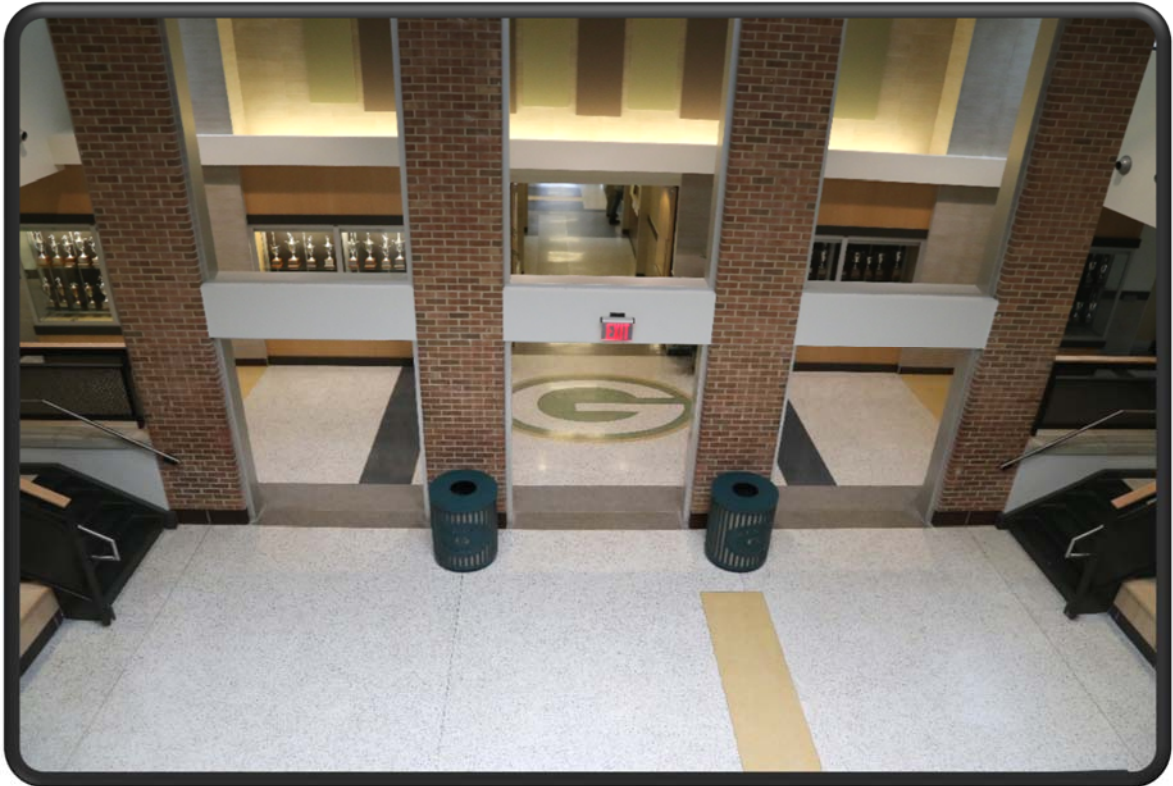
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INTRODUCTORY SECTION





DIGITAL C-CHANGE

Empowering all students through technology and
21st Century Skills: Critical Thinking, Collaboration,
Creativity, and Communication.



November 30, 2016

To the Honorable Chairman and Members of the School Board,
and the Citizens of the County of Roanoke, Virginia:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Roanoke County Public Schools for the fiscal year ended June 30, 2016. State law requires that every general-purpose local government publish a complete set of audited financial statements within six months of the close of the fiscal year. Roanoke County Public Schools (School System) is a component unit of the County of Roanoke, Virginia (County), which is a general-purpose local government. This report has been prepared by the School System's Finance Department in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA).

The CAFR was prepared with an emphasis on full disclosure of the financial activities of the School System. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

The auditing firm of Cherry Bekaert LLP, a firm of independent certified public accountants, has issued unmodified opinions on Roanoke County Public Schools' basic financial statements as of and for the year ended June 30, 2016, contained in this report. The report of independent auditors is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the report of independent auditors and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE SCHOOL SYSTEM

Roanoke County Public Schools is the 19th largest of 132 school systems in the Commonwealth of Virginia. The County of Roanoke is located in the southwestern part of the State and is the suburban hub of the Roanoke Valley, with a provisional population of 93,775¹ and a Metropolitan Statistical Area (MSA) population of approximately 314,000. Located in the largest urban area west of Richmond, the School System is the largest employer in Roanoke County. The School Board consists of five members elected to four-year terms who serve the citizens of Roanoke County.

¹ Population source: VaStat, a service of the Weldon Cooper Center for Public Service

The School System provides a broad spectrum of general, special, gifted, career and technical education opportunities for 14,429 students (including pre-kindergarten) between the ages of 3 and 21 at sixteen elementary schools, five middle schools, five high schools, and one specialty center.

Roanoke County Public Schools had a strong year in terms of SOL performance. The school division was one of a minority of school districts in the state that will have all of its schools fully accredited for the 2016-2017 school year based on 2015-2016 results. Furthermore, the School System exceeded the state average on 28 of 29 SOL tests and significantly increased overall performance in Algebra II, a key indicator of college readiness. The system excels in all areas, but the district's mathematics and reading performance at the middle school level is a particular highlight. The district's Math 7 results were the second highest result in the state (out of 132 school divisions).



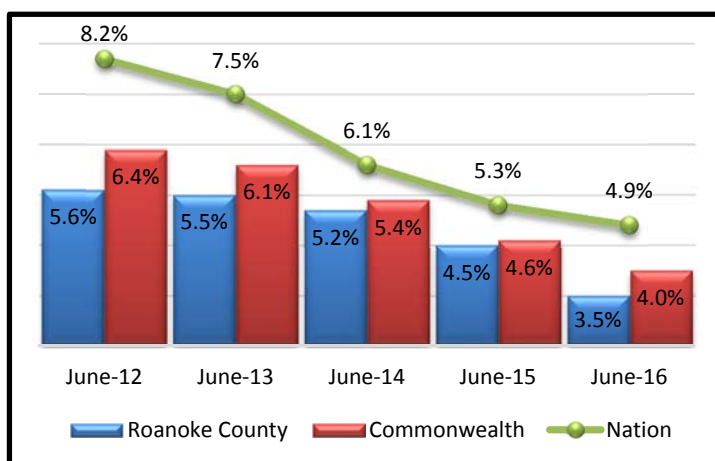
Roanoke County Public Schools has been recognized for 13 years by the NAMM Foundation as one of the “Best Communities for Music Education” in America. The School System was chosen as 1 of 11 school divisions in the Commonwealth of Virginia. The award is based on a survey of the School System and its commitment to providing a wide range of musical opportunities and supporting them financially.

The School Board is required to submit an adopted budget to the County Board of Supervisors by April 1 of each year for the fiscal year beginning July 1. The County adopts the School System budget on an annual basis at the fund level. This annual budget serves as the foundation for the School System's financial planning and control. The budget is prepared by fund, function (e.g., instruction, attendance and health, nutrition), and department (e.g., transportation, media services, personnel) for management purposes. The School Board must seek approval from the County Board of Supervisors to transfer funds from one fund to another. However, the School Board may transfer resources within funds as they see fit.

LOCAL ECONOMY

In order to provide quality educational programs to its students, the School System is largely dependent upon the economy of its largest funding sources, which include the Commonwealth of Virginia (45.1% of revenue), the County of Roanoke (42.6% of revenue) and the Federal government (4.6% of revenue).

One measure of the health of an economy is the level of unemployment. This is a graph of the unemployment trend for the past five years for the Commonwealth, the County of Roanoke, and the nation as a whole. The unemployment rates at all levels of the government continue to improve, however, they are still higher than the levels occurring before the 2007-2009 recession.



Another factor that indicates how well the State is recovering is the personal income level, which improved this past year after a three-year decline. The personal income level is strongly correlated to income tax and sales tax income. Not only does this provide greater revenue to be passed to the local government, but state-wide sales tax collections are a line item revenue for the School System. The School System experienced an increase in sales tax revenue of 2.65% this year.

Overall, the Commonwealth's economy is continuing to slowly improve although it still lags behind the nation as a whole. This is related to the decline in Federal government spending and reflects the significant reliance on Federal contracts in the Northern Virginia and Tidewater areas of the state, which continue to impact state revenue sources post-recession. State revenue declines ultimately impact the state funding for public education and the School System directly.

While Roanoke County and the Roanoke Valley have a diverse economic base that has been historically insulated from extreme expansions and contractions of the national economy, the impacts of higher unemployment, decreased business investment and activity, stagnant consumer confidence, and lower Federal spending in the Commonwealth have delayed recovery in the governmental revenue sources throughout the Roanoke region. This directly affects the School System because of an agreed-upon revenue sharing agreement that drives the local appropriation.

The School System has experienced a declining student enrollment in seven of the last eight years which negatively impacts the level of State funding while not directly reducing the cost of education services on a one-to-one basis. Indications are that this trend reflects lower birth rates in the community and limited growth on the County population. Enrollment declines result in reductions in State funding as the State aid for education formula is driven by K-12 enrollment. The enrollment projection for fiscal year 2017 is 13,950 (excluding pre-kindergarten). The School System conducted a demographic study in 2016 which reflects a slight decline in enrollment over the next ten years.

We are fortunate that our economic indicators are showing signs of improvement but sustaining a quality program based on pre-2009 funding levels remains a formidable challenge for the County; not only in the delivery of local government services, but also in maintaining our traditionally high standard of living and quality of life.

From an infrastructure standpoint, the School System operates 27 school buildings with an average age of 48 years. Despite the sluggish economy in recent years, the School Board has made a financial commitment to address the infrastructure needs in a steady and methodical manner and, accordingly, has been able to take advantage of competitive construction bids in the past six years resulting in lower overall costs to the citizens.

LONG-TERM FINANCIAL PLANNING

The School System periodically updates a Capital Improvement Plan (CIP). The CIP serves as a planning tool for efficient, effective, and equitable distribution of public improvements throughout the School System. The CIP represents a balance between finite resources and an ever-increasing number of competing school projects. This balance is achieved using the priorities and objectives established by the School Board.

In addition to school building needs, the School System has purposefully established dedicated funding streams for ongoing capital needs for vehicles and technology. The school bus replacement schedule, based on age and condition of the bus fleet, necessitates the replacement of approximately ten school buses per year. The annual budget includes funds earmarked specifically towards this purpose which allows the School Board to accumulate a bus replacement reserve and pay cash for the bus purchases each year rather than borrowing funds and incurring the additional financing charges. The School Board increased the annual funding stream from \$325,000 to \$433,219 in fiscal year 2016 following cuts made in fiscal year 2013 in response to budgetary constraints. Additional funding for the replacement of buses will continue to impact future budget cycles until full funding for bus replacements is restored.

On an annual basis, the School System updates a multi-year Technology Assessment Plan to plan for obsolescence of technology equipment and identify funding streams for replacements. The School Board continues to be a frontrunner in the integration of technology throughout the instructional program. The laptop computer initiative implemented 13 years ago to provide a laptop computer to every student in grades 9 through 12 has been sustained through difficult budget years and continues to be funded without incurring debt. The School Board approved a pilot program to extend the one-to-one laptop program to 8th grade for fiscal year 2016 using repurposed laptops that were rolled out of the high school program. The School Board approved an extension of this program to 7th grade for fiscal year 2017. With the budget pressures at the national, State, and local levels in recent years, the technology program has been funded with a combination of sources including Federal stimulus funds, grant funds, and operating funds. The ongoing significant investment in technology warrants the need for a replacement funding plan to ensure the sustainability of this important tool which is an integral part of classroom instruction in the school division.

RELEVANT FINANCIAL POLICIES

The School Board adopted a Year-End Balance policy in fiscal year 2005 that allocates the balance at the end of a fiscal year from excess revenues and/or unspent expenditures to capital projects. Most of the 27 school buildings in operation were built prior to 1970 and need capital improvements based on their age and the change in student population and programs since the schools were originally built. In order to fund the School System's commitment to upgrading the facilities, the policy allocates two-thirds of the year-end balance to Major Capital Projects listed on the School Capital Improvement Plan and one-third to Minor Capital Projects (other projects identified and prioritized with costs less than \$500,000). This policy was adopted in conjunction with the County and enables the School System to ensure continued funding for needed capital improvements.

In addition, the School Board and County Board of Supervisors adopted a revised revenue sharing agreement in 2014 that identifies the methodology for allocating revenues between the local government and the School System. The revised allocation formula factors in changes in County population and student enrollment, a payroll factor reflecting the labor intensive nature of public education, and the calculation of a net allocation percentage which is then applied to total general property and other local taxes of the local governing body to arrive at the allocation of local

revenues for public education. This formula was used in the fiscal year 2015 and fiscal year 2016 school budgets.

MAJOR INITIATIVES

Standards of Learning – Standards of Learning – The General Assembly and the Board of Education of the Commonwealth of Virginia believe that the fundamental goal of the public schools must be to enable each student to develop the skills that are necessary for success in school and preparation for life in the years beyond. The current educational objectives are known as the Standards of Learning (SOL). Based on results from the Spring 2016 testing window, the School System exceeded the State average on 28 of 29 SOL tests administered. Based on preliminary data, we project that all of our schools also met Virginia's requirements for full state accreditation for the 2016-2017 school year based on the 2015-2016 SOL performance.

Technology Initiative – The integration of technology into all facets of the instructional program is instrumental to the vision of the School System that “all Roanoke County students will be empowered to learn through technology and 21st century skills: collaboration, communication, creativity, and critical thinking.” The School System completed the 13th year of a technology initiative, which provides one-to-one laptop computers to all high school students. The laptop computers allow flexible access to educational resources and online classes and are integrated into the daily classroom lessons while incorporating technology education into all subject areas. In addition, the School System has invested heavily in providing interactive technology throughout the School System with all classrooms equipped with an interactive white board. All schools have wireless connections to the internet and broadband was expanded in fiscal year 2014 to adequately support the heavy utilization of technology throughout the district. The School System also conducted an independent evaluation of all aspects of information technology in fiscal year 2015 to optimize the investment in technology infrastructure and identify financial savings opportunities.

Capital Improvement Plan – The School Board and the County Board of Supervisors continue to place a major emphasis on the capital needs in the School System. The School Board has identified a priority list of capital projects to be funded under the School Capital Improvement Plan with \$30.5 million funded and completed on the most recent plan. The funding came from both the Major Capital Reserve, created with the year-end balance policy, and bond proceeds issued by the County. The renovation of Glenvar High School was completed last year with \$8.5 million of the \$28.5 million project funded with cash reserves.

The School Board adopted an updated Capital Improvement Plan in March 2016 which identified the next nine schools slated for renovation. In addition, the School Board conducted a district-wide Facility and Demographic study to identify population and enrollment trends that will guide the development of the Capital Improvement Plan in the coming years. A follow-up in-depth facility review is being conducted in order to help prioritize renovation needs.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Roanoke County Public Schools for its CAFR for the fiscal year ended June 30, 2015. This was the 15th consecutive year that the School System has received this prestigious national award.

In addition, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School System for its CAFR for the fiscal year ended June 30, 2015. This certificate was also awarded for the 15th consecutive year. 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 the GFOA Certificate of Achievement or the ASBO Certificate of Excellence, a school system must publish an easily readable and efficiently organized comprehensive annual financial report, whose content conforms to the standards of both programs. The CAFR must also satisfy the standards of both 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. We believe our current report continues to meet the requirements of the GFOA Certificate of Achievement and ASBO Certificate of Excellence programs, and we are submitting it to both associations to determine its eligibility for another certificate.

We would like to express our sincere gratitude to the School Board and the administration, whose continuing leadership and support is vital to the financial health of the School System. Appreciation is also extended to the personnel in the Finance Department for their dedication to assuring the financial integrity of the School System and the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Gregory N. Killough', with a large, stylized circular flourish at the end.

Gregory N. Killough, Ed. D.
Superintendent

A handwritten signature in black ink, appearing to read 'Penny A. Hodge', with a stylized, cursive script.

Penny A. Hodge, CPA, SFO, RSBO
Assistant Superintendent of Finance

**Roanoke County Public Schools
School Board Members
June 30, 2016**



Mr. Michael A. Wray
Chairman
Cave Spring District



Mr. Timothy D. Greenway
Vice-Chairman
Vinton District



Mr. Donald T. Butzer
Catawba District



Mr. Jerry L. Canada
Hollins District



Mr. Jason B. Moretz
Windsor Hills District

Clerk to the Board.....Mrs. Angela B. Roberson

**Roanoke County Public Schools
School Administration
June 30, 2016**



Dr. Gregory N. Killough
Superintendent of Schools

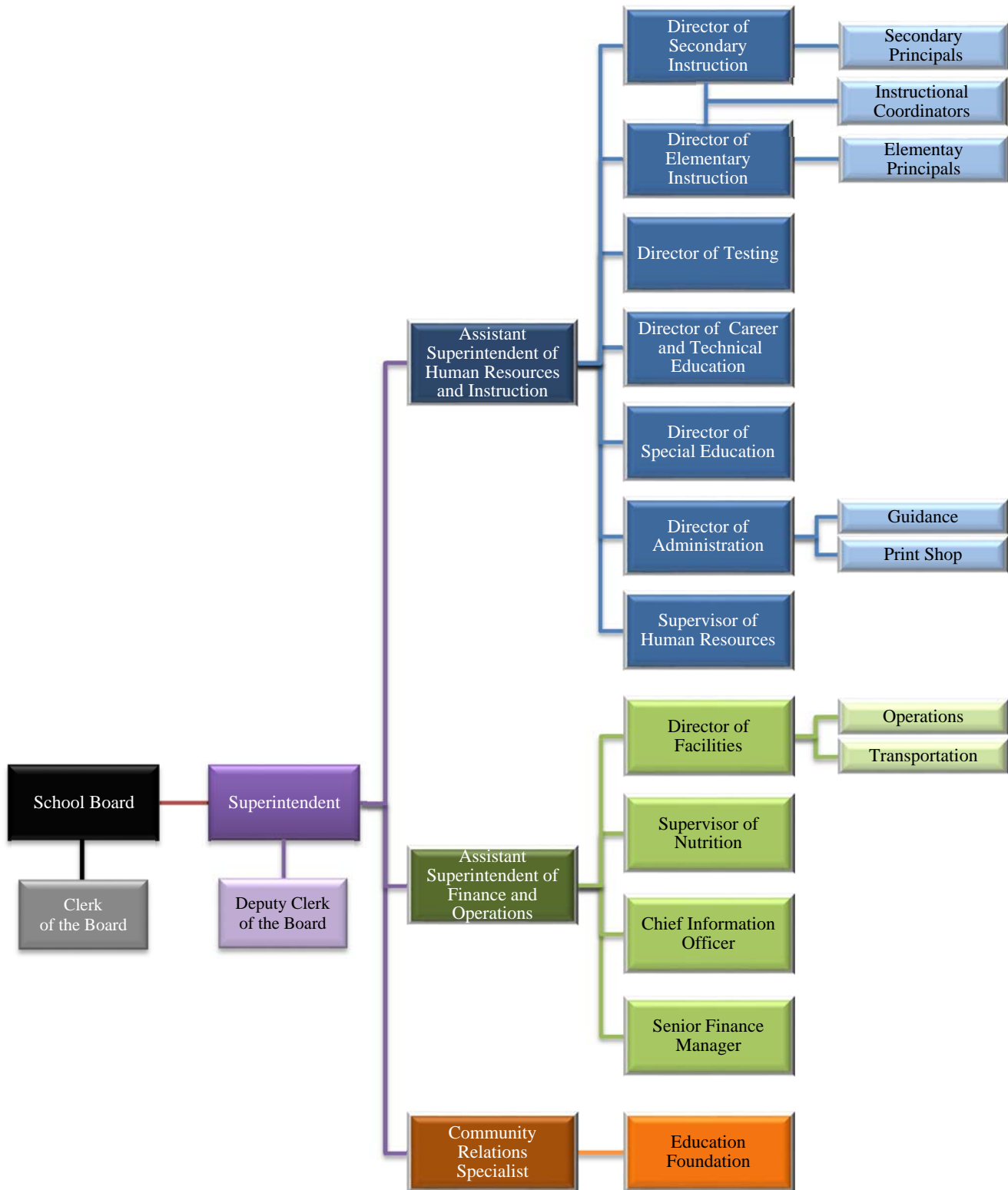
**Dr. Rebecca G. Eastwood
Assistant Superintendent of Human Resources and Instruction**

Director of Secondary Instruction.....	Dr. Kenneth E. Nicely
Director of Elementary Instruction	Dr. Linda F. Wright
Director of Testing.....	Mr. Ben J. Williams
Director of Career and Technical Education	Mr. Jason D. Suhr
Director of Special Education.....	Dr. Jessica M. McClung
Director of Administration.....	Dr. Paul N. Lineburg
Supervisor of Human Resources.....	Mr. Dominick F. McKee
Community Relations Specialist.....	Mr. Chuck D. Lionberger

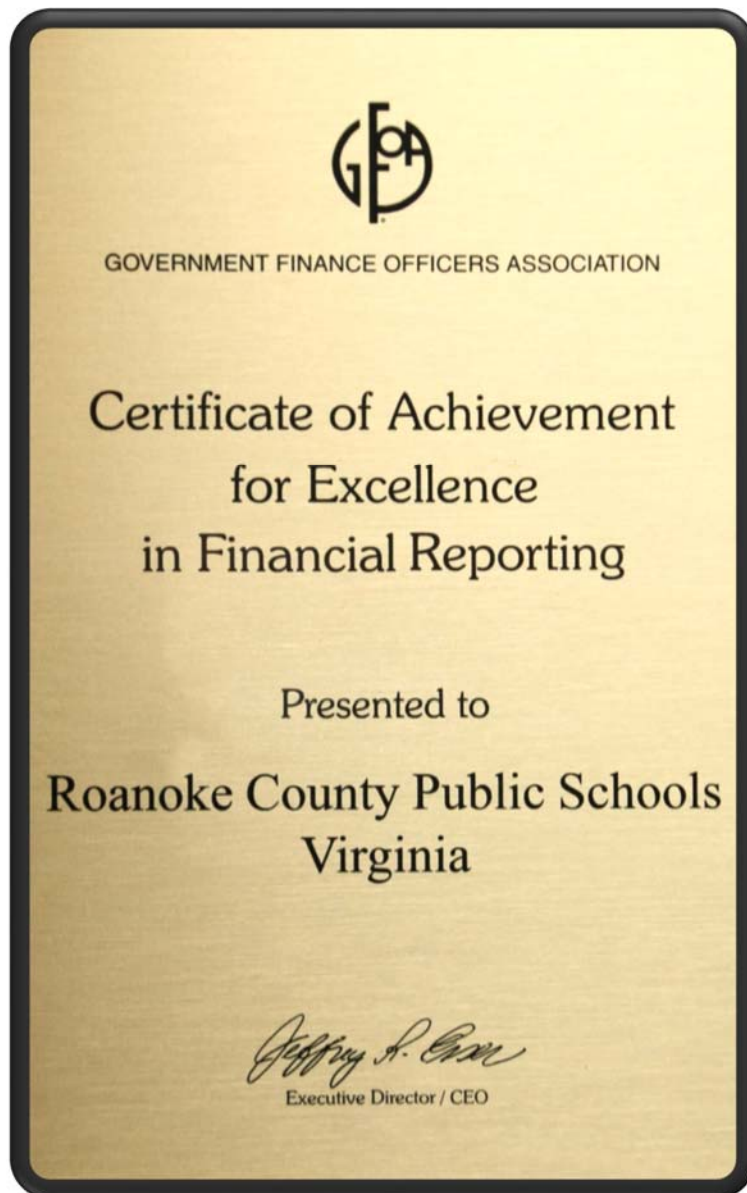
**Mrs. Penny A. Hodge, CPA, SFO
Assistant Superintendent of Finance and Operations**

Director of Facilities	Mr. George G. Assaid
Supervisor of Nutrition	Mrs. Rhonda R. Huffman
Chief Information Officer	Mr. Jeff A. Terry
Senior Finance Manager	Mrs. Susan L. Peterson, CPA

**Roanoke County Public Schools
Organizational Chart
June 30, 2016**



**Roanoke County Public Schools
Government Finance Officers Association Award
June 30, 2016**



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Roanoke County Public Schools for its Comprehensive Annual Financial Report for the 15th consecutive year ended June 30, 2015. The Certificate of Achievement for Excellence in Financial Reporting is a prestigious, national award, which recognizes conformance with the highest standards for preparation of state and local government CAFRs.

In order to receive a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish a CAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. In addition, this report must satisfy both accounting principles generally accepted in the United States of America (GAAP) and applicable legal requirements.



**Roanoke County Public Schools
Association of School Business Officials International Award
June 30, 2016**



The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to Roanoke County Public Schools for its CAFR for the 15th consecutive year ended June 30, 2015. This nationally recognized program was established by ASBO to encourage school business officials to achieve a high standard of financial reporting. The award is the highest recognition for school division financial operations offered by ASBO, and it is only conferred upon school systems that have met or exceeded the standards of the program. Participation in the Certificate of Excellence in Financial Reporting program validates the School System's commitment to fiscal and financial integrity and enhances the credibility of the School System's operations with the School Board and the community. The program reviews the accounting practices and reporting procedures used by the School System in its CAFR based upon specific standards established within GAAP.



FINANCIAL SECTION





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21st Century Skills: Critical Thinking, Collaboration,
Creativity, and Communication.

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Roanoke County Public Schools (the "School System"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School System'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 and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule – General Fund, the Budgetary Comparison Schedule – Special Revenue Fund – Grant Fund, pension and other postemployment benefit trend information, and notes on pages 20-35, 83, 85, 86-90, and 91-92, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School System's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we 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 November 30, 2016, on our consideration of the School System'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 System's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive style.

Roanoke, Virginia
November 30, 2016

**Roanoke County Public Schools
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

The management of Roanoke County Public Schools (the School System) presents the following discussion and analysis as an overview of the financial activities of the School System for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report, and the School System's basic financial statements and notes thereto, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The total liabilities and deferred inflows exceeded the total assets and deferred outflows of the School System as of June 30, 2016 by \$43.6 million (*net position*). Of this amount, \$(93.0) million is the unrestricted net position. (Exhibit A). Typically unrestricted net position is the amount available to meet the School System's future obligations to citizens and creditors, however, during the fiscal year ended June 30, 2015, the School System implemented new accounting guidance for pension plans, which reduced its beginning net position by \$131.5 million (Note 14).
- On a government-wide basis for governmental activities, the School System had expenses, net of program revenues, of \$109.6 million, which were \$13.2 million more than general revenues of \$122.8 million (Exhibit B).
- At the end of the current fiscal year, committed fund balance for the General Fund was \$5.8 million or 4.3% of total General Fund expenditures for fiscal year 2016 (Exhibits C and E). Due to School Board policy, the fund balance in the General Fund rolls over to the capital fund at year-end so there is no unassigned fund balance at year-end.
- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources (uses) by \$684,880 for fiscal year 2016 (Exhibit E).

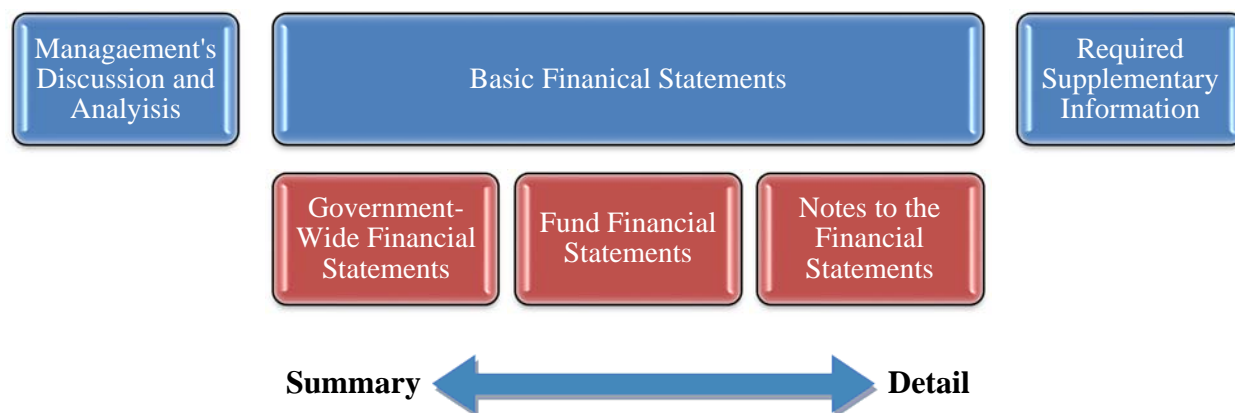
OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the School System's basic financial statements and is unaudited. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition, required supplementary information follows the basic financial statements and related notes, but is unaudited.

The School System's basic financial statements include two types of financial statements, each with a different view of the School System's finances. The focus is on both the School System as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the School System's overall financial position. The fund financial statements focus on the individual funds of the School System, reporting the School System's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the School System's accountability.

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The financial section of the comprehensive annual financial report consists of the following:



Government-wide Financial Statements – The government-wide financial statements report information about the School System as a whole using accounting methods similar to those used by private-sector companies. The two statements – Statement of Net Position and Statement of Activities, report the School System’s net position and how it has changed during the fiscal year.

The Statement of Net Position includes all of the government’s assets, deferred outflows of resources, liabilities (both current and long-term) and deferred inflows of resources. The result is reported in one of the three categories of the net position (Net investment in capital assets, Restricted, or Unrestricted). Over time, increases or decreases in the School System’s net position are indicators of whether its financial position is improving or deteriorating. In order to assess the overall financial position of the School System, other non-financial factors must also be considered, however, such as changes in the property tax base of the County of Roanoke, Virginia (the County) and the condition of school buildings and other facilities.

The Statement of Activities reports all of the current year’s revenues and expenses as soon as the underlying event for recognition occurs, regardless of the timing of the related cash flows.

The School System reports only **governmental activities**, which include the School System’s basic services: instruction; administration, attendance and health; transportation; operations and maintenance; technology; facilities; and school nutrition. County appropriations and State aid finance the majority of these activities.

The government-wide financial statements (Exhibits A and B) can be found beginning on page 38 of this report.

Fund Financial Statements – Fund financial statements provide more detailed information about the School System funds, focusing on its most significant or “major” funds – not the system as a whole. The School System utilizes three types of funds:

- **Governmental funds:** Most of the School System’s activities are reported in governmental funds, which focus on how resources flow into and out of these funds and the balances at

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year-end available to spend in future periods. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader to determine whether there are current financial resources that can be used in the near future to finance the School System's programs. (Exhibits C and E) Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation is provided immediately following the governmental funds statement that explains the relationship (or differences) between the statements. (Exhibits D and F)

- **Proprietary funds:** Services for which the School System charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The School System uses Internal Service Funds to account for the financing of services provided by one department to other departments of the school system on a cost reimbursement basis. The School System uses Internal Service Funds for health insurance, dental insurance, risk management, and laptop insurance reserves. (Exhibits G, H, and I)
- **Fiduciary funds:** Assets held either by a trustee or in an agency capacity are reported in fiduciary funds. These funds cannot be used to support the School System's activities and are reported in a separate statement of fiduciary assets and liabilities. They are not included in the government-wide financial statements. The School System reports an OPEB Trust and student activity funds as fiduciary funds. (Exhibits J and K)

The fund financial statements can be found beginning on page 40 of this report.

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. The notes to the basic financial statements can be found beginning on page 49 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the School System's budgetary comparisons for the General Fund and Grant Fund and progress in funding its obligations to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 81 of this report.

Certain additional *supplementary information* is presented immediately following the required supplementary information. Supplementary information includes budgetary comparisons for the Capital Projects Fund and Nonmajor Governmental Fund, combining statements for Internal Service Funds, and the statement of changes in fiduciary assets and liabilities. Supplementary information can be found beginning on page 93 of this report.



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FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM

Summary of Net Position – As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Summary of Net Position as presented in the government-wide financial statements:

**Summary of Net Position
As of June 30, 2016 and 2015** **Table 1**

	Governmental Activities		Percentage
	2016	2015	Change
Current and other assets	\$ 43,826,214	\$ 42,096,511	4.1%
Capital assets, net	47,748,644	40,671,187	17.4
Total assets	91,574,858	82,767,698	10.6
Deferred outflows of resources	10,405,765	10,445,845	(0.4)
Current and other liabilities	7,887,135	6,206,666	27.1
Long-term liabilities	122,261,736	120,841,037	1.2
Total liabilities	130,148,871	127,047,703	2.4
Deferred inflows of resources	15,475,036	23,035,363	(32.8)
Net investment in capital assets	47,263,705	39,733,962	19.0
Restricted	2,066,398	2,075,508	(0.4)
Unrestricted	(92,973,387)	(98,692,493)	(5.8)
Total net position	\$ (43,643,284)	\$ (56,883,023)	(23.3)

For fiscal year 2016, the School System's, liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$43.6 million. Net position increased \$13.2 million from the prior year balance, which included adjustments for beginning net pension liability and 2014 employer contributions of \$131.5 million. A detailed description of the changes in revenues and expenses that create the differences in net position is discussed in the next section.

For fiscal year 2016, \$47.3 million of the School System's net position reflects its *net investment in capital assets* (i.e., land, buildings, furniture and equipment). The School System uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Commonwealth of Virginia requires counties to issue general obligation debt for all financially dependent component units. The County reports in its basic financial statements the majority of the debt related to the School System's capital assets. However, as of June 30, 2016, the School System is responsible for a \$484,939 energy management project capital lease entered into during fiscal year 2007.

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A significant portion of the *restricted net position* includes the School System's \$2.0 million emergency contingency fund authorized by the County Board of Supervisors and restricted to use for unexpected revenue shortfalls or unanticipated expense increases. The remaining balance includes grant balances restricted by grant agencies for specified purposes.

The remaining balance of *unrestricted net position* of \$(93.0) million is a result of recognizing the School System's proportionate share of the Virginia Retirement System's net pension liability.

The School System's net position on hand at the end of a fiscal year is designated for specific uses in funding capital projects in the upcoming year. Thus, increases or decreases in net position typically result from and are in accordance with the adopted plan to provide capital programs in any given year, and fluctuate dollar for dollar with changes in the amount of net capital assets and noncurrent liabilities due in more than one year. Finally, to assess the overall health of the School System, additional non-financial factors need to be considered, such as changes in the property tax base of the County, the condition of the school buildings and equipment, and the supply of and demand for instructional staff.



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Summary of Changes in Net Position – The following table presents a condensed summary of changes in net position for governmental activities:

Summary of Changes in Net Position **Table 2**
For the Years Ended June 30, 2016 and 2015

	Governmental Activities 2016	2015	Percentage Change
Program revenues:			
Charges for services	\$ 3,742,883	\$ 3,932,791	(4.8)%
Operating grants and contributions	26,189,097	25,685,624	2.0%
Capital grants and contributions	9,116,549	1,814,146	402.5%
General revenues:			
County appropriation	68,924,133	67,617,035	1.9%
State aid	53,533,578	53,150,488	0.7%
Miscellaneous	346,121	397,195	(12.9)%
Total revenues	<u>161,852,361</u>	<u>152,597,279</u>	6.1%
Instruction	107,696,660	109,136,909	(1.3)%
Administration	2,909,808	2,719,118	7.0%
Attendance and health	2,332,133	2,358,106	(1.1)%
Transportation	5,924,837	6,014,584	(1.5)%
Operations and maintenance	11,227,448	11,164,752	0.6%
Technology	6,367,798	4,356,121	46.2%
School nutrition	4,804,867	5,041,064	(4.7)%
Capital lease interest	23,731	41,367	(42.6)%
Debt Service	7,325,340	7,325,344	0.0%
Total expenses	<u>148,612,622</u>	<u>148,157,365</u>	0.3%
Change in net position	13,239,739	4,439,914	198.2%
Total net position, beginning of year	(56,883,023)	(61,322,937)	(7.2)%
Total net position, end of year	<u>\$ (43,643,284)</u>	<u>\$ (56,883,023)</u>	(23.3)%

Governmental activities increased the School System's net position by \$13.2 million. Revenues for governmental activities increased \$9.3 million (6.1%) and total expenses increased \$455,257 (0.3%) when compared to the prior year.

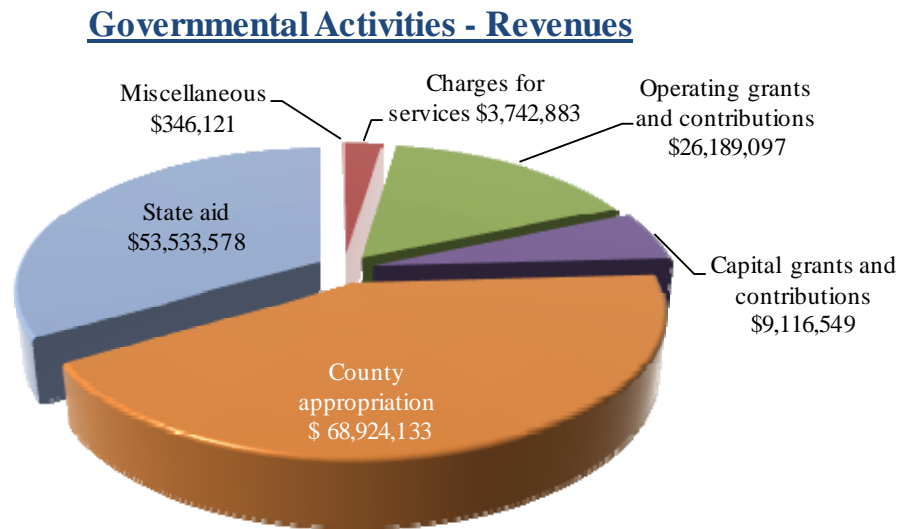
The County appropriation and general State aid accounted for most of the School System revenue, contributing 82¢ of every dollar of expenses. The remaining 18¢ of every dollar of expenses are funded with Federal and State aid for specific programs, charges for services, and miscellaneous revenues.

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Most of the School System's expenses, or 86¢ of every dollar spent, are directly related to the provision of services to students, including classroom instruction, attendance and health, transportation, technology, and school nutrition. The balance of every dollar spent goes for administrative costs (2¢), operations and maintenance (8¢), and interest and other charges for the school portion of County debt payments on school construction and renovations (4¢).

Governmental Activities – Revenues

Revenues of the governmental activities are shown by category below:



Charges for services, which were 2.3% of total government revenues, include school breakfast and lunch sales, tuition fees, Medicaid reimbursements, and other miscellaneous fees for services provided. These revenues decreased \$189,908 from prior year primarily due to a reductions of Medicaid reimbursements, tuition, and cafeteria a la carte sales, which were slightly offset by an increase in sale of textbooks.

Operating grants and contributions, which were 16.2% of total government revenues, include 57.1% for non-Basic Aid Standards of Quality State grants, 18.8% for Individuals with Disabilities Education Act (IDEA) and Titles I, II and III Federal grants, 9.7% for State and Federal nutrition funding, and 14.3% for State supplemental support for operating costs. These revenues increased \$503,473 from prior year primarily due to the increases in the State Compensation Supplement, Federal lunch program reimbursements, and Federal Title II grant funds offset by Federal decreases in IDEA, and Title I grant funds.

Capital grants and contributions, which were 5.6% of total government revenues, include state technology grants and capital transfers from the County. These revenues increased \$7.3 million from prior year primarily due to the transfer of buildings and improvements, net of accumulated depreciation, to the schools from the County related to fiscal year 2016 debt payoff for tenancy in common assets.

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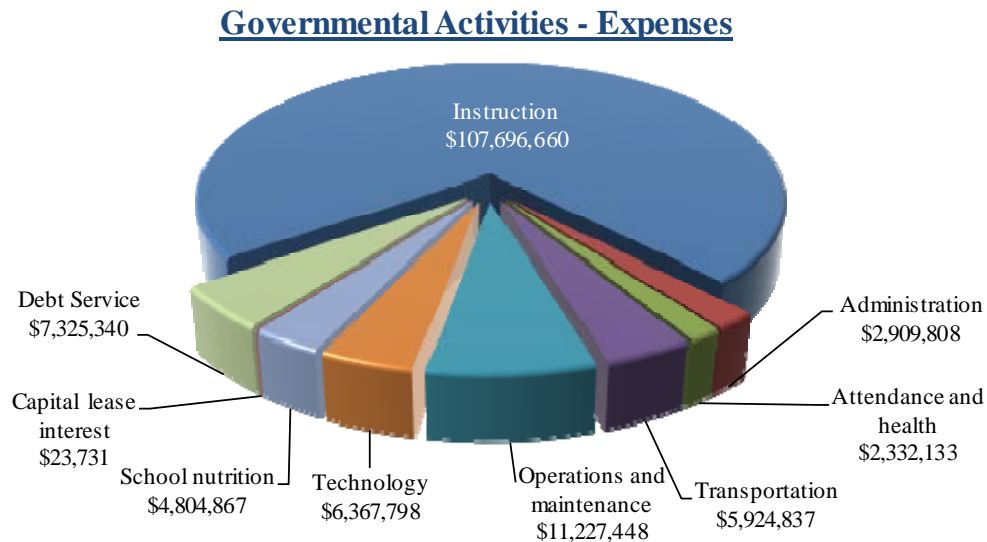
County appropriation, which is the largest funding source at 42.6% of total government revenues, includes local County support which has been based on a revenue sharing formula. These revenues increased \$1.3 million from prior year and include a transfer of bond proceeds for capital projects.

State aid, which was 33.1% of total government revenues, includes state sales tax and the Basic Aid Standards of Quality State grants. These revenues increased \$383,090 from prior year primarily due to an increase in the sales tax.

Miscellaneous, which was 0.2% of total government revenues, includes investment income, soft drink commissions, rebates and refunds, donations, gain on sale of assets, and other miscellaneous items. These revenues decreased \$51,074 due to non-recurring fiscal year 2015 receipts including: donations from schools for capital projects, insurance recoveries, and a grant refund. These reductions were slightly offset by an increase in interest income on investments.

Governmental Activities – Expenses

Expenses of the governmental activities are shown by functional area below:



Instruction, which was 72.5% of total government expenses, includes activities and programs to prepare all students to be productive citizens in a democratic and diverse society while enabling them to meet established standards of achievement and foster life-long learning. These expenses decreased \$1.4 million from prior year primarily due to recognizing the School System's proportionate share of the Virginia Retirement System's (VRS) net pension liability changes, and slightly offset by the restructuring the healthcare premiums in fiscal year 2016 to encourage higher participation by employees in their own healthcare management.

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Administration, which was 2.0% of total government expenses, includes executive administration, personnel services, fiscal services, board services, reprographic services, planning services, and information services. These expenses increased \$190,690 from prior year due to an increase in the depreciation expense related to the student information database capitalized for the first time in 2015, the costs for the Compensation study, and other additional professional services, slightly offset by recognizing the School System's proportionate share of the VRS net pension liability changes.

Attendance and health, which was 1.5% of total government expenses, includes health, psychological, and attendance services. These expenses decreased \$25,973 from prior year primarily due to a reduction in the IDEA funding stream and recognizing the School System's proportionate share of the VRS net pension liability changes, offset by a slight increase due to annual maintenance of the student information system.

Transportation, which was 4.0% of total government expenses, includes vehicle operation, monitoring, and maintenance services. These expenses decreased \$89,747 from prior year primarily due to recognizing the School System's proportionate share of the VRS net pension liability changes, and slightly offset by the restructuring the healthcare premiums in fiscal year 2016 to encourage higher participation by employees in their own healthcare management.

Operations and maintenance, which was 7.6% of total government expenses, includes custodial, maintenance, utilities, and security services for buildings and grounds at all 27 schools, central office, maintenance, garage, and warehouse. These expenses increased \$62,696 from prior year primarily due from capital maintenance on the Burton Center for Arts and Technology HVAC system, the restructuring the healthcare premiums in fiscal year 2016 to encourage higher participation by employees in their own healthcare management. These increases were slightly offset by recognizing the School System's proportionate share of the VRS net pension liability changes and continued savings through outsourcing custodial services.

Technology, which was 4.3% of total government expenses, includes noncapital equipment, software, operating and maintenance costs for all classrooms, administration, and attendance and health. These expenses increased \$2.5 million from prior year primarily due to the replacement of servers, networking, student computers, and computer carts in the Technology Assessment Plan, and the addition of backup internet service, recognizing the School System's proportionate share of the VRS net pension liability changes, and slightly offset by the restructuring the healthcare premiums in fiscal year 2016 to encourage higher participation by employees in their own healthcare management.

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School nutrition, which was 3.2% of total government expenses, includes all costs associated with operating and maintaining school cafeterias. These expenses decreased \$236,197 from prior year primarily due to cost savings on food and supplies, a retention bonus paid in fiscal year 2015, and the replacement of all point of sale terminals in fiscal year 2015.

Capital lease interest, which was 0.0% of total government expenses, includes interest payments for energy management equipment recorded as capital assets. These expenses decreased \$17,636 from prior year primarily due to the reduction in interest paid from year to year as the lease matures. The final payment of this lease will be in fiscal year 2017.

Debt Service, which was 4.9% of total government expenses, includes a transfer for interest on County debt outstanding related to school assets, a transfer of major capital reserves to capital projects recorded on the local government books in conjunction with bonds issued to fund the full project costs, and funding of future debt related to the Capital Improvement Plan. These expenses decreased \$4 from prior year based on the current project completion and transfer to the County.

Governmental Activities – Total Cost and Net Cost

Table 3 presents the cost of the School System's functions and shows the net cost (total cost less fees generated by and intergovernmental aid provided by specific programs). The net cost reflects the financial burden that was placed on the taxpayers by each of these functions.

**Total Cost and Net Cost of Governmental Activities
For the Years Ended June 30, 2016 and 2015**

Table 3

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2016	2015	Change	2016	2015	Change
Instruction	\$ 107,696,660	\$ 109,136,909	(1.3)%	\$ 76,112,820	\$ 83,632,887	(9.0)%
Administration	2,909,808	2,719,118	7.0%	2,728,588	2,703,207	0.9%
Attendance						
and health	2,332,133	2,358,106	(1.1)%	2,191,326	2,345,562	(6.6)%
Transportation	5,924,837	6,014,584	(1.5)%	5,477,822	5,982,681	(8.4)%
Operations						
and	11,227,448	11,164,752	0.6%	10,405,813	10,756,111	(3.3)%
Technology	6,367,798	4,356,121	46.2%	5,992,697	4,331,086	38.4%
School nutrition	4,804,867	5,041,064	(4.7)%	(694,044)	(393,441)	76.4%
Capital lease						
interest	23,731	41,367	(42.6)%	23,731	41,367	(42.6)%
Debt Service	7,325,340	7,325,344	0.0%	7,325,340	7,325,344	0.0%
Total						
expenses	<u>\$ 148,612,622</u>	<u>\$ 148,157,365</u>	<u>0.3%</u>	<u>\$ 109,564,093</u>	<u>\$ 116,724,804</u>	<u>(6.1)%</u>

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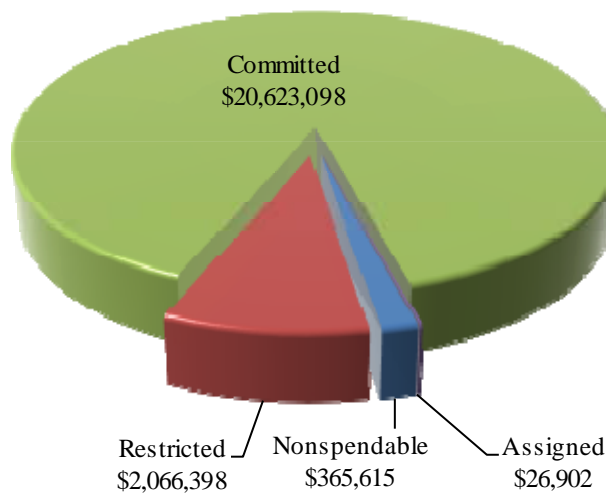
Key elements of total and net cost of governmental activities during fiscal year 2015 were as follows:

- The cost of all governmental activities this year was \$158.6 million.
- Roanoke County citizens paid for these activities through local taxes in the amount of \$68.9 million.
- Some of the costs were paid by those who directly benefited from the programs (\$3.7 million), entitlements from State and Federal aid (\$26.2 million), and miscellaneous payments (\$9.1 million).

FINANCIAL ANALYSIS OF THE FUNDS

Governmental Funds – Governmental funds consist of the General Fund, Grant Fund (special revenue fund), Capital Projects Fund, and Nonmajor Governmental Fund and account for the general operations of the School System. As noted earlier, the School System uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the School System's governmental funds is on near-term inflows, outflows, and balances of spendable resources. As such, these funds are accounted for using the modified accrual basis of accounting.

Governmental Fund Balances



As of the end of the current fiscal year, the School System's governmental funds reported combined fund balances of \$23.1 million, an increase of \$856,096 in comparison with fiscal year 2015. Of this amount, 1.6% constitutes *nonspendable fund balance*, which reflects inventories that are in a non-liquid form and cannot be spent; 9.0% constitutes *restricted fund balance*, which is externally restricted for an emergency contingency fund and grants; 89.3% constitutes *committed fund balance*, which is designated for future capital projects in accordance with the adopted Use of Year-End Balance policy; and 0.1% constitutes *assigned fund balance*, which is designated for outstanding operating encumbrances at year-end.

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The General Fund is the primary operating fund used to account for all financial transactions and resources except those required to be accounted for in another fund. The fund balance in the General Fund increased by \$684,880 primarily due to an increase in sales tax revenues and other supplements from the State, offset by cost savings due to personnel lapse.

The Grant Fund is used to account for Federal, State, and local grants restricted for specified school purposes by the grantor. During fiscal year 2016, Federal grant funding decreased by 195,155 related to decreases in IDEA and Titles I Federal funding. At the end of the current fiscal year, the Grant Fund balance consisted of \$66,398 restricted for the purposes specified in the grant awards.

The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities. At the end of the current fiscal year, the Capital Projects Fund balance consisted of \$12.8 million committed for future school capital projects. The fund balance decreased by \$522,180 related to a decrease in transfers from the General Fund during the year as a result of the Year-End Balance policy and prior year allocation.

The Nonmajor Governmental Fund is used to account for the preparation and serving of student breakfasts and lunches. At the end of the fiscal year, the school nutrition fund balance reflected \$203,302 in nonspendable fund balance for inventory and \$1.9 million in committed fund balance for school nutrition operations. The overall fund balance of the fund increased by \$702,506 from the prior year primarily due to an increase in free and reduced price lunches served, an expansion of the breakfast program, and reductions in operating expenditures associated with tighter control over food and labor costs, including a reduction in benefits for part-time employees.

Proprietary Funds – The School System's Internal Service Fund, a proprietary fund type, is presented on the same basis as the government-wide financial statements but is presented in more detail in the fund financial statements. Unrestricted net position of the health insurance, dental insurance, risk management, and laptop insurance reserve funds at the end of the year amounted to \$11.8 million. The increase (decrease) in net position for all four funds was \$(336,643), \$22,704, \$23,131, and \$255,444, respectively. The decrease in the health insurance fund relates to lower health insurance claims expenses than expected during this fiscal year. The increase in the laptop insurance reserve fund relates to cost savings during this fiscal year.



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GENERAL FUND BUDGETARY HIGHLIGHTS

The School System budget is prepared in accordance with the *Code of Virginia*. Table 4 presents a condensed version of the budgetary comparison of the original budget, final budget, and actual amounts for fiscal year 2016.

**Budgetary Highlights - General Fund
For the Year Ended June 30, 2016**

Table 4

	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental-Roanoke County	\$ 66,804,707	\$ 67,703,707	\$ 67,703,707
Intergovernmental-State and Federal	69,934,315	69,977,182	71,609,351
Other	607,649	683,865	811,130
Total	137,346,671	138,364,754	140,124,188
Expenditures	(137,515,471)	(142,485,259)	(136,229,302)
Other financing sources	-	-	8,616
Transfers in (out), net	52,323	(3,218,622)	(3,218,622)
Net change in fund balance	\$ (116,477)	\$ (7,339,127)	\$ 684,880

During the year, the School System amended the original budget primarily for the following purposes:

- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2015 but not paid by that date.
- To reappropriate grants, donations and other revenues authorized in fiscal year 2015 or earlier, but not expended or encumbered as of June 30, 2015.
- To appropriate grants, donations, and other revenues accepted or adjusted in fiscal year 2016 when official notice of approval was received.
- To appropriate the designated General Fund balance to capital projects.

The increase in the amended budget revenues of \$1.0 million is related to the transfer of additional funds from the County for comprehensive services.

Actual revenues exceeded the final budget by \$1.8 million. The positive variances were primarily due to higher amounts received from SOQ-based revenues due to a higher Average Daily Membership than budgeted, higher receipts from sales tax revenue than budgeted, and slightly larger Medicaid reimbursement amounts that are budgeted conservatively to cover the Medicare position only.

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Actual expenditures were less than the final budget by \$6.3 million. The positive variances were primarily related to (1) unused \$2.0 million emergency reserve funds, (2) personnel savings, and (3) the unused school bus allocation accumulated for bus replacements in future years.

The School Board and County Board of Supervisors have a jointly adopted financial policy designating year-end balances for major and minor capital projects.

CAPITAL ASSETS AND LEASES

At the end of the fiscal year, the School System had land, buildings and improvements, furniture and equipment, and construction in progress in governmental activities with a total historical cost of \$122.9 million. Total accumulated depreciation on these assets was \$75.1 million. Table 5 shows capital asset balances (net of accumulated depreciation) for fiscal years 2016 and 2015. More detailed information about capital assets can be found in Note 5 to the basic financial statements.

Capital Assets
(net of accumulated depreciation)
As of June 30, 2016 and 2015 **Table 5**

	Governmental Activities		Percentage
	2016	2015	Change
Land	\$ 5,683,472	\$ 5,683,472	0.0%
Construction in progress	1,404,840	372,799	276.8%
Buildings and improvements	28,323,442	22,282,406	27.1%
Furniture and equipment	12,336,890	12,332,510	0.0%
Totals	\$ 47,748,644	\$ 40,671,187	17.4%

Major capital asset events during the current fiscal year included the following:

- \$1.2 million spent for the commencement or continuation of construction in progress
 - financial management system
 - locker room renovation at William Byrd High School
 - soccer field at Glenvar Middle School
 - playground at Green Valley Elementary School
 - soccer field house at Cave Spring High School
 - demolition of vacant property
- \$11.7 million recognized for capitalizing the following projects
 - \$8.3 million transfer of ten school additions/improvements/renovations to the schools from the County related to current year debt payoff for tenancy-in-common assets
 - \$1.6 million for 19 new school buses

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- \$1.2 million spent on technology for keycard access system upgrades, 911 phone system, 21 servers and switches, distance learning lab upgrade, and communications equipment,
- \$207,256 spent on athletic and playground equipment and improvements
- \$91,462 for operating and maintenance equipment
- \$42,964 for classroom equipment
- \$56,489 for a maintenance vehicle and two lawnmowers
- \$56,235 for Oak Grove sign, storefront renovations at Burton Center for Arts and Technology, and Woods End demolition.

As of June 30, 2016, the School System is responsible for a \$484,939 energy management project capital lease entered into during fiscal year 2007. More detailed information about the capital leases can be found in Note 8 to the basic financial statements.

CAPITAL ASSETS FINANCED THROUGH DEBT

According to the *Code of Virginia*, when a local government incurs a financial obligation payable over more than one fiscal year to fund an acquisition, construction or improvement of public school property, the local government acquires title to the school property as a tenant in common with the local school board for the term of the financial obligation. For financial reporting purposes, the local government may report the school property and related financial obligation. At the time the financial obligation is paid in full, the net value of the school property is transferred to the school board as program revenue and expense on the government-wide financial statements for the School System and County, respectively. As of June 30, 2016, the County's government-wide financial statements included school capital assets and related debt outstanding of \$205.9 million and \$95.1 million, respectively related to tenancy in common assets.

FACTORS INFLUENCING FUTURE BUDGETS

Key factors that are expected to impact future budgets include:

- Uncertainty of Federal spending in the Commonwealth of Virginia, particularly in the Northern Virginia and Hampton Roads areas with a heavy military and Federal contractor presence
- Increasing Federal requirements for student and school achievement related to Federal legislation
- Pending trigger dates for Federal sequestration that could force across the board cuts in Federal grant revenues
- Replacement of technology and the allocation of a sustainable funding stream
- Declining student enrollments in recent years
- Projected increases in retirement contribution rates assessed by the Virginia Retirement System (the VRS)

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Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

In the last two years, the Commonwealth of Virginia (the Commonwealth) initiated certain responsive actions to the economic downturn that are expected to impact the school budget in future years. Through changes in certain actuarial assumptions for the VRS sponsored retirement plans, which were affected by legislation passed by the General Assembly, the Commonwealth was able to defer rate increases requested by the VRS Trustees, and an increase in the local employer share of these pension contributions was similarly deferred. The legislation required that this deferral of costs begin to be replenished in fiscal year 2012 and continue until fully replenished in fiscal year 2021. Ultimately, it is expected that there will be significant increases in the local employer costs to be funded in order to meet the future payment obligations under the VRS plan. The 2016 expenditures reflect the increased pension costs necessary for this replenishment.

ECONOMIC FACTORS

During fiscal year 2016, the Commonwealth's economy continued to reflect slow growth. Sales tax collections, representing 10.8% of the School System's budget, improved slightly over the preceding year reflecting negligible improvement in personal consumption. Revenues from the Commonwealth, including sales taxes, represent 51.5% of the General Fund budget for fiscal year 2016, which is slightly higher than 2015 but still lower than pre-2009 funding levels.

The County provided approximately 48.9% of the School System's operating budget needs in fiscal year 2016. Virginia education funding reductions continue to place a burden on the local government to fund the existing educational programs and services and have a direct impact on the School System's ability to sustain the quality of education expected by our citizens. The County is experiencing slow revenue growth in the local tax base, further challenging the ability to maintain existing school and county services.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the School System's finances and to demonstrate the School System's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to:

Assistant Superintendent of Finance and Operations
Roanoke County Public Schools
5937 Cove Road, Roanoke
Virginia 24019
(540) 562-3900

http://www.rcs.k12.va.us/pages/Roanoke_CPS/Departments/Finance.





BASIC FINANCIAL STATEMENTS

Roanoke County Public Schools
Statement of Net Position
June 30, 2016

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents (Note 2)	\$ 24,197,356
Investments (Note 2)	14,044,229
Accounts receivable	811,519
Due from other governments (Note 3)	3,906,371
Inventory	365,615
Prepaid and other assets	202,561
Other postemployment benefit asset (Note 11)	298,563
<i>Capital assets (Note 5):</i>	
Land and construction in progress	7,088,312
Other capital assets, net	40,660,332
Capital assets, net	47,748,644
Total assets	91,574,858
Deferred outflows of resources	
Deferred outflows of resources related to pension (Note 10)	10,405,765
Total deferred outflows of resources	10,405,765
Liabilities	
Accounts payable	2,639,278
Accrued liabilities	2,113,063
Unearned revenues	115,723
<i>Long-term liabilities due or payable within one year:</i>	
Claims payable (Note 9)	1,815,834
Compensated absences (Note 7)	718,298
Capital lease obligations (Note 8)	484,939
<i>Long-term liabilities due or payable after one year:</i>	
Claims payable (Note 9)	523,188
Compensated absences (Note 7)	2,039,099
Net pension liability (Note 10)	119,699,449
Total liabilities	130,148,871
Deferred inflows of resources	
Deferred inflows of resources related to pension (Note 10)	15,475,036
Total deferred inflows of resources	15,475,036
Net Position	
Net investment in capital assets	47,263,705
<i>Restricted for:</i>	
Instructional grants	66,398
Emergency contingency	2,000,000
Unrestricted deficit	(92,973,387)
Total net position	\$ (43,643,284)

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Activities
For the Year Ended June 30, 2016

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Instruction	\$ 107,696,660	\$ 689,976	\$ 23,647,535	\$ 7,246,329	\$ (76,112,820)
<i>Support services:</i>					
Administration	2,909,808	-	-	181,220	(2,728,588)
Attendance and health	2,332,133	-	-	140,807	(2,191,326)
Transportation	5,924,837	-	-	447,015	(5,477,822)
Operations and maintenance	11,227,448	97,858	-	723,777	(10,405,813)
Technology	6,367,798	-	-	375,101	(5,992,697)
School nutrition	4,804,867	2,955,049	2,541,562	2,300	694,044
Capital lease interest	23,731	-	-	-	(23,731)
Debt service	7,325,340	-	-	-	(7,325,340)
Total governmental activities	<u>\$ 148,612,622</u>	<u>\$ 3,742,883</u>	<u>\$ 26,189,097</u>	<u>\$ 9,116,549</u>	<u>(109,564,093)</u>
<i>General revenues:</i>					
Roanoke County					68,924,133
Non-categorical State aid					53,533,578
Gain on sale of assets					8,616
Miscellaneous					<u>337,505</u>
Total general revenues					<u>122,803,832</u>
Change in net position					13,239,739
Total net position, beginning					<u>(56,883,023)</u>
Total net position, ending					<u>\$ (43,643,284)</u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Balance Sheet
Governmental Funds
June 30, 2016

Exhibit C

	General	Grant	Capital Projects	Nonmajor Governmental	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,894,368	\$ 633	\$ 5,821,153	\$ 871,001	\$ 10,587,155
Investments	5,166,015	840	7,721,961	1,155,413	14,044,229
Accounts receivable	497,665	-	-	7,550	505,215
Due from other governments	2,717,350	1,166,989	-	22,032	3,906,371
Due from other fund	1,026,041	-	-	-	1,026,041
Inventory	162,313	-	-	203,302	365,615
Total assets	<u>\$ 13,463,752</u>	<u>\$ 1,168,462</u>	<u>\$ 13,543,114</u>	<u>\$ 2,259,298</u>	<u>\$ 30,434,626</u>
Liabilities					
Accounts payable	\$ 1,883,084	\$ 29,395	\$ 699,737	\$ 5,854	\$ 2,618,070
Accrued liabilities	2,062,004	24,949	452	10,757	2,098,162
Unearned revenues	40	21,679	-	94,004	115,723
Due to other fund	-	1,026,041	-	-	1,026,041
Total liabilities	<u>3,945,128</u>	<u>1,102,064</u>	<u>700,189</u>	<u>110,615</u>	<u>5,857,996</u>
Deferred inflows of resources					
Unavailable sales tax	<u>1,494,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,494,617</u>
Total deferred inflows of resources	<u>1,494,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,494,617</u>
Fund balances					
<i>Nonspendable:</i>					
Inventory	162,313	-	-	203,302	365,615
<i>Restricted for:</i>					
Emergency contingency	2,000,000	-	-	-	2,000,000
School grants	-	66,398	-	-	66,398
<i>Committed to:</i>					
School capital projects	4,258,261	-	12,842,925	-	17,101,186
School vehicles	1,519,645	-	-	-	1,519,645
School textbooks	56,886	-	-	-	56,886
School nutrition	-	-	-	1,945,381	1,945,381
<i>Assigned to:</i>					
Instruction	2,317	-	-	-	2,317
Administration	24,585	-	-	-	24,585
<i>Unassigned</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,024,007</u>	<u>66,398</u>	<u>12,842,925</u>	<u>2,148,683</u>	<u>23,082,013</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,463,752</u>	<u>\$ 1,168,462</u>	<u>\$ 13,543,114</u>	<u>\$ 2,259,298</u>	<u>\$ 30,434,626</u>

See accompanying notes to basic financial statements.

**Roanoke County Public Schools
Reconciliation of the Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2016**

Exhibit D

Total fund balances - total governmental funds (Exhibit C)	\$ 23,082,013
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Internal service funds are used to charge the cost of health, dental, and workers' compensation insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position	11,758,335
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Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds (Note 5).	47,748,644
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Revenues earned but not considered available are not current financial resources and, therefore, are not reported in the governmental funds.	1,494,617
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Long-term assets or liabilities are not due and payable in the current period and, therefore, are not reported as assets or liabilities in the governmental funds:

Other postemployment benefit asset (Note 11)	298,563
Accrued interest on capital lease obligations (Note 8)	(14,400)
Compensated absences (Note 7)	(2,757,397)
Capital lease obligations (Note 8)	(484,939)
Net pension liability (from pension schedule) (Note 10)	(119,699,449)

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds (Note 10):

Deferred outflows of resources pension expense (from pension schedule)	10,405,765
Deferred inflows of resources related to pensions (from pension schedule)	(15,475,036)

Net position of governmental activities (Exhibit A)	\$ (43,643,284)
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Roanoke County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

Exhibit E

	General	Grant	Capital Projects	Nonmajor Governmental	Total Governmental Funds
Revenues					
<i>Intergovernmental:</i>					
Roanoke County	\$ 67,703,707	\$ -	\$ 1,220,426	\$ -	\$ 68,924,133
Commonwealth of Virginia	71,274,588	901,973	787,200	100,444	73,064,205
Federal government	334,763	4,723,440	-	2,441,118	7,499,321
Charges for services	635,676	-	20,708	2,955,049	3,611,433
Investment income	87,612	-	-	10,656	98,268
Miscellaneous	87,842	1,000	50,387	15,874	155,103
Total revenues	<u>140,124,188</u>	<u>5,626,413</u>	<u>2,078,721</u>	<u>5,523,141</u>	<u>153,352,463</u>
Expenditures					
<i>Current:</i>					
Instruction	99,646,993	5,466,094	243,114	-	105,356,201
Administration	2,795,734	-	805,757	-	3,601,491
Attendance and health	2,172,278	194,429	-	-	2,366,707
Transportation	6,896,242	-	-	-	6,896,242
Operations and maintenance	11,116,417	-	441,630	-	11,558,047
Technology	5,786,781	-	1,201,651	-	6,988,432
School nutrition	-	-	-	4,820,635	4,820,635
<i>Capital lease debt service:</i>					
Principal	452,286	-	-	-	452,286
Interest	37,231	-	-	-	37,231
<i>Capital outlay:</i>					
Facilities	-	-	2,914,678	-	2,914,678
Debt Service	7,325,340	-	-	-	7,325,340
Total expenditures	<u>136,229,302</u>	<u>5,660,523</u>	<u>5,606,830</u>	<u>4,820,635</u>	<u>152,317,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,894,886</u>	<u>(34,110)</u>	<u>(3,528,109)</u>	<u>702,506</u>	<u>1,035,173</u>
Other financing sources (uses)					
Proceeds from sale of property	8,616	-	-	-	8,616
Transfers in	193,800	25,000	3,176,327	-	3,395,127
Transfers out	<u>(3,412,422)</u>	<u>-</u>	<u>(170,398)</u>	<u>-</u>	<u>(3,582,820)</u>
Total other financing sources (uses), net	<u>(3,210,006)</u>	<u>25,000</u>	<u>3,005,929</u>	<u>-</u>	<u>(179,077)</u>
Net change in fund balances	684,880	(9,110)	(522,180)	702,506	856,096
Total fund balances, beginning	<u>7,339,127</u>	<u>75,508</u>	<u>13,365,105</u>	<u>1,446,177</u>	<u>22,225,917</u>
Total fund balances, ending	<u>\$ 8,024,007</u>	<u>\$ 66,398</u>	<u>\$ 12,842,925</u>	<u>\$ 2,148,683</u>	<u>\$ 23,082,013</u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Net Position
Proprietary Funds
June 30, 2016

Exhibit G

	<u>Internal Service Funds</u>
Assets	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 13,610,201
Accounts receivable	306,304
Prepaid and other assets	202,561
Total assets	<u>14,119,066</u>
Liabilities	
<i>Current liabilities:</i>	
Accounts payable	21,208
Accrued liabilities	501
<i>Long-term liabilities due or payable within one year:</i>	
Claims payable	1,815,834
<i>Long-term liabilities due or payable after one year:</i>	
Claims payable	523,188
Total liabilities	<u>2,360,731</u>
Net Position	
Unrestricted	11,758,335
Total net position	<u><u>\$ 11,758,335</u></u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit H

	<u>Internal Service Funds</u>
Operating revenues	
Charges for services	\$ 18,215,447
Other operating revenues	95,386
Total operating revenues	<u>18,310,833</u>
Operating expenses	
Claims	16,654,356
Reinsurance costs	925,716
Wellness and HRA benefits	868,846
Administrative charges and taxes	171,362
Total operating expenses	<u>18,620,280</u>
Operating loss	<u>(309,447)</u>
Nonoperating revenues (expenses)	
Interest and dividend income	87,107
Interest expense	(717)
Net nonoperating revenues	<u>86,390</u>
Loss before transfers	<u>(223,057)</u>
Transfers	
Transfers In	381,493
Transfers out	(193,800)
Net transfers	<u>187,693</u>
Change in net position	(35,364)
Total net position, beginning	11,793,699
Total net position, ending	<u><u>\$ 11,758,335</u></u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit I

	<u>Internal Service Funds</u>
Operating activities	
Cash received from interfund services provided	\$ 17,936,671
Payments to suppliers	(1,340,752)
Payments from suppliers	4,723
Claims paid	(16,623,960)
Other receipts	95,386
Other payments	(795,828)
Net cash used in operating activities	<u>(723,760)</u>
Noncapital financing activities	
Transfers from other funds	425,411
Transfers to other funds	(237,718)
Net cash provided by noncapital financing activities	<u>187,693</u>
Investing activities	
Interest and dividend income	87,107
Interest expense	(717)
Net cash provided by investing activities	<u>86,390</u>
 Net decrease in cash and cash equivalents	 (449,677)
 Cash and cash equivalents, beginning	 <u>14,059,878</u>
Cash and cash equivalents, ending	<u><u>\$ 13,610,201</u></u>
 <u>Reconciliation of operating loss to net cash used in operating activities</u>	
Operating loss	\$ (309,447)
<i>Adjustments to reconcile operating loss to net cash used in operating activities:</i>	
<i>Decrease (increase) in assets:</i>	
Accounts receivable	(278,776)
Prepaid and other assets	73,018
<i>Increase (decrease) in liabilities:</i>	
Accounts payable	(239,323)
Accrued liabilities	372
Claims payable	30,396
Net cash used in operating activities	<u><u>\$ (723,760)</u></u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

Exhibit J

	OPEB Trust	Agency
Assets		
Cash and cash equivalents	\$ -	\$ 2,189,022
<i>Investments held by trustee, at fair value</i>		
Other pooled funds	515,101	-
Total assets	<u>\$ 515,101</u>	<u>\$ 2,189,022</u>
Liabilities		
Due to student groups	\$ -	\$ 2,189,022
Total liabilities	<u>-</u>	<u>\$ 2,189,022</u>
Net Position		
Net position held in trust for other postemployment benefits	<u>\$ 515,101</u>	

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

Exhibit K

	OPEB Trust
Additions	
<i>Investment income:</i>	
Decrease in fair value of investments	\$ (2,464)
Interest and dividends	234
Less investment expenses	<u>(1,110)</u>
Total additions	<u>(3,340)</u>
Deductions	<u>-</u>
Net decrease in net position	(3,340)
Net position held in trust for other postemployment benefits, beginning	<u>518,441</u>
Net position held in trust for other postemployment benefits, ending	<u><u>\$ 515,101</u></u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Notes to Basic Financial Statements
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Roanoke County Public Schools (School System) was established in 1870 to provide educational opportunities to the residents of the County of Roanoke, Virginia (County). The accounting policies of the School System conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies.

FINANCIAL REPORTING ENTITY

Roanoke County Public Schools is a political subdivision of the Commonwealth of Virginia that operates sixteen elementary schools, five middle schools, five high schools, and one specialty center. The members of the School Board are elected by the citizens of their magisterial district to serve four-year terms. The School Board is responsible for setting the educational policies of the School System and employs a superintendent to implement the School Board's policies. The mission of the School System is to empower all students through technology and 21st Century Skills: Critical Thinking; Collaboration; Creativity; Communication.

The School System is a component unit of the County because it is fiscally dependent on the County as operations are funded significantly by transfers from the County's General Fund. Specifically, the County Board of Supervisors approves the School System's budget, levies the necessary taxes to finance operations, and issues debt on behalf of the School System. During the current year, the County provided \$67,703,707 of operating support and \$1,220,426 of capital support to the School System and made debt service payments of \$15,132,284 on behalf of the School System.

FINANCIAL REPORTING MODEL

GAAP establishes accounting and financial reporting standards for general purpose external financial reporting by state and local governments. The School System's basic financial statements include the Management's Discussion and Analysis (MD&A), the Basic Financial Statements, and related footnotes.

Management's Discussion and Analysis – GAAP requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of Management's Discussion and Analysis. This analysis is similar to what the private sector provides in its annual reports.

Government-wide Financial Statements – These statements report on all activities of the School System, except for the fiduciary funds.

The *Statement of Net Position* is designed to display the financial position of the School System on the accrual basis of accounting. This approach incorporates capital assets and long-term liabilities. The School System's net position is presented in three categories: net investment in capital assets, restricted, and unrestricted.

Roanoke County Public Schools
Notes to Basic Financial Statements
June 30, 2016

The *Statement of Activities* is designed to demonstrate the degree to which the direct expenses of a given function are offset by program revenues. *Direct Expenses* are those that are clearly identifiable with a specific function. *Program Revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues which are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which the School System's functions are self-financing or draw from the general revenues of the School System.

Fund Financial Statements – These statements provide information about the School System's funds, including its fiduciary funds, each of which is considered a separate accounting entity. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The remaining governmental fund is reported as a nonmajor governmental fund.

The following is a brief description of the specific funds used by the School System:

Governmental Funds account for expendable financial resources. The individual major governmental funds are:

- The *General Fund* is the primary operating fund used to account for all financial resources except those required to be accounted for in another fund.
- The *Grant Fund* is a special revenue fund used to account for proceeds of specific grants that are restricted to expenditures for specific purposes.
- The *Capital Projects Fund* is used to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by the General Fund.
- The *Nonmajor Governmental Fund* is a special revenue fund used to account for activities of the nutrition program.

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The individual proprietary funds are:

- *The Internal Service Funds* account for employee health, dental, risk management, and laptop insurance reserves coverage provided to other departments on a cost-reimbursement basis.

Fiduciary Funds account for assets held either by a trustee or by the School System in an agency capacity. The individual fiduciary funds are:

- *The OPEB Trust Fund* was created in fiscal year 2012 to account for assets held for and costs of other postemployment benefits.
- *The Agency Fund* accounts for monies held in a custodial capacity on behalf of the student activity funds in each school.

Roanoke County Public Schools
Notes to Basic Financial Statements
June 30, 2016

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. *Measurement focus* indicates the type of resources being measured, such as economic resources or current financial resources. The *basis of accounting* determines when transactions or events are reported in the financial statements.

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned, regardless of the timing of the related cash flows. Grants, entitlements, and donations are recognized as soon as all eligibility requirements imposed by the provider have been met. Expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are when services are provided and used. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the current period. Grant and other reimbursement-based revenues are recognized in the fiscal year in which all eligibility requirements have been satisfied. All other revenue items are considered measurable and available if collected within 30 days after year-end. Expenditures are recorded when liability is incurred, except for compensated absences and capital lease obligations, which are recognized as expenditures only when payment is due.

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements versus the governmental fund financial statements, a reconciliation between the government-wide and fund financial statements is necessary. The reconciliations are presented immediately following the fund financial statements. As part of the reconciliation process, non-departmental indirect expenditures are allocated to functional expenses based on a percent of functional expenses. Some functions classified under support services include expenses that are, in essence, indirect expenses of instructional functions. However, the School System does not allocate those indirect expenses to the instructional program.



Roanoke County Public Schools
Notes to Basic Financial Statements
June 30, 2016

Proprietary Fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. These statements distinguish operating from nonoperating revenues and expenses wherein operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Specifically, operating revenues include charges to departments, employees, and students for insurance premiums and operating expenses include insurance claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating.

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

Fiduciary Fund financial statements are reported using the *change in net position measurement focus* and the *accrual basis of accounting*. However, the agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

ACCOUNTING POLICIES

Budgetary Process – Demonstrating compliance with the legally adopted budget is an important component of a government's accountability to the public. The School System and many other governments revise their original budgets over the course of the year for a variety of reasons. The School System adopts annual budgets for the General Fund, Grant Fund, Capital Projects Fund, and School Nutrition Fund. Additional budgets for the Capital Projects Fund are approved by the School Board during the fiscal year as funding is identified and designated for capital projects.

Cash and Cash Equivalents – The School System's cash and cash equivalents are comprised of cash on hand, demand deposits and short-term investments with original maturities of three months or less. Agency fund cash and cash equivalents are maintained by school principals.

Deposits and Investments – All non-fiduciary monies of the School System are deposited with the County Treasurer in a pool of bank accounts and are used to purchase investments which are specifically allocated to the appropriate funds. Short-term investments are stated at cost (which approximates fair value) or at quoted market prices for all debt securities.

Each fund with monies deposited in the pooled accounts has an equity interest therein. Interest earned is allocated based on average monthly balance. Monies that are legally required to be maintained individually, such as trust balances and contractor escrows, are deposited and maintained in individual segregated bank accounts. The OPEB trust fund's other pooled funds represent cash and investments held by the Virginia Pooled OPEB Trust Fund (OPEB Trust Fund) sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACO).

Accounts Receivable – Accounts receivable consist of E-Rate and self-insurance prescription reimbursements, facility rentals passed through individual schools, refunds, interest, and other various immaterial receipts for fiscal year 2016. All accounts are deemed collectible.

Roanoke County Public Schools
Notes to Basic Financial Statements
June 30, 2016

Due from Other Governments – Revenue from specific-purpose Federal, State, and other grants, which are provided to fund specific program expenditures, is recognized at the time that the specific expenditures are incurred and have met all eligibility requirements for reimbursement. Revenue from general-purpose grants is recognized in the period to which the grant applies.

Interfund Balances and Transfers – In the governmental funds' financial statements, receivables and payables resulting from interfund loans are referred to as due to or due from other funds. These amounts are eliminated in the government-wide Statement of Net Position.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds.

Inventory – General fund inventories consist of fuel and vehicle parts. Fuel inventory is valued at cost using the first-in first-out method, while vehicle parts are valued at cost using the average cost method. Nonmajor governmental fund inventories consist of USDA Commodities, purchased food, and other supplies used to serve meals. These inventories are valued at cost using the first-in first-out method. The cost of all inventories is recorded as expenditures when consumed, rather than purchased. Reported inventories in the governmental funds are equally offset by nonspendable fund balance.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School System as assets with an initial, individual cost of more than \$5,000 and an estimated useful life exceeding three years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are reported at acquisition value at the time received. The School System includes the cost of certain intangible assets with a definite life in the appropriate asset class.

Land and construction in progress are not depreciated. The other property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Building improvements	10 years
Furniture and equipment	3 – 20 years

Major additions, including those that significantly prolong a capital asset's economic life or expand usefulness, are capitalized. Normal repairs that merely maintain the asset in its present condition are recorded as expenditures and are not capitalized.

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According to the *Code of Virginia*, when a local government incurs a financial obligation payable over more than one fiscal year to fund an acquisition, construction, or improvement of public school property, the local government acquires title to the school property as a tenant in common with the local school board for the term of the financial obligation. For financial reporting purposes, the local government may report the school property and related financial obligation. At the time the financial obligation is paid in full, the net value of the school property is transferred to the school board as program revenue and expense on the government-wide financial statements for the School System and County, respectively.

Deferred Outflows of Resources – This represents a consumption of net position that applies to a future period when the expense will be recognized. In the government-wide statement, this relates to the pension plan and includes the net difference between projected and actual experience and the employer contributions subsequent to the measurement date.



Compensated Absences – The School System has a policy to allow the accumulation and vesting of limited amounts of vacation and sick leave. Amounts of such leave are accrued when earned in the government-wide financial statements. A liability for these amounts, including the related social security and Medicare tax withholdings, is reported in the governmental funds when the amounts are due for payment as a result of employee resignations and retirements.

Pollution and Remediation – Upon the demolition or renovation of aged school buildings, ceiling and floor tiles containing asbestos are removed and abated in accordance with Federal regulations promulgated by the Environmental Protection Agency. A pollution and remediation obligation is recognized as a payable upon commencement of such projects and the costs are recognized when incurred.

Pension Plan – The School System participates in the Virginia Retirement System (VRS) Teacher Retirement Plan (Teacher Retirement Plan), which is a multiple employer cost-sharing plan. In addition, the School System participates in the Virginia Retirement System Political Subdivision Retirement Plan (Non-Professional Plan), which is a multi-employer, agent plan. Defined benefit pension plan contributions are actuarially determined and consist of current service costs and amortization of the unfunded accrued liability.

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 Teacher Retirement Plan (and Non-Professional Plan) and the additions to/deductions from the Teacher Retirement Plan's (and Non-Professional Plan's) net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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Other Postemployment Benefit Plan – The School System participates in another postemployment benefit plan through a single-employer defined benefit plan. The benefits are set by the School Board and subject to change through board action.

Deferred Inflows of Resources – When an asset is recorded in governmental fund financial statements but the revenue is not available, it is reported as a deferred inflow of resources until it becomes available. In the government-wide statement, this includes the net difference between projected and actual earnings on pension plan investments and changes in proportion and difference between employer contributions and proportionate share of contributions. In the governmental fund statement, sales tax revenues collected in August are included in total due from other government and since the availability criterion of 30 days has not been met, it is recorded as a deferred inflows of resources rather than as a revenue.

Debt Service – The School System makes payments to the County for interest costs and direct expenditures for tenancy in common assets. This is pursuant to the School System's Year-End Balance Policy that authorizes the allocation of all year-end balances to school capital.

Encumbrances – The School System uses encumbrance accounting, wherein purchase orders, contracts, and other commitments are recorded in order to reserve the applicable appropriation. Encumbrances outstanding at year-end represent the estimated amount of expenditures if unperformed contracts and open purchase orders in process are completed. Funding for all encumbrances lapses at year-end and re-appropriation is required by the County Board of Supervisors with the exception of capital project fund encumbrances.

Net Position – Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related capital leases. Net position is reported as restricted when there are external restrictions imposed by grantors or laws or regulations of other governments. The School System applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balances – In the governmental funds' financial statements, fund balances have been classified to reflect the limitations and restrictions placed on the respective funds in accordance with the provisions of GAAP as follows:

- *Nonspendable Fund Balance* – This amount cannot be spent because it is either not in spendable form or it is legally or contractually required to be maintained intact. The School System has inventory balances at year-end that are nonspendable.
- *Restricted Fund Balance* – This amount is subject to externally imposed regulations on the spending for a specific purpose including an emergency contingency authorized by the County Board of Supervisors and grant balances restricted by the grant agencies for specified purposes.
- *Committed Fund Balance* – This amount can only be used for specific purposes as imposed or rescinded by formal appropriation of the School Board, which is the highest level of decision making authority. The School Board has adopted board policies on the use of

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year-end balances for capital in the General Fund and the unspent balances at year-end in the Capital Projects Fund.

- *Assigned Fund Balance* – This amount is constrained by the government’s intent to be used for specific purposes but is neither restricted nor committed. The School System has assigned fund balance to liquidate outstanding encumbrances at year-end. As part of the annual budget appropriation, the School Board authorizes the assignment of year-end balance to outstanding encumbrances. The School Board has not authorized any officer to make assignments of fund balance.
- *Unassigned Fund Balance* – This amount has no spending restrictions under any of the preceding four classifications. The School System has no unassigned fund balance at year-end.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School System policy considers restricted amounts to have been spent first. In addition, when an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the School System policy considers fund balances to be exhausted in the order listed.

Use of Estimates – Management of the School System has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses/expenditures, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from these estimates.

New Accounting Pronouncements – The following accounting pronouncements became effective and have been implemented by the School System in fiscal year 2016. Unless otherwise noted, the adoption of these statements had no material effect on the School System’s financial statements.

- The GASB issued *Statement 72, Fair Value Measurement and Application* in February 2015. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- The GASB issued *Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in June 2015.



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- The GASB issued *Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all County funds and by the School System. The carrying value of the School System’s share of deposits and investments as of June 30, 2016 is as follows:

	Governmental Activities	Governmental Funds	Internal Service Funds	Fiduciary Funds	Total Funds
Cash and cash equivalents	\$ 24,197,356	\$ 10,587,155	\$ 13,610,201	\$ 2,189,022	\$ 26,386,378
Investments	14,044,229	14,044,229	-	-	14,044,229
Other pooled funds	-	-	-	515,101	515,101
	<u>\$ 38,241,585</u>	<u>\$ 24,631,384</u>	<u>\$ 13,610,201</u>	<u>\$ 2,704,123</u>	<u>\$ 40,945,708</u>

The investment in other pooled funds categorizes its investments within the fair value hierarchy established by general accepted accounting principles. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the NAV per share (or its equivalent) of the investment. Investments in the pooled funds are valued using the NAV per share which is determined by dividing the total value of the pooled funds by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the pooled funds. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice. The fair value and maturity of the School System’s share of deposits and investments as of June 30, 2016 is as follows:

	Credit Rating	Original Investment Maturity		Fair Value/NAV
		< 1 year	1-2 years	
Demand and time deposits	N/A	\$ 13,642,487	\$ -	\$ 13,642,487
Money market mutual funds	AAAm	8,927,188	-	8,927,188
Virginia LGIP	AAAm	3,816,703	-	3,816,703
Federal agency bonds and notes	AAA	684,619	13,359,610	14,044,229
Investment in other pooled funds	AAA-CAA	515,101	-	515,101
		<u>\$27,586,098</u>	<u>\$13,359,610</u>	<u>\$ 40,945,708</u>

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Fair Value – The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County has the following recurring fair value measurements as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Debt Securities				
U.S. governmental bonds and notes	\$ 14,044,229	\$ -	\$ -	\$ 14,044,229
	<u>\$ 14,044,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,044,229</u>

Debt securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical assets.

Deposits and Credit Risk – Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (Act) §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.

The Virginia Local Government Investment Pool (LGIP) is administered by the Treasury Board pursuant to §2.2-4600 through §2.2-4606 of the *Code of Virginia*. The Treasury Board has delegated the management of the LGIP to the State Treasurer. The fair value of the County's position in the LGIP is the same as the value of the pool shares measured at amortized cost.

Investments and Credit Risk – In accordance with the *Code of Virginia* and other applicable laws, including regulations, the County's investment policy (Policy) limits credit risk by restricting authorized investments to the following: bonds, notes and other direct obligations of the United States; bonds, notes, and other direct obligations of the Commonwealth of Virginia or political subdivisions thereof; bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development and the Asian Development Bank; prime quality commercial paper; certificates of deposits; bankers' acceptances; repurchase agreements; and money market funds. The Policy requires that commercial paper have a minimum Standard & Poor's (S&P) rating (or Moody's equivalent) of A-1.

The OPEB Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plan assets are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with the terms of the plan.

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Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government’s investment in a single issue. The Policy establishes limitations on portfolio composition, both by investment type and by issuer, in order to control concentration of credit risk. The maximum percentage of the portfolio permitted in each eligible security with the limit to any one issuer is as follows:

U.S. Treasury Obligations.....	70%
U.S. Treasury Agency Securities and Instrumentalities of Government Sponsored Corporations	80%
Bankers’ Acceptance with no more than 25% with any one institution and a maximum of 10% in any one issuance.....	40%
Repurchase Agreement Overnight with no more than 20% with any one institution	70%
Repurchase Agreement Two or more nights with no more than 20% with any one institution	25%
Certificate of Deposit with Commercial Banks with no more than 45% with any one institution	100%
Certificate of Deposit with Savings and Loan Associations with no more than \$100,000 with any one institution	10%
Commercial Paper with no more than 35% with any one institution and a maximum of 10% or \$1 million dollars in any one issuance	35%
Local Government Investment Pool	75%

As of June 30, 2016, the portion of the County and School System’s portfolio, excluding the LGIP, Virginia State Non-Arbitrage Program (SNAP), interest-earning investment contract and investment in other pooled funds held by fiduciary agents, and U.S. Government guaranteed obligations, that exceeds 5% of the total portfolio is as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	9.12%
Federal Farm Credit Bank	13.68%
Federal Home Loan Mortgage Corporation	17.49%

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the depositor will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The Policy requires that all investment securities purchased by the County or held as collateral on deposits or investments shall be held by the County or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2016, all of the County’s investments are held by the County or in a bank’s trust department in the County’s name.

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Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Policy requires maturity scheduling be timed to anticipated need and scheduled to coincide with projected cash flow needs. All funds shall be considered short-term except those reserved for capital projects and prepayment funds being held for debt retirement. As of June 30, 2016, the County and School System had no investments with a maturity greater than 24 months.

3. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2016 are as follows:

	Total Governmental Activities	General	Grant	Capital Projects	Nonmajor Governmental	Total Governmental Funds
Federal	\$ 97,269	\$ 53,438	\$ 21,799	\$ -	\$ 22,032	\$ 97,269
State	3,809,102	2,663,912	1,145,190	-	-	3,809,102
	<u>\$ 3,906,371</u>	<u>\$2,717,350</u>	<u>\$1,166,989</u>	<u>\$ -</u>	<u>\$ 22,032</u>	<u>\$ 3,906,371</u>



A significant portion of amounts due to the General Fund is attributed to the State sales tax due to the School System from the Commonwealth of Virginia. The Virginia Retail Sales and Use Tax Act require one and one-eighth of every 5¢ collected in State sales tax to be distributed to school divisions on the basis of school-age population.

Amounts due to the Grant Fund are attributed primarily to the Individuals with Disabilities Education Act (IDEA) and the Titles I, II, and III Federal grants. IDEA is designed to ensure that all school age handicapped children are provided a free, appropriate public education. Titles I, II, and III programs enhance the instruction for disadvantaged children.

Amounts due to the Nonmajor Governmental fund are attributable primarily to Federal reimbursements for the school lunch program.

4. INTERFUND BALANCES AND TRANSFERS

Interfund balances as of June 30, 2016 are \$1,026,041 due from the Grant Fund to the General Fund for a temporary loan to cover a timing difference between grant reimbursement receipts and expenditures. The balance has subsequently been repaid.

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Interfund transfers for the year ended June 30, 2016 were as follows:

	Transfers to				
	General	Grant	Capital Projects	Internal Service	Total
General	\$ -	\$25,000	\$3,176,327	\$211,095	\$3,412,422
Capital Projects	-	-	-	170,398	170,398
Internal Service	193,800	-	-	-	193,800
	<u>\$193,800</u>	<u>\$25,000</u>	<u>\$3,176,327</u>	<u>\$381,493</u>	<u>\$3,776,620</u>

Transfers were used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the primary government as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

5. CAPITAL ASSETS

The School System's capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, nondepreciable:				
Land	\$ 5,683,472	\$ -	\$ -	\$ 5,683,472
Construction in progress	372,799	1,238,200	(206,159)	1,404,840
Capital assets, nondepreciable	<u>6,056,271</u>	<u>1,238,200</u>	<u>(206,159)</u>	<u>7,088,312</u>
Capital assets, depreciable:				
Buildings and improvements	69,448,384	8,610,308	-	78,058,692
Furniture and equipment	36,330,388	3,108,143	(1,697,314)	37,741,217
Capital assets, depreciable	<u>105,778,772</u>	<u>11,718,451</u>	<u>(1,697,314)</u>	<u>115,799,909</u>
Accumulated depreciation:				
Buildings and improvements	(47,165,978)	(2,569,272)	-	(49,735,250)
Furniture and equipment	(23,997,878)	(3,068,333)	1,661,884	(25,404,327)
Accumulated depreciation	<u>(71,163,856)</u>	<u>(5,637,605)</u>	<u>1,661,884</u>	<u>(75,139,577)</u>
Capital assets, depreciable, net	<u>34,614,916</u>	<u>6,080,846</u>	<u>(35,430)</u>	<u>40,660,332</u>
Capital assets, net	<u>\$ 40,671,187</u>	<u>\$7,319,046</u>	<u>\$ (241,589)</u>	<u>\$ 47,748,644</u>

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Depreciation expense charged to function/program activities for the year ended June 30, 2016 was as follows:

Instruction	\$ 4,605,757
Administration	191,171
Transportation	777,705
Operations and maintenance	42,819
School nutrition	20,153
	<u>\$ 5,637,605</u>

As of June 30, 2016, the County's government-wide financial statements included school capital assets and related debt outstanding of \$199.0 million and \$95.1 million, respectively, related to tenancy in common assets.

6. UNEARNED REVENUES

Unearned revenues as of June 30, 2016 is as follows:

	Total Governmental Activities	General	Grants	Nonmajor Governmental	Total Governmental Funds
Charges for services	\$ 94,004	\$ -	\$ -	\$ 94,004	\$ 94,004
Other	21,719	40	21,679	-	21,719
Unearned Revenues	<u>\$ 115,723</u>	<u>\$ 40</u>	<u>\$ 21,679</u>	<u>\$ 94,004</u>	<u>\$ 115,723</u>

Unearned charges for services include prepayments on student and adult food accounts. Unearned other revenue includes prepayments for events in the following school year and grant revenue collected in June before legal and contractual requirements have been met (available but unearned).

7. LONG-TERM LIABILITIES

The change in the School System's long-term liabilities for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Due Within One Year
Claims payable	\$ 2,308,626	\$15,217,017	\$(15,186,621)	\$ 2,339,022	\$1,815,834
Compensated absences	2,706,109	1,400,657	(1,349,369)	2,757,397	718,298
Capital lease obligation	937,225	-	(452,286)	484,939	484,939
Net pension liability	117,833,000	3,679,973	(1,813,524)	119,699,449	-
	<u>\$ 123,784,960</u>	<u>\$ 20,297,647</u>	<u>\$(18,801,800)</u>	<u>\$ 125,280,807</u>	<u>\$ 3,019,071</u>

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The Internal Service Fund is used to liquidate the long-term liabilities for claims payables, while the General Fund is used to liquidate the long-term liabilities for compensated absences and capital lease obligations.

8. LEASE OBLIGATIONS

Capital Lease – During fiscal year 2007, the School System entered into a lease agreement as lessee for financing the acquisition and installation of energy management equipment. Under the lease agreement, the School System pays annual rent representing principal and interest payments at 3.9725% over the lease term of 10 years. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Amortization of the leased equipment is included as part of depreciation expense over 10 years. The assets recorded in connection with the capital leases are as follows:

Furniture and equipment	<u>\$ 3,580,447</u>
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The future minimum lease payments under the capital leases as of June 30, 2016 are as follows:

For the Year Ended June 30, 2017	<u>\$ 504,203</u>
Total minimum lease payments	504,203
Less: Amount representing interest	<u>(19,264)</u>
Present value of minimum lease payments	<u>\$ 484,939</u>

As of June 30, 2016, accrued interest on capital lease obligations was \$14,400.

Operating Lease – During fiscal year 2014, the School System entered into a lease agreement as a lessee for grade-level laptops. Although the agreement is for a five-year term, it is subject to approval of available funds on an annual basis. Under the lease agreement, the School System pays annual rent, which is \$914,617.

9. RISK MANAGEMENT

The School System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; the health of and injuries to employees; and natural disasters. The School System maintains self-insured Internal Service Funds for health insurance benefits, workers' compensation claims, and laptop computer loss claims. The School System believes it is more cost effective to manage certain risks internally rather than purchase commercial insurance.

Health Insurance – The School System established a self-insured health insurance program on July 1, 1990. Monthly contributions are paid into the Internal Service Fund from all other funds and school employees. These contributions are based upon estimates from the claims processor that should cover administrative expenses, stop loss insurance premiums, and claims. Interfund

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premiums are based upon the employees within each fund enrolled in the plan. An excess coverage insurance policy covers each individual's pooled claims in excess of \$200,000. During 2016, the prescription program was carved out of the self-insurance health program. As of June 30, 2016, incurred but not yet reported claims for the School System are estimated to be \$1,568,022.

Risk Management – The School System established a self-insured workers' compensation program on July 1, 1990. Premiums are paid into the Internal Service Fund by the General Fund and are available to pay claims, claims reserves, and administrative costs of the programs. Interfund premiums are based upon the insured funds' claims experience and are reported as interfund services provided and used. An excess coverage insurance policy covers each accident in excess of \$200,000, with statutory limits. At June 30, 2016, the School System has accrued liabilities for workers' compensation of \$771,000, based upon an estimate by a qualified actuary. At June 30, 2016, the School System had net cash reserves of \$1,104,005 for workers' compensation to cover school employees.

Laptop Insurance Reserve – The School System established a self-insured program for loss or damage of student laptop computers on July 1, 2003. Student computer use fees and computer warranty reimbursements are paid into the Internal Service Fund and are available to pay claims, claims reserves, and administrative costs of the program. At June 30, 2016, the School System had net cash reserves of \$1,441,560.

In addition to the self-insurance program, the School System carries commercial property, casualty, and auto insurance, surety bonds, fiduciary insurance, and dental insurance. There were no significant changes in the coverage levels of these policies this year. In the past three fiscal years, settled claims have not exceeded any of these commercial policy limits.

Unpaid claims are included as claims payable on the Statement of Net Position. Changes in the balances of claims payable liability during the past two years were as follows:

	Health Insurance	Risk Management	Laptop Insurance Reserve	Total
Unpaid claims, June 30, 2014	\$ 1,741,254	\$ 819,000	\$ -	\$ 2,560,254
Incurred claims*	15,050,780	523,638	499,943	16,074,361
Claim payments	(15,302,408)	(523,638)	(499,943)	(16,325,989)
Unpaid claims, June 30, 2015	1,489,626	819,000	-	2,308,626
Incurred claims*	14,711,050	409,866	96,101	15,217,017
Claim payments	(14,632,654)	(457,866)	(96,101)	(15,186,621)
Unpaid claims, June 30, 2016	<u>\$ 1,568,022</u>	<u>\$ 771,000</u>	<u>\$ -</u>	<u>\$ 2,339,022</u>

*Incurred claims includes IBNR and changes in estimates

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10. PENSION PLAN

Plan Description – All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the Virginia Retirement System (VRS) Teacher Retirement Plan (Teacher Retirement Plan) upon employment. All full-time, salaried permanent (non-professional) employees of Roanoke County Public Schools are automatically covered by VRS Retirement Plan (Non-Professional Plan) upon employment.

These plans are 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 are paying 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 refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefits structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the tables on the following pages.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID PLAN
About Plans		
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.	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.	<p>The Hybrid 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. (See "Eligible Members")</p> <ul style="list-style-type: none"> • 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.

Roanoke County Public Schools
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June 30, 2016

PLAN 1	PLAN 2	HYBRID PLAN
Eligible Members		
<p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><u>Hybrid Opt-In Election</u> Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Plan.</p>	<p>Employees are in 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.</p> <p><u>Hybrid Opt-In Election</u> Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Plan.</p>	<p>Employees are in the Hybrid Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> School division employees Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
Retirement Contributions		
<p>Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p> <p>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.</p>	<p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>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.</p> <p>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.</p>
Creditable Service		
<p>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.</p>	<p>Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u> 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.</p>

Roanoke County Public Schools
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PLAN 1	PLAN 2	HYBRID PLAN
Creditable Service (Continued)		
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.		<p>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.</p> <p><u>Defined Contributions Component:</u> Creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
Vesting		
<p>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.</p> <p>Members are always 100% vested in the contributions that they make</p>	Same as Plan 1.	<p><u>Defined Benefit Component:</u> 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. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>

Roanoke County Public Schools
Notes to Basic Financial Statements
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PLAN 1	PLAN 2	HYBRID PLAN
Calculating the Benefit		
<p>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.</p> <p>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.</p>	Same as Plan 1	<p><u>Defined Benefit Component:</u> Same as Plan 1</p> <p><u>Defined Contribution Component:</u> 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.</p>
Average Final Compensation		
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier		
The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier is 1.70%	<p>Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013.</p> <p>The retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p>	<p><u>Defined Benefit Component:</u> The retirement multiplier is 1.00%.</p> <p>For members that opted into the Hybrid 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.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
Normal Retirement Age		
Age 65.	Normal Social Security retirement age.	<p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
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.	Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	<p><u>Defined Benefit Component:</u> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Roanoke County Public Schools
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PLAN 1	PLAN 2	HYBRID PLAN
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 60 with at least five years (60 months) of creditable service.	<p><u>Defined Benefit Component:</u> Age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
Cost-of-Living Adjustment (COLA) in Retirement		
<p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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 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. 	<p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>

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PLAN 1	PLAN 2	HYBRID PLAN
Disability Coverage		
N/A	N/A	<p>Employees of school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>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.</p>
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.	Same as Plan 1.	<p><u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> Hybrid 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 on-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

The System issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms – Membership as of the Valuation Date of June 30, 2014, in the Non-Professional Plan was as follows:

Inactive members or beneficiaries – receiving benefits	360
Inactive members – vested	53
Inactive members – non-vested	186
Inactive members – active elsewhere in VRS	112
Active members	<u>356</u>
Total members	<u>1,067</u>

Roanoke County Public Schools
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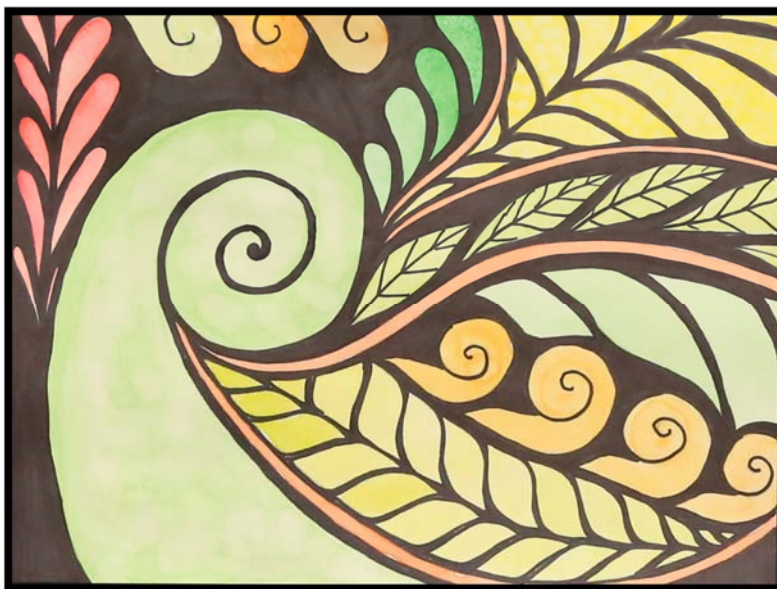
Contributions – The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012 all of the 5.00% member contribution was assumed by the School System.

The School System's contractually required contribution rates for the year ended June 30, 2016 were 14.06% and 6.84% of covered employee compensation for the Teacher Retirement and Non-Professional Plans, respectively. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however it was reduced to 17.64% as a result of the transfer.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees 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 Teacher Retirement Plan contributions were funded at 79.69% of the actuarial rate for the ended June 30, 2016.

For years ended June 30, 2015 and June 30, 2016, the actual contribution rates and total amount contributed for the VRS retirement plans were as follows:

	Teacher Retirement Plan		Non-Professional Plan	
	Contractually Required Rate	Amount of Contribution	Contractually Required Rate	Amount of Contribution
For the Year Ended June 30, 2015	14.50%	\$ 10,238,755	6.84%	\$ 207,090
For the Year Ended June 30, 2016	14.06%	10,159,568	6.84%	210,558



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Pension Liabilities (Asset) and Pension Expense – At June 30, 2016, the School System reported a liability of \$119,536,342 for its proportionate share of the Teacher Retirement Plan net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School System's proportion of the net pension liability was based on the School System's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the School System's proportion was 0.94973% as compared to 0.97506% at June 30, 2014.

At June 30, 2016, the School System reported a liability of \$163,107 for the Non-Professional Plan net pension liability. The School System's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Non-Professional Plan	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2014	\$ 31,978,276	\$ 32,854,073	\$ (875,797)
Changes for the year:			
Service cost	590,031	-	590,031
Interest	2,164,578	-	2,164,578
Difference between expected and actual experience	76,137	-	76,137
Contributions - employer	-	206,447	(206,447)
Contributions - member	-	152,195	(152,195)
Net investment income	-	1,454,882	(1,454,882)
Benefit payments including refunds of contributions	(2,111,460)	(2,111,460)	-
Administrative expense	-	(21,377)	21,377
Other	-	(305)	305
Net Changes	719,286	(319,618)	1,038,904
Balances at June 30, 2015	\$ 32,697,562	\$ 32,534,455	\$ 163,107

For the year ended June 30, 2016, the School System recognized pension expense of \$(4,643,471) and \$(134,530) in the Teacher Retirement Plan and Non-Professional Plan, respectively. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014 in the Teacher Retirement Plan, 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.

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Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Teacher Retirement Plan		Non-Professional Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,646,000	\$ 35,639	\$ -
Change in assumptions	-	7,320,000	-	-
Net difference between projected and actual earnings on plan	-	-	-	898,036
Changes in proportion and differences between Employer contributions and	-	5,611,000	-	-
Employer contributions subsequent to the measurement date	10,159,568	-	210,558	-
Total	\$10,159,568	\$14,577,000	\$ 246,197	\$ 898,036

Deferred outflows of resources resulting from the School System'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:

	Teacher Retirement Plan		Non-Professional Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
For the Year Ended June 30, 2017	\$10,159,568	\$ 4,682,000	\$ 246,197	\$ 351,532
For the Year Ended June 30, 2018	-	4,682,000	-	351,532
For the Year Ended June 30, 2019	-	4,682,000	-	351,531
For the Year Ended June 30, 2020	-	59,000	-	(156,559)
For the Year Ended June 30, 2021	-	472,000	-	-
	\$10,159,568	\$14,577,000	\$ 246,197	\$ 898,036

Roanoke County Public Schools
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Actuarial Assumptions – The total pension liability for the Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation.....	2.50%
Salary increases, including inflation	3.50% to 5.95%, Teacher Retirement Plan 3.50% to 5.35% for Non-Professional Plan
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 return 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 for Teacher Retirement Plan

Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years.
Post-Retirement.....	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.
Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

Mortality rates for Non-Professional Plan – 14% of deaths are assumed to be service related

Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 4 years and females set back 2 years.
Post-Retirement.....	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Teacher Retirement Plan

- 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 retirement
- Reduce rates of salary increase by 0.25% per year

Roanoke County Public Schools
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Non-Professional Plan

- 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

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan 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 plan 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Avg Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

- * 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%.

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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 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 school division for the VRS Teacher 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, school divisions 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.



Sensitivity of the School System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the School System's net pension (asset) liability for the Teacher Retirement Plan (proportionate share) and Non-Professional Plan using the discount rate of 7.00%, as well as what it 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%)
Teacher Retirement Plan	\$ 174,930,000	\$ 119,536,342	\$ 73,936,000
Non-Professional Plan	\$ 3,626,417	\$ 163,107	\$ (2,786,379)

Pension Plan Fiduciary Net Position – Detailed information about the Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR), which was previously referenced.

Payable to the Pension Plan – At June 30, 2016, the Teacher Retirement Plan and Non-Professional Plan reported payables of \$978,465, and \$17,396, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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11. OTHER POSTEMPLOYMENT BENEFIT PLAN

From an accrual accounting perspective, the cost of other postemployment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In accordance with GAAP, the School System recognizes the cost of other postemployment benefits in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the School System's future cash flows. Recognition of the liability accumulated from prior years is being phased in over 30 years, commencing with the 2008 liability.

Plan Description – The School System administers and sponsors a single-employer defined benefit healthcare plan (Retiree Medical Plan). Employees are eligible for this benefit if they retire after age 55 with at least 10 years of service and 12 months enrollment in the School System's self-insured health insurance program.

The School System contributes up to \$2,500 per year towards the total medical premium for each eligible retiree for up to five years after retiring under the Employee Extended Work Plan. The total retiree medical premium is calculated as a blended rate based on the medical claims of all active and retired participants resulting in an implicit subsidy that benefits the retiree with a lower cost medical premium.

All health care benefits are provided through the School System's self-insured health insurance program. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care; vision care; and prescriptions. Once a retiree reaches age 65, retirees are removed from the plan.

The benefits, employee contributions, and employer contributions are governed by School Board policy and can be amended through School Board action. Required supplementary information and trend information are included in the School System's financial report and consequently, there is no separately issued report.

The School System participates in the OPEB Trust Fund, an irrevocable trust established for the purpose of accumulating assets to fund postemployment benefits other than pensions. The OPEB Trust Fund issues a separate report, which can be obtained by requesting a copy from the plan administrator, Virginia Municipal League (VML) at P.O. Box 12164, Richmond, VA 23241.

Funding Policy – The Retiree Medical Plan is funded through member and employer contributions. Plan members receiving benefits contribute monthly premiums towards the cost of the health insurance depending on the coverage selected (single, single plus dependent, single plus spouse, or family). For the fiscal year ended June 30, 2016, the School System contributed \$418,523 for 164 retired plan members through monthly health insurance premium payments.

Based on the July 1, 2015 actuarial valuation, the School System contributed \$1,024,218 to the Retiree Medical Plan for the fiscal year ended June 30, 2016. The School System was not required

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to make a contribution to the OPEB Trust Fund this year. It is the School System's intent to fully fund the annual required contribution (ARC) each year.

Annual OPEB Cost and Net OPEB Obligation – The School System's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance within the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years.

The following table presents the OPEB cost, amount contributed, and changes in the OPEB Plan for the fiscal year ended June 30, 2016:

Annual required contribution	\$ 956,782
Interest on net OPEB obligation	(18,188)
Adjustment to annual required contribution	14,416
Annual OPEB cost	<u>953,010</u>
Contributions made	<u>1,024,218</u>
Change in net OPEB obligation	(71,208)
Net OPEB asset, beginning of year	<u>(227,355)</u>
Net OPEB asset, end of year	<u><u>\$ (298,563)</u></u>

The School System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2016 and the preceding two years are as follows:

	Beginning Net OPEB Obligation (Asset)	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Ending Net OPEB Obligation (Asset)
June 30, 2014	\$ -	\$ 922,511	\$ 1,052,124	114.05%	\$ (129,613)
June 30, 2015	(129,613)	947,653	1,045,395	110.31%	(227,355)
June 30, 2016	(227,355)	953,010	1,024,218	107.47%	(298,563)

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date, the plan was 5.27% funded. The actuarial accrued liability (AAL) for benefits was \$9,640,700 and the actuarial value of assets was \$507,627, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,133,073. The covered payroll (annual payroll of active employees covered by the plan) was \$75,340,198 and the ratio of the UAAL to the covered payroll was 12.12%.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the

Roanoke County Public Schools
Notes to Basic Financial Statements
June 30, 2016

actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – 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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and plan members) in effect at the time of each valuation and on the historical pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

The July 1, 2015 actuarial valuation was based on the following actuarial methods:

Actuarial cost method	Projected unit credit
Amortization method	Level percentage of projected payrolls
Amortization period	30 years
Liability valuation method	Closed group

The July 1, 2015 actuarial valuation used the following actuarial assumptions:

Investment rate of return	An 8.0% investment rate of return. Because the School System participates in the Virginia Pooled OPEB Trust Fund and expects to fully fund the annual required contribution, a higher investment rate of return was used in this actuarial valuation.
Projected annual payroll growth	3.00%
Healthcare cost trend rates	7.5% reduced by 0.5% each year to arrive at an ultimate health care cost trend rate of 5.0%.
Inflationary rates	This is implicitly included in the investment rate of return and healthcare cost trend rates.



Roanoke County Public Schools
Notes to Basic Financial Statements
June 30, 2016

12. COMMITMENTS, CONTINGENCIES AND OTHER

Construction Commitments – The School System has active construction projects as of June 30, 2016 with commitments with construction contractors as follows:

	Spent to Date	Remaining Contract
Glenvar High Renovations	\$ 25,619,242	\$ 264,802
William Byrd High Locker Room Renovation	325,827	795,145
Financial Management System	967,853	532,147
Glenvar Middle Soccer Field	78,803	-
	<u>\$ 26,991,725</u>	<u>\$ 1,592,094</u>

Grant Funds – The School System participates in a number of Federal award programs, which are subject to audit annually in accordance with the provisions of the Uniform Guidance. These programs are also potentially subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agencies in the event that any expenditure was to be disallowed under terms of the grants. Based on prior experience, the School System’s management believes such disallowances, if any, would be immaterial.

Encumbrances – The School System has open purchase orders in its governmental funds as of June 30, 2016 as follows:

Fund			Capital	Total
Balance	General	Grant	Projects	Governmental Funds
Restricted	\$ -	\$ 3,000	\$ -	\$ 3,000
Committed	-	-	1,854,445	1,854,445
Assigned	26,902	-	-	26,902
	<u>\$ 26,902</u>	<u>\$ 3,000</u>	<u>\$ 1,854,445</u>	<u>\$ 1,884,347</u>

Litigation – The School System may be contingently liable with respect to lawsuits and other claims, which arise in the ordinary course of its operations. At June 30, 2016, management believes that the amount of loss, if any, is not material to the School System’s financial position.

13. RELATED PARTIES

With the exception of the County, which funds a large portion of the School System budget, the School System has no other related parties.



REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

In accordance with the Governmental Accounting Standards Board (GASB) Statements No. 34, No. 45, and No. 50, the following information, although not a part of the basic financial statements, is required by the GASB, 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.

GENERAL FUND

The **General Fund** reflects all revenues and expenditures of the School Board, which are not required to be accounted for in another fund. Revenues are primarily derived from the County local appropriation, the Virginia Department of Education, and the Federal Government. Major expenditures represent the costs of operating the County's public school system.

Roanoke County Public Schools
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

Exhibit L
Unaudited

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
<i>Intergovernmental:</i>				
Roanoke County	\$ 66,804,707	\$ 67,703,707	\$ 67,703,707	\$ -
Commonwealth of Virginia	69,673,867	69,702,776	71,274,588	1,571,812
Federal government	260,448	274,406	334,763	60,357
Charges for services	512,669	588,885	635,676	46,791
Investment income	44,000	44,000	87,612	43,612
Miscellaneous	50,980	50,980	87,842	36,862
Total revenues	<u>137,346,671</u>	<u>138,364,754</u>	<u>140,124,188</u>	<u>1,759,434</u>
Expenditures				
<i>Current:</i>				
Instruction	103,861,657	103,593,860	99,646,993	3,946,867
Administration	2,959,224	2,946,893	2,795,734	151,159
Attendance and health	2,087,306	2,208,102	2,172,278	35,824
Transportation	5,203,299	8,300,312	6,896,242	1,404,070
Operations and maintenance	11,108,483	11,777,011	11,116,417	660,594
Technology	4,480,640	5,844,219	5,786,781	57,438
<i>Capital lease debt service:</i>				
Principal	452,286	452,286	452,286	-
Interest	37,231	37,231	37,231	-
<i>Capital outlay:</i>				
Debt Service	<u>7,325,345</u>	<u>7,325,345</u>	<u>7,325,340</u>	<u>5</u>
Total expenditures	<u>137,515,471</u>	<u>142,485,259</u>	<u>136,229,302</u>	<u>6,255,957</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,800)</u>	<u>(4,120,505)</u>	<u>3,894,886</u>	<u>8,015,391</u>
Other financing sources (uses)				
Proceeds from sale of property	-	-	8,616	8,616
<i>Transfers:</i>				
Transfers from Internal Service Fund	193,800	193,800	193,800	-
Transfers to Grant Fund	-	(25,000)	(25,000)	-
Transfers to Capital Projects Fund	(25,000)	(3,176,327)	(3,176,327)	-
Transfers to Internal Service Fund	<u>(116,477)</u>	<u>(211,095)</u>	<u>(211,095)</u>	<u>-</u>
Total other financing sources (uses), net	<u>52,323</u>	<u>(3,218,622)</u>	<u>(3,210,006)</u>	<u>8,616</u>
Net change in fund balances	(116,477)	(7,339,127)	684,880	8,024,007
Total fund balances, beginning	-	7,339,127	7,339,127	-
Total fund balances, ending	<u>\$ (116,477)</u>	<u>\$ -</u>	<u>\$ 8,024,007</u>	<u>\$ 8,024,007</u>

See accompanying notes to required supplementary information.

See accompanying independent auditors' report.

GRANT FUND

Special Revenue Fund

Special revenue funds are used to account for certain revenues that are restricted to expenditures for specific purposes.

The **Grant Fund** is used to account for transactions related to the Federal, State, and private grants that are not reported in another fund.

**Roanoke County Public Schools
Budgetary Comparison Schedule
Special Revenue Fund - Grant Fund
For the Year Ended June 30, 2016**

**Exhibit M
Unaudited**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
<i>Intergovernmental:</i>				
Commonwealth of Virginia	\$ 1,080,219	\$ 1,011,125	\$ 901,973	\$ (109,152)
Federal government	4,379,875	5,524,828	4,723,440	(801,388)
Miscellaneous	-	1,000	1,000	-
Total revenues	<u>5,460,094</u>	<u>6,536,953</u>	<u>5,626,413</u>	<u>(910,540)</u>
Expenditures				
<i>Current:</i>				
Instruction	5,460,094	6,392,695	5,466,094	926,601
Attendance and health	-	194,429	194,429	-
Total expenditures	<u>5,460,094</u>	<u>6,587,124</u>	<u>5,660,523</u>	<u>926,601</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(50,171)</u>	<u>(34,110)</u>	<u>16,061</u>
Other financing sources				
<i>Transfers:</i>				
Transfers from General Fund	-	25,000	25,000	-
Total other financing sources	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	-	(25,171)	(9,110)	16,061
Total fund balances, beginning	-	25,171	75,508	50,337
Total fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,398</u>	<u>\$ 66,398</u>

See accompanying notes to required supplementary information.
See accompanying independent auditors' report.

Roanoke County Public Schools
Schedule of Employer's Share of Net Pension Liability
Virginia Retirement System Teacher Retirement Plan
For the Year Ended June 30, 2016

Exhibit N
Unaudited

	<u>2015</u>	<u>2016</u>
Employer's proportion of the net pension liability	0.97506%	0.94973%
Employer's proportionate share of the net pension liability	\$ 117,833,000	\$ 119,536,000
Employer's covered payroll	\$ 71,286,776	\$ 70,615,294
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	165.29%	169.28%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%

Notes:

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

Roanoke County Public Schools
Schedule of Changes in the Net Pension (Asset) Liability
Virginia Retirement System Non-Professional Plan
For the Year Ended June 30, 2016

Exhibit O
Unaudited

	2015	2016
Total pension liability		
Service cost	\$ 642,968	\$ 590,031
Interest	2,114,246	2,164,578
Difference between expected and actual experience	-	76,137
Benefit payments, including refunds of member contributions	(1,964,916)	(2,111,460)
Net change in total pension liability	792,298	719,286
Plan total pension liability - beginning	31,185,978	31,978,276
Plan total pension liability - ending	<u>\$ 31,978,276</u>	<u>\$ 32,697,562</u>
 Plan fiduciary net position		
Contributions - employer	\$ 306,710	\$ 206,447
Contributions - employee	293,796	152,195
Net investment income	4,569,047	1,454,882
Benefit payments, including refunds of member contributions	(1,964,916)	(2,111,460)
Administrative expense	(25,570)	(21,377)
Other	241	(305)
Net change in Plan fiduciary net position	3,179,308	(319,618)
Plan fiduciary net position - beginning	29,674,765	32,854,073
Plan fiduciary net position - ending	<u>\$ 32,854,073</u>	<u>\$ 32,534,455</u>
 Net pension (asset) liability - ending	<u>\$ (875,797)</u>	<u>\$ 163,107</u>
Plan fiduciary net position as a percentage of the total pension (asset) liability	102.74%	99.50%
 Covered employee payroll	\$ 3,027,639	\$ 3,081,526
Net pension (asset) liability as a percentage of covered employee payroll	28.93%	-5.29%

Note:

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

**Roanoke County Public Schools
Schedule of Employer Contributions
Virginia Retirement System
For the Year Ended June 30, 2016**

**Exhibit P
Unaudited**

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
Teacher Retirement Plan:					
June 30, 2015	\$ 10,239,218	\$ 10,238,755	\$ (463)	\$ 70,615,294	14.50%
June 30, 2016	10,159,569	10,159,568	(1)	72,258,672	14.06
Non-Professional Retirement Plan:					
June 30, 2015	\$ 207,090	\$ 207,090	\$ -	\$ 3,027,639	6.84%
June 30, 2016	210,776	210,558	(218)	3,081,526	6.83

Notes:

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

Actuarial assumptions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, 2014, one year prior to the end of the fiscal year in which
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.5 - 5.35%
Investment rate of return	7.00%
Cost of living adjustment	2.25 - 2.5%

See accompanying notes to required supplementary information.
See accompanying independent auditors' report.

**Roanoke County Public Schools
Schedule of Funding Progress
Other Postemployment Benefits Plan
For the Year Ended June 30, 2016**

**Exhibit Q
Unaudited**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	\$ -	\$13,980,418	\$13,980,418	0.00%	\$73,695,601	18.97%
July 1, 2013	445,854	9,533,047	9,087,193	4.68	78,569,574	11.57
July 1, 2015	507,627	9,640,700	9,133,073	5.27	75,340,198	12.12

See accompanying notes to required supplementary information.
See accompanying independent auditors' report.

**Roanoke County Public Schools
Schedule of Employer Contributions
Other Postemployment Benefits Plan
For the Year Ended June 30, 2016**

**Exhibit R
Unaudited**

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
June 30, 2014	\$ 922,511	\$ 1,052,124	114.05%
June 30, 2015	949,804	1,045,395	110.06
June 30, 2016	956,782	1,024,218	107.05

See accompanying notes to required supplementary information.
See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Annual Budget Adoption – Budgetary Comparison Schedules for the General Fund and the Grant Fund, as required by GAAP, are presented as required supplementary information. The budgets are integrated into the accounting system and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the final amended budget. All budgets are presented using the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules for the General Fund and the Grant Fund present actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended.

The *Code of Virginia* requires adoption of a balanced budget by June 30 of each year. The School Board formally adopted the fiscal year 2016 budget appropriation on March 26, 2015. The County Board of Supervisors adopted the school budget on April 28, 2015. Subsequently on May 16, 2015, the Board of Supervisors approved the County budget with a change small change to the transfer to the school budget. This revision was then adopted the School Board on May 27, 2015.

Annual budgets are legally adopted for the General Fund, Grant Fund, Capital Projects Fund, and School Nutrition Fund. Supplemental capital budgets are approved by the School Board during the fiscal year as funding is identified and designated for capital projects.

All appropriations are legally controlled at the fund level. Overall increases in fund budgets are adopted by the School Board and then by the County Board of Supervisors. Budget transfers within a fund are approved by the School Board only. Budget revisions were approved throughout fiscal year 2016. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.



Changes of VRS benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes hybrid plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Roanoke County Public Schools
Notes to Required Supplementary Information
June 30, 2016

Unaudited

Changes of VRS 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:

Teacher Retirement Plan

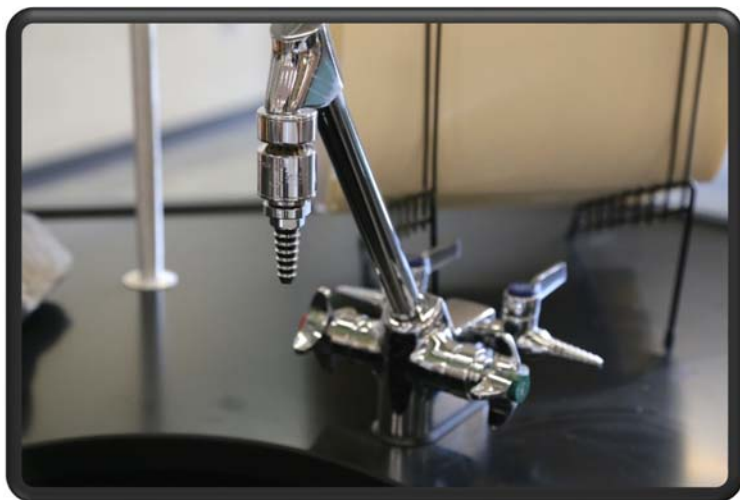
- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Non-Professional Plan

- 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

2. MATERIAL VIOLATIONS

There were no material violations of the annual appropriated budget for the General Fund and Grant Fund for the fiscal year ended June 30, 2016. In addition, there were no excesses of budgetary expenditures for the period.



SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

The **Capital Projects Fund** is used to account for the financing of capital outlay for construction and technology. Revenues are primarily from bond issues and allocations from the Major and Minor Capital Reserves maintained by the School Board. Major expenditures represent capital outlay, construction, and renovation of school facilities.

**Roanoke County Public Schools
Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended June 30, 2016**

Schedule 1

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
<i>Intergovernmental:</i>				
Roanoke County	\$ 25,000	\$ 1,220,426	\$ 1,220,426	\$ -
Commonwealth of Virginia	726,000	787,200	787,200	-
Charges for services	20,670	20,670	20,708	38
Miscellaneous	50,000	60,000	50,387	(9,613)
Total revenues	<u>821,670</u>	<u>2,088,296</u>	<u>2,078,721</u>	<u>(9,575)</u>
Expenditures				
<i>Current:</i>				
Instruction	-	287,955	243,114	44,841
Administration	-	1,352,041	805,757	546,284
Operations and maintenance	21,666	1,588,030	441,630	1,146,400
Technology	726,000	1,271,773	1,201,651	70,122
<i>Capital outlay:</i>				
Facilities	599,004	13,959,531	2,914,678	11,044,853
Total expenditures	<u>1,346,670</u>	<u>18,459,330</u>	<u>5,606,830</u>	<u>12,852,500</u>
Deficiency of revenues under expenditures	<u>(525,000)</u>	<u>(16,371,034)</u>	<u>(3,528,109)</u>	<u>12,842,925</u>
Other financing sources				
<i>Transfers:</i>				
Transfers from General Fund	25,000	3,176,327	3,176,327	-
Transfers to Internal Service Fund	-	(170,398)	(170,398)	-
Net other financing sources	<u>25,000</u>	<u>3,005,929</u>	<u>3,005,929</u>	<u>-</u>
Net change in fund balances	(500,000)	(13,365,105)	(522,180)	12,842,925
Total fund balances, beginning	<u>500,000</u>	<u>13,365,105</u>	<u>13,365,105</u>	<u>-</u>
Total fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,842,925</u>	<u>\$ 12,842,925</u>

See accompanying independent auditors' report.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

Special revenue funds are used to account for certain revenues that are restricted to expenditures for specific purposes.

The **School Nutrition Fund** is used to account for procurement, preparation, and serving of student breakfast, snacks, and lunches. The primary source of revenues is receipts derived from food sales and subsidies from the Federal school lunch program.

Roanoke County Public Schools
Budgetary Comparison Schedule
Special Revenue Fund - School Nutrition Fund
For the Year Ended June 30, 2016

Schedule 2

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
<i>Intergovernmental:</i>				
Commonwealth of Virginia	\$ 95,000	\$ 95,000	\$ 100,444	\$ 5,444
Federal government	2,142,000	2,142,000	2,441,118	299,118
Charges for services	3,437,520	3,437,520	2,955,049	(482,471)
Investment income	2,770	2,770	10,656	7,886
Miscellaneous	30,000	32,300	15,874	(16,426)
Total revenues	<u>5,707,290</u>	<u>5,709,590</u>	<u>5,523,141</u>	<u>(186,449)</u>
Expenditures				
<i>Current:</i>				
School nutrition	<u>5,712,290</u>	<u>7,160,767</u>	<u>4,820,635</u>	<u>2,340,132</u>
Total expenditures	<u>5,712,290</u>	<u>7,160,767</u>	<u>4,820,635</u>	<u>2,340,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,000)</u>	<u>(1,451,177)</u>	<u>702,506</u>	<u>2,153,683</u>
Other financing sources				
Proceeds from sale of property	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total other financing sources	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Net change in fund balances	-	(1,446,177)	702,506	2,148,683
Total fund balances, beginning	<u>-</u>	<u>1,446,177</u>	<u>1,446,177</u>	<u>-</u>
Total fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,148,683</u>	<u>\$ 2,148,683</u>

See accompanying independent auditors' report.

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of services provided by one department to other departments of the School System, on a cost reimbursement basis.

The **Health Insurance Fund** is a self-insured fund used to account for health care costs for employees electing to participate in one of the Anthem group programs offered.

The **Dental Insurance Fund** is a fully insured fund used to account for dental care costs for employees electing to participate in the Delta Dental group program.

The **Risk Management Fund** is a self-insured fund used to account for workers' compensation costs for employees injured on the job.

The **Laptop Insurance Reserve Fund** is a self-insured fund used to account for the repair and replacement of laptop computers under the Technology Initiative program implemented by the School System.

Roanoke County Public Schools
Combining Statement of Net Position
Internal Service Funds
June 30, 2016

Schedule 3

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total Internal Service Funds
Assets					
<i>Current assets:</i>					
Cash and cash equivalents	\$ 10,299,560	\$ -	\$ 1,868,786	\$ 1,441,855	\$ 13,610,201
Accounts receivable	290,335	126	10,603	5,240	306,304
Due from other fund	43,918	-	-	-	43,918
Prepaid and other assets	82,608	119,953	-	-	202,561
Total assets	<u>10,716,421</u>	<u>120,079</u>	<u>1,879,389</u>	<u>1,447,095</u>	<u>14,162,984</u>
Liabilities					
<i>Current liabilities:</i>					
Accounts payable	11,593	197	4,384	5,034	21,208
Accrued liabilities	-	-	-	501	501
Due to other fund	-	43,918	-	-	43,918
<i>Long-term liabilities due or payable:</i>					
Claims payable	1,568,022	-	247,812	-	1,815,834
<i>Long-term liabilities due or payable:</i>					
Claims payable	-	-	523,188	-	523,188
Total liabilities	<u>1,579,615</u>	<u>44,115</u>	<u>775,384</u>	<u>5,535</u>	<u>2,404,649</u>
Net Position					
Unrestricted	9,136,806	75,964	1,104,005	1,441,560	11,758,335
Total net position	<u>\$ 9,136,806</u>	<u>\$ 75,964</u>	<u>\$ 1,104,005</u>	<u>\$ 1,441,560</u>	<u>\$ 11,758,335</u>

See accompanying independent auditors' report.

Roanoke County Public Schools
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2016

Schedule 4

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 16,094,019	\$ 1,460,043	\$ 389,360	\$ 272,025	\$ 18,215,447
Other operating revenues	-	-	-	95,386	95,386
Total operating revenues	<u>16,094,019</u>	<u>1,460,043</u>	<u>389,360</u>	<u>367,411</u>	<u>18,310,833</u>
Operating expenses					
Claims	14,711,050	1,437,339	409,866	96,101	16,654,356
Reinsurance costs	925,716	-	-	-	925,716
Wellness and HRA benefits	868,846	-	-	-	868,846
Administrative charges and taxes	135,428	-	35,934	-	171,362
Total operating expenses	<u>16,641,040</u>	<u>1,437,339</u>	<u>445,800</u>	<u>96,101</u>	<u>18,620,280</u>
Operating income (loss)	(547,021)	22,704	(56,440)	271,310	(309,447)
Nonoperating revenues (expenses)					
Interest and dividend income	-	-	79,571	7,536	87,107
Interest expense	(717)	-	-	-	(717)
Total nonoperating revenues (expenses)	<u>(717)</u>	<u>-</u>	<u>79,571</u>	<u>7,536</u>	<u>86,390</u>
Income (loss) before transfers	<u>(547,738)</u>	<u>22,704</u>	<u>23,131</u>	<u>278,846</u>	<u>(223,057)</u>
Transfers					
Transfers in	211,095	-	-	170,398	381,493
Transfers out	-	-	-	(193,800)	(193,800)
Net transfers	<u>211,095</u>	<u>-</u>	<u>-</u>	<u>(23,402)</u>	<u>187,693</u>
Change in net position	(336,643)	22,704	23,131	255,444	(35,364)
Total net position, beginning	<u>9,473,449</u>	<u>53,260</u>	<u>1,080,874</u>	<u>1,186,116</u>	<u>11,793,699</u>
Total net position, ending	<u>\$ 9,136,806</u>	<u>\$ 75,964</u>	<u>\$ 1,104,005</u>	<u>\$ 1,441,560</u>	<u>\$ 11,758,335</u>

See accompanying independent auditors' report.

Roanoke County Public Schools
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

Schedule 5

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total Internal Service Funds
Operating activities					
Cash received from interfund services provided	\$ 15,803,684	\$ 1,460,147	\$ 405,779	\$ 267,061	\$ 17,936,671
Payments to suppliers	(1,227,329)	(75,980)	(37,443)	-	(1,340,752)
Payments from suppliers	-	-	-	4,723	4,723
Claims paid	(14,632,654)	(1,437,339)	(457,866)	(96,101)	(16,623,960)
Other receipts	-	-	-	95,386	95,386
Other payments	(794,138)	(1,690)	-	-	(795,828)
Net cash provided by (used in) operating activities	<u>(850,437)</u>	<u>(54,862)</u>	<u>(89,530)</u>	<u>271,069</u>	<u>(723,760)</u>
Noncapital financing activities					
Transfers from other funds	211,095	43,918	-	170,398	425,411
Transfers to other funds	<u>(43,918)</u>	<u>-</u>	<u>-</u>	<u>(193,800)</u>	<u>(237,718)</u>
Net cash provided by (used in) noncapital financing activities	<u>167,177</u>	<u>43,918</u>	<u>-</u>	<u>(23,402)</u>	<u>187,693</u>
Investing activities					
Interest and dividend income	-	-	79,571	7,536	87,107
Interest expense	<u>(717)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(717)</u>
Net cash provided by (used in) investing activities	<u>(717)</u>	<u>-</u>	<u>79,571</u>	<u>7,536</u>	<u>86,390</u>
Net increase (decrease) in cash and cash equivalents	(683,977)	(10,944)	(9,959)	255,203	(449,677)
Cash and cash equivalents, beginning	<u>10,983,537</u>	<u>10,944</u>	<u>1,878,745</u>	<u>1,186,652</u>	<u>14,059,878</u>
Cash and cash equivalents, ending	<u>\$ 10,299,560</u>	<u>\$ -</u>	<u>\$ 1,868,786</u>	<u>\$ 1,441,855</u>	<u>\$ 13,610,201</u>

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities

Operating income (loss)	\$ (547,021)	\$ 22,704	\$ (56,440)	\$ 271,310	\$ (309,447)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>					
<i>Decrease (increase) in assets:</i>					
Accounts receivable	(290,335)	104	16,419	(4,964)	(278,776)
Prepaid and other assets	74,708	(1,690)	-	-	73,018
<i>Increase (decrease) in liabilities:</i>					
Accounts payable	(166,185)	(75,980)	(1,509)	4,351	(239,323)
Accrued liabilities	-	-	-	372	372
Claims payable	78,396	-	(48,000)	-	30,396
Net cash provided by (used in) operating activities	<u>\$ (850,437)</u>	<u>\$ (54,862)</u>	<u>\$ (89,530)</u>	<u>\$ 271,069</u>	<u>\$ (723,760)</u>

See accompanying independent auditors' report.

FIDUCIARY FUNDS

Fiduciary funds are used to account for the financial resources held by the School System in a trustee capacity.

The **Student Activity Fund** is used to account for the financial resources held by the School System for the students.

Roanoke County Public Schools
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2016

Schedule 6

	<u>Agency</u>
Assets	
Balance, beginning	\$ 2,193,857
Additions	6,727,439
Deductions	<u>(6,732,274)</u>
Balance, ending	<u><u>\$ 2,189,022</u></u>
Liabilities	
Balance, beginning	\$ 2,193,857
Additions	6,727,439
Deductions	<u>(6,732,274)</u>
Balance, ending	<u><u>\$ 2,189,022</u></u>

See accompanying independent auditors' report.



STATISTICAL SECTION





DIGITAL C-CHANGE

Empowering all students through technology and
21st Century Skills: Critical Thinking, Collaboration,
Creativity, and Communication.

Roanoke County Public Schools
Statistical Section
June 30, 2016

Unaudited

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

Financial Trends 108-111

These schedules contain trend information to help the reader understand how the School System's financial performance and well-being have changed over time.

Revenue Capacity..... 112-116

These schedules contain information to help the reader assess the School System's most significant local revenue sources and the factors affecting the County's ability to generate its property and sales taxes.

Debt Capacity 117-119

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future for the School System's capital improvements.

Demographic and Economic Information 120-121

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School System's financial activities take place and to help make comparisons with other school divisions over time.

Operating Information 122-135

These schedules contain service and capital asset data to help the reader understand how the information in the School System's financial report relates to the services the School System provided and the activities it performs.

Roanoke County Public Schools
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment										
in capital assets	\$ 36,132,848	\$ 41,002,752	\$ 44,965,789	\$ 41,830,203	\$ 41,651,583	\$ 41,371,652	\$ 43,142,309	\$ 41,852,791	\$ 39,733,962	\$ 47,263,705
Restricted for:										
Instructional grants	-	-	-	-	157,951	75,677	92,364	75,494	75,508	66,398
Emergency contingency	-	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Unrestricted	27,743,240	26,680,447	33,748,565	40,562,210	29,590,419	31,845,216	30,604,787	26,244,281	(98,692,493)	(92,973,387)
Total net position	<u>\$ 63,876,088</u>	<u>\$ 67,683,199</u>	<u>\$ 78,714,354</u>	<u>\$ 82,392,413</u>	<u>\$ 73,399,953</u>	<u>\$ 75,292,545</u>	<u>\$ 75,839,460</u>	<u>\$ 70,172,566</u>	<u>\$ (56,883,023)</u>	<u>\$ (43,643,284)</u>
Adjustment for beginning net pension liability per GASB 68								(140,126,213)		
Adjustment for 2014 employer contributions per GASB 71								8,630,710		
Total net position, as restated, June 30, 2014								<u>\$ (61,322,937)</u>		

Source: Statement of Net Position (Exhibit A)

Roanoke County Public Schools
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2
Unaudited

Governmental Activities	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Instruction	\$102,574,458	\$107,156,982	\$113,413,226	\$104,853,420	\$104,091,890	\$104,117,764	\$107,041,368	\$108,041,904	\$109,136,909	\$107,696,660
Administration	3,302,541	3,248,300	3,037,138	2,878,527	2,362,580	2,593,752	2,595,087	2,505,845	2,719,118	2,909,808
Attendance and health	2,624,041	2,960,709	2,915,739	2,910,184	2,598,603	2,729,219	2,301,288	2,132,406	2,358,106	2,332,133
Transportation	5,717,561	6,007,152	6,119,667	5,833,078	6,964,180	6,675,986	6,751,036	6,620,044	6,014,584	5,924,837
Operations and maintenance	11,958,229	10,970,831	12,138,884	12,378,003	11,436,014	11,542,861	12,114,141	12,033,120	11,164,752	11,227,448
Technology	4,693,570	5,527,484	5,754,612	4,511,121	6,121,084	4,946,469	4,609,269	5,991,294	4,356,121	6,367,798
School nutrition	5,198,160	5,376,635	5,894,703	5,622,545	5,572,527	5,682,159	5,827,060	5,612,945	5,041,064	4,804,867
Capital lease interest	-	141,582	132,312	122,565	187,855	87,563	73,194	57,835	41,367	23,731
Payment of interest and other charges for County capital projects	2,904,369	3,429,369	4,729,369	10,871,639	24,413,643	6,450,345	6,725,345	8,911,343	7,325,344	7,325,340
Facilities	982,443	3,559,558	-	-	-	-	-	-	-	-
Total expenses	139,955,372	148,378,602	154,135,650	149,981,082	163,748,376	144,826,118	148,037,788	151,906,736	148,157,365	148,612,622
Program revenues										
<i>Charges for services:</i>										
Instruction	908,028	796,490	853,738	806,398	877,818	832,118	841,332	888,546	814,843	689,976
Administration	-	210	2,728	3,775	297	124	-	-	-	-
Operations and maintenance	6,835	10,860	4,490	174,589	53,225	22,775	48,487	58,800	102,418	97,858
School nutrition	3,788,710	3,664,463	3,790,895	3,613,046	3,535,548	3,480,466	3,280,884	3,013,951	3,015,530	2,955,049
Operating grants and contributions	21,893,206	24,665,232	24,465,320	28,973,555	32,456,049	23,680,280	25,239,635	24,199,967	25,685,624	26,189,097
Capital grants and contributions	1,056,544	1,131,195	1,318,410	1,512,936	1,588,677	893,950	2,491,469	860,106	1,814,146	9,116,549
Total revenues	27,653,323	30,268,450	30,435,581	35,084,299	38,511,614	28,909,713	31,901,807	29,021,370	31,432,561	39,048,529
Net expense	(112,302,049)	(118,110,152)	(123,700,069)	(114,896,783)	(125,236,762)	(115,916,405)	(116,135,981)	(122,885,366)	(116,724,804)	(109,564,093)
General revenues and other changes in net position										
Payments from										
Roanoke County	60,747,935	64,717,113	64,267,132	63,597,776	64,559,361	66,083,024	65,597,324	65,944,318	67,617,035	68,924,133
Non-categorical state aid	56,191,094	55,861,280	64,632,296	53,945,620	50,182,318	51,265,516	50,771,561	50,799,563	53,150,488	53,533,578
Gain on sale of capital assets	-	57,318	5,163	674,143	27,134	29,264	28,114	38,838	13,733	8,616
Miscellaneous	1,278,643	1,173,552	655,397	357,303	397,886	431,193	285,897	435,753	383,462	337,505
Capital donated to (from) Schools	(377,308)	108,000	5,171,236	-	1,077,603	-	-	-	-	-
Total general revenues and other changes in net position	117,840,364	121,917,263	134,731,224	118,574,842	116,244,302	117,808,997	116,682,896	117,218,472	121,164,718	122,803,832
Change in net position	\$ 5,538,315	\$ 3,807,111	\$ 11,031,155	\$ 3,678,059	\$ (8,992,460)	\$ 1,892,592	\$ 546,915	\$ (5,666,894)	\$ 4,439,914	\$ 13,239,739

Source: Statement of Activities (Exhibit B)

Roanoke County Public Schools
Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund					(1)					
Reserved	\$ 339,662	\$ 471,515	\$ 179,035	\$ 273,752						
Unreserved, designated	6,653,171	4,816,548	4,472,007	6,675,386						
Unreserved, undesignated	1,300,000	2,000,000	1,000,000	2,671,290						
Nonspendable					\$ 146,447	\$ 243,570	\$ 178,017	\$ 249,890	\$ 232,353	\$ 162,313
Restricted					2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Committed					11,842,982	3,994,560	1,638,186	4,045,276	4,972,947	5,834,792
Assigned					473,950	600,606	817,935	34,719	133,827	26,902
Unassigned					-	-	-	-	-	-
Total fund balance	\$ 8,292,833	\$ 7,288,063	\$ 5,651,042	\$ 9,620,428	\$ 14,463,379	\$ 6,838,736	\$ 4,634,138	\$ 6,329,885	\$ 7,339,127	\$ 8,024,007
All other governmental funds										
Reserved	\$ 2,498,765	\$ 569,989	\$ 207,206	\$ 257,908						
Unreserved, designated:										
Special Revenue Fund	1,822,817	1,934,391	2,483,733	3,171,196						
Capital Projects Fund	8,062,159	7,680,942	14,731,538	16,273,830						
Nonspendable					\$ 102,327	\$ 74,255	\$ 106,646	\$ 183,435	\$ 226,933	\$ 203,302
Restricted					157,951	75,677	92,364	75,494	75,508	66,398
Committed					5,733,083	15,387,193	16,715,054	12,845,599	14,584,349	14,788,306
Assigned					195,552	-	-	-	-	-
Total fund balance	\$ 12,383,741	\$ 10,185,322	\$ 17,422,477	\$ 19,702,934	\$ 6,188,913	\$ 15,537,125	\$ 16,914,064	\$ 13,104,528	\$ 14,886,790	\$ 15,058,006
Total fund balances - all governmental funds	\$ 20,676,574	\$ 17,473,385	\$ 23,073,519	\$ 29,323,362	\$ 20,652,292	\$ 22,375,861	\$ 21,548,202	\$ 19,434,413	\$ 22,225,917	\$ 23,082,013

Source: Balance Sheet - Governmental Funds (Exhibit C)

Notes:

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

(1) In fiscal year 2011, the School System implemented GASB Statement 54, which resulted in moving school textbooks and school bus special revenue funds into the General Fund. Per the statement, prior year fund balances have not been restated.

Roanoke County Public Schools
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Roanoke County	\$ 60,747,935	\$ 64,717,113	\$ 64,292,132	\$ 63,622,776	\$ 64,951,268	\$ 66,108,024	\$ 65,647,324	\$ 65,969,318	\$ 67,617,035	\$ 68,924,133
Commonwealth of Virginia	72,785,446	74,870,079	83,349,243	71,309,332	65,885,715	67,879,498	69,191,858	69,327,834	72,094,741	73,064,205
Federal government	6,601,781	6,946,602	7,025,549	13,154,962	18,279,497	8,382,678	7,761,649	6,757,028	7,668,652	7,499,321
Charges for services	4,470,075	4,257,357	4,368,022	4,408,785	4,166,423	3,961,756	3,883,207	3,646,693	3,701,470	3,611,433
Other	667,732	600,683	490,488	257,273	340,243	402,610	303,183	393,084	326,570	253,371
Total revenues	145,272,969	151,391,834	159,525,434	152,753,128	153,623,146	146,734,566	146,787,221	146,093,957	151,408,468	153,352,463
Expenditures										
<i>Current:</i>										
Instruction	102,085,681	106,716,335	111,649,978	103,447,341	101,375,153	99,645,396	102,153,926	102,199,992	105,269,002	105,356,201
Administration	3,306,631	3,262,037	3,000,153	2,854,789	2,269,955	2,472,589	2,369,109	2,460,131	2,807,443	3,601,491
Attendance and health	2,647,551	2,987,391	2,918,544	2,946,828	2,592,637	2,717,336	2,287,489	2,108,964	2,424,938	2,366,707
Transportation	5,652,308	6,025,437	5,608,857	5,997,771	7,054,463	6,668,232	6,405,023	6,522,524	5,304,357	6,896,242
Operations and maintenance	12,055,177	11,071,884	12,125,394	12,507,630	11,370,452	11,643,854	12,021,331	11,866,554	11,382,964	11,558,047
Technology	4,723,754	5,567,218	5,766,371	4,556,074	6,108,595	6,675,913	5,167,438	6,627,926	5,657,517	6,988,432
School nutrition	5,191,962	5,367,882	5,885,913	5,615,301	5,563,659	5,864,493	5,839,269	5,594,187	5,022,818	4,820,635
<i>Capital lease debt service:</i>										
Principal	-	244,848	280,650	325,571	347,180	373,940	363,984	391,883	421,293	452,286
Interest	-	141,582	132,312	122,565	113,255	99,163	83,994	69,535	53,967	37,231
<i>Capital outlay:</i>										
Facilities	8,113,735	9,563,489	2,138,689	649,418	1,112,358	2,507,844	5,440,998	3,358,661	2,961,054	2,914,678
<i>Intergovernmental:</i>										
Roanoke County	2,904,369	3,429,369	4,729,369	10,696,615	24,413,643	6,450,345	6,725,345	8,911,343	7,325,344	7,325,340
Total expenditures	146,681,168	154,377,472	154,236,230	149,719,903	162,321,350	145,119,105	148,857,906	150,111,700	148,630,697	152,317,290
Excess (deficiency) of revenues over (under) expenditures	(1,408,199)	(2,985,638)	5,289,204	3,033,225	(8,698,204)	1,615,461	(2,070,685)	(4,017,743)	2,777,771	1,035,173
Other financing sources (uses)										
Transfers, net	(425,355)	(290,845)	183,250	1,205,142	-	78,844	1,214,912	1,865,116	-	(187,693)
Issuance of debt	3,564,057	-	122,517	-	-	-	-	-	-	-
Proceeds from sale of property	47,326	73,294	5,163	2,011,476	27,134	29,264	28,114	38,838	13,733	8,616
Total other financing sources (uses), net	3,186,028	(217,551)	310,930	3,216,618	27,134	108,108	1,243,026	1,903,954	13,733	(179,077)
Change in fund balances	\$ 1,777,829	\$ (3,203,189)	\$ 5,600,134	\$ 6,249,843	\$ (8,671,070)	\$ 1,723,569	\$ (827,659)	\$ (2,113,789)	\$ 2,791,504	\$ 856,096
Debt service as a percentage of non-capital expenditures	0.00%	0.26%	0.28%	0.30%	0.29%	0.33%	0.31%	0.32%	0.33%	0.33%

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

Roanoke County Public Schools
Major Local Revenue Sources - General Fund
Last Ten Fiscal Years

Table 5
Unaudited

Fiscal Year	County of Roanoke			State Aid		
	Annual Appropriation	Increase (Decrease)	Percent Change	Annual Appropriation	Increase (Decrease)	Percent Change
2007	\$ 60,747,935	\$ 1,822,721	3.09%	\$ 70,197,695	\$ 7,912,175	12.70%
2008	64,717,113	3,969,178	6.53	72,106,483	1,908,788	2.72
2009	64,267,132	(449,981)	(0.70)	80,195,499	8,089,016	11.22
2010	63,597,776	(669,356)	(1.04)	69,502,612	(10,692,887)	(13.33)
2011	64,559,361	961,585	1.51	64,103,729	(5,398,883)	(7.77)
2012	66,083,024	1,523,663	2.36	66,119,254	2,015,525	3.14
2013	65,597,324	(485,700)	(0.73)	67,541,127	1,421,873	2.15
2014	65,944,318	346,994	0.53	67,573,186	32,059	0.05
2015	66,996,426	1,052,108	1.60	70,235,683	2,662,497	3.94
2016	67,703,707	707,281	1.06	71,274,588	1,038,905	1.48

Source: Budgetary Comparison Schedule - General Fund (Exhibit L)

County of Roanoke, Virginia
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 6
Unaudited

Fiscal Year	Real Property	Personal Property	Public Service Corporation	Total Taxable Assessed Value	Real Property Direct Tax Rate	Personal Property Tax Rate		Estimated Actual Taxable Value
						Tangible	Machinery & Tools	
2007	\$7,052,990,600	\$ 778,899,217	\$ 202,045,580	\$8,033,935,397	\$1.09	\$3.50	\$3.00	\$ 9,679,440,237
2008	7,630,455,000	830,364,367	223,884,755	8,684,704,122	1.09	3.50	3.00	10,217,298,967
2009	7,929,158,898	766,339,671	224,653,310	8,920,151,879	1.09	3.50	3.00	10,494,293,975
2010	8,020,716,300	780,689,905	233,127,850	9,034,534,055	1.09	3.50	3.00	10,151,161,860
2011	8,053,281,600	782,346,945	223,646,000	9,059,274,545	1.09	3.50	3.00	9,847,037,549
2012	7,968,030,200	814,156,400	233,411,860	9,015,598,460	1.09	3.50	3.00	9,391,248,396
2013	7,798,171,500	835,361,990	247,863,410	8,881,396,900	1.09	3.50	3.00	9,062,649,898
2014	7,850,267,000	855,450,240	257,490,630	8,963,207,870	1.09	3.50	3.00	9,146,130,480
2015	7,972,937,500	889,550,760	267,613,790	9,130,102,050	1.09	3.50	3.00	9,712,874,521
2016	8,098,986,500	899,232,061	277,724,570	9,275,943,131	1.09	3.50	2.95	9,868,024,607

Source: Roanoke County Real Estate Office

Note:

Property in Roanoke County is assessed annually and is assessed at approximately 92.8% of actual value for 2007-2014 and at approximately 94% of actual value for years 2015-2016. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$100 assessed value.

County of Roanoke, Virginia
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Table 7
Unaudited

Fiscal Year	Direct Rates County of Roanoke					Overlapping Rates Town of Vinton		
	Real Property			Personal Property		Real Property	Personal Property	
	First Half	Second Half	Total	Tangible	Machinery & Tools		Tangible	Machinery & Tools
2007	\$0.545	\$0.545	\$1.09	\$3.50	\$3.00	\$0.03	\$1.00	\$1.00
2008	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2009	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2010	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2011	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2012	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2013	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2014	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2015	0.545	0.545	1.09	3.50	3.00	0.07	1.00	1.00
2016	0.545	0.545	1.09	3.50	2.95	0.07	1.00	1.00

Source: Roanoke County Real Estate Office

Notes:

All tax rates per \$100 of assessed value.

The County's tax rates are determined each year by the Roanoke County Board of Supervisors.

Overlapping rates are those of the Town of Vinton, which is located in the County of Roanoke. Only those residents living in Vinton are subject to both the Town of Vinton's rate and the County of Roanoke's rate.

**County of Roanoke, Virginia
Principal Property Tax Payers
Current Year and Nine Years Ago**

**Table 8
Unaudited**

Taxpayer	2016			2007		
	Taxable Assessed Value (Millions)	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value (Millions)	Rank	Percentage of Total County Taxable Assessed Value
Appalachian Power Company	154	1	1.66%	96	1	1.20%
Kroger Limited Partnership	39	2	0.42	19	4	0.24
Wal-Mart Real Estate Business	28	3	0.30	-	-	-
Roanoke Tanglewood, LLC	24	4	0.26	40	3	0.50
Verizon Virginia, LLC	24	5	0.26	41	2	0.51
Cellco Partnership /dba/ Verizon Wireless	23	6	0.25	-	-	-
Roanoke Gas Company	22	7	0.24	14	8	0.17
Norfolk and Western Railway Company	21	8	0.23	-	-	-
Mikeone EK Roanoke, LLC	19	9	0.20	-	-	-
Integrity Windows, Inc.	18	10	0.19	-	-	-
First States Investors 3300, LLC	-	-	-	17	5	0.21
Villages at Garst Creek, LLC	-	-	-	17	6	0.21
Lowes	-	-	-	16	7	0.20
Pebble Creek, LLC	-	-	-	14	9	0.17
Roanoke Valleypointe, LLC	-	-	-	14	10	0.17
Total	372		4.01%	288		3.58%

Source: Roanoke County Real Estate Office

**County of Roanoke, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years**

**Table 9
Unaudited**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 106,526,759	\$ 101,614,506	95.39%	\$ 3,113,141	\$ 104,727,647	98.31%
2008	113,379,407	107,449,039	94.77	3,692,916	111,141,955	98.03
2009	116,316,521	111,054,250	95.48	2,972,938	114,027,188	98.03
2010	116,489,107	111,980,936	96.13	3,835,301	115,816,237	99.42
2011	118,335,928	113,612,208	96.01	3,984,345	117,596,553	99.38
2012	118,634,364	113,978,854	96.08	4,150,587	118,129,441	99.57
2013	118,489,124	113,917,134	96.14	3,672,916	117,590,050	99.24
2014	118,192,461	113,964,831	96.42	2,648,815	116,613,646	98.66
2015	120,224,376	116,398,283	96.82	2,050,713	118,448,996	98.52
2016	123,023,949	118,615,971	96.42	-	118,615,971	96.42

Source: Roanoke County Commissioner of Revenue and Treasurer's Offices

County of Roanoke, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 10
Unaudited

Fiscal Year	Governmental Activities					Total Primary Government	Component Unit	Percentage of Personal Income	Per Capita Personal Income	Percentage of Assessed Value of Taxable Property
	General Obligation Debt	Lease Revenue Bonds	VPSA School Bonds	State Literary Bonds	Capital Leases		School Board Capital Leases			
								(1)	(1)	
2007	\$ 19,040,454	\$ 24,724,570	\$ 60,490,721	\$ 6,038,498	\$ -	\$ 110,294,243	\$ 3,564,057	2.65%	\$1,253	1.42%
2008	16,825,346	82,989,144	78,376,947	5,211,866	-	183,403,303	3,319,209	3.93	2,065	2.15
2009	14,560,238	80,954,308	120,748,501	4,524,181	-	220,787,228	3,161,076	4.91	2,465	2.51
2010	12,645,130	78,700,454	115,035,423	4,064,860	-	210,445,867	2,835,505	4.56	2,343	2.36
2011	10,655,022	76,376,966	107,150,919	3,617,042	1,148,037	198,947,986	2,488,325	4.21	2,181	2.22
2012	8,584,914	73,969,030	109,290,686	3,169,225	1,052,372	196,066,227	2,114,385	3.98	2,138	2.20
2013	6,416,798	71,455,422	100,944,620	2,721,409	952,889	182,491,138	1,750,401	3.57	1,976	2.07
2014	6,150,390	79,182,582	92,638,652	2,273,592	849,437	181,094,653	1,358,518	3.36	1,968	2.04
2015	5,332,236	76,949,408	104,311,123	1,825,775	741,516	189,160,058	937,225	3.50	2,032	2.08
2016	4,497,704	81,150,705	95,149,806	-	-	180,798,215	484,939	3.33	1,933	1.95

Fiscal Year	School System		
	Long-term Debt	Percentage of Personal Income	Per Capita Personal Income
		(1)	(1)
2007	\$ 3,564,057	0.08%	\$39.21
2008	3,319,209	0.07	36.71
2009	3,161,076	0.07	34.79
2010	2,835,505	0.06	31.16
2011	2,488,325	0.05	26.94
2012	2,114,385	0.04	22.81
2013	1,750,401	0.03	18.77
2014	1,358,518	0.02	14.65
2015	937,225	0.02	10.02
2016	484,939	0.01	5.17

Source: Roanoke County Finance Office

Notes:

(1) Personal income and per capita personal income from Table 13 Demographic Statistics

County of Roanoke, Virginia
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11
Unaudited

Fiscal Year	General Bonded Debt Outstanding - County Government					Percentage of	Per
	General Obligation Debt	Lease Revenue Bonds	VPSA School Bonds	State Literary Bonds	Total	Actual Taxable Value of Property	
						(1)	(2)
2007	\$ 19,040,454	\$ 24,724,570	\$ 60,490,721	\$ 6,038,498	\$ 110,294,243	1.14%	\$1,228
2008	16,825,346	82,989,144	78,376,947	5,211,866	183,403,303	1.80	2,031
2009	14,560,238	80,954,308	120,748,501	4,524,181	220,787,228	2.10	2,413
2010	12,645,130	78,700,454	115,035,423	4,064,860	210,445,867	2.07	2,281
2011	10,655,022	76,376,966	107,150,919	3,617,042	197,799,949	2.01	2,138
2012	8,584,914	73,969,030	109,290,686	3,169,225	195,013,855	2.08	2,104
2013	6,416,798	71,455,422	100,944,620	2,721,409	181,538,249	2.00	1,947
2014	6,150,390	79,182,582	92,638,652	2,273,592	180,245,216	1.97	1,944
2015	5,332,236	76,949,408	104,311,123	1,825,775	188,418,542	1.94	2,014
2016	4,497,704	81,150,705	95,149,806	-	180,798,215	1.83	1,928

Source: Roanoke County Finance Office

Notes:

- (1) Estimated Actual Taxable Value of Property from Table 6 Assessed Value and Estimated Actual Value of Taxable Property
(2) Population from Table 13 Demographic Statistics

County of Roanoke, Virginia
Debt Policy Information
Last Ten Fiscal Years

Table 12
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General bonded debt outstanding										
General Obligation Bonds	\$ 19,040,454	\$ 16,825,346	\$ 14,560,238	\$ 12,645,130	\$ 10,655,022	\$ 8,584,914	\$ 6,416,798	\$ 6,150,390	\$ 5,332,236	\$ 4,497,704
Lease Revenue Bonds	24,724,570	82,989,144	80,954,308	78,700,454	76,376,966	73,969,030	71,455,422	79,182,582	76,949,408	81,150,705
VPSA School Bonds	60,490,721	78,376,947	120,748,501	115,035,423	107,150,919	109,290,686	100,944,620	92,638,652	104,311,123	95,149,806
State Literary Bonds	6,038,498	5,211,866	4,524,181	4,064,860	3,617,042	3,169,225	2,721,409	2,273,592	1,825,775	-
Total net debt applicable to debt limits	<u>\$110,294,243</u>	<u>\$183,403,303</u>	<u>\$220,787,228</u>	<u>\$210,445,867</u>	<u>\$197,799,949</u>	<u>\$195,013,855</u>	<u>\$181,538,249</u>	<u>\$180,245,216</u>	<u>\$188,418,542</u>	<u>\$180,798,215</u>
Ratio of net debt to assessed taxable property value										
Actual	1.37%	2.11%	2.48%	2.33%	2.18%	2.16%	2.04%	2.01%	2.06%	1.95%
Debt limit per policy	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Ratio of net debt per capita										
Actual	\$1,228	\$2,031	\$2,413	\$2,281	\$2,138	\$2,104	\$1,947	\$1,944	\$2,014	\$1,928
Debt limit per policy	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Ratio of net debt to general fund governmental expenditures										
Actual	5.48%	5.05%	7.30%	7.79%	8.51%	8.29%	8.51%	7.20%	7.14%	7.57%
Debt limit per policy	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

Source: Roanoke County Finance Office

**County of Roanoke, Virginia
Demographic Statistics
Last Ten Fiscal Years**

**Table 13
Unaudited**

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Average Daily Membership	Unemployment Rate
	(1)	(2)	(2)	(3)	(4)
2007	89,809	\$4,303,761	\$37,324	14,777	2.60%
2008	90,293	4,750,916	41,019	14,802	2.80
2009	91,494	4,561,791	39,315	14,650	4.60
2010	92,253	4,672,291	39,315	14,474	6.30
2011	92,524	4,789,030	40,688	14,259	5.70
2012	92,687	4,984,547	42,288	14,081	5.60
2013	93,256	5,159,100	42,288	13,958	5.50
2014	92,703	5,435,865	45,577	13,929	5.20
2015	93,569	5,435,865	45,577	13,909	4.50
2016	93,775	5,435,865	45,577	13,982	3.50

Sources:

- (1)** Weldon Cooper Center for Public Service, Demographics Research Group, www.coopercenter.org/demographics
- (2)** Bureau of Economic Analysis (The latest information available is for 2014; subsequent years have not been updated.)
- (3)** Roanoke County Public School's Administration Department
- (4)** Virginia Employment Commission and the U.S. Bureau of Labor Statistics

County of Roanoke, Virginia
Principal Employers
Current Year and Nine Years Ago

Table 14
Unaudited

Employer	2016			2007		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Roanoke County Public Schools	1	Local Govt.	2000+	2	Local Govt.	2,000+
Wells Fargo Operations Center (Wachovia division)	2	Private	1,500+	4	Private	1500+
County of Roanoke	3	Local Govt.	500-999	7	Local Govt.	1,000+
Kroger Limited Partnership	4	Private	500-999	5	Private	1,500+
Friendship Manor	5	Private	500-999	-	-	-
Richfield Recovery & Care Center	6	Private	500-999	-	-	-
Allstate Insurance Company	7	Private	500-999	6	Private	1,000+
Wal-mart	8	Private	250-499	-	-	-
ITT Exelis-Harris Corporation	9	Private	250-499	7	Private	1,000+
Integrity Windows, Inc.	10	Private	250-499	-	-	-
Carilion Health System	-	-	-	1	Private	3,000+
Advance Auto Parts, Inc.	-	-	-	3	Private	1500+
MW Manufacturers	-	-	-	8	Private	500-999
Medical Facilities of America, Inc.	-	-	-	9	Private	500-999
Home Shopping Network	-	-	-	10	Private	500-999

Source: Roanoke County Economic Development Department

**Roanoke County Public Schools
Student Enrollment
Last Ten Fiscal Years**

Table 15
Unaudited

Fiscal Year	Average Daily Membership	Special Education Enrollment	English as a Second Language Enrollment	Per Pupil Cost
	(1)	(2)	(3)	(4)
2007	14,777	2,222	323	\$9,034
2008	14,802	2,218	327	9,487
2009	14,650	2,223	336	9,882
2010	14,474	2,192	401	9,348
2011	14,259	2,152	407	9,521
2012	14,081	2,164	397	9,506
2013	13,958	2,181	381	9,627
2014	13,929	2,159	352	9,701
2015	13,909	2,167	331	9,832
2016	13,982	2,236	389	10,081

Sources:

- (1)** Roanoke County Public School's Administration Department
- (2)** Roanoke County Public School's Special Education Department
- (3)** Roanoke County Public School's Instructional Department
- (4)** Superintendent's Annual Report Table 15. For fiscal year 2016, the per pupil cost was estimated from the Annual School Report and is not considered final until the Virginia Department of Education officially publishes the the Table 15.

**Roanoke County Public Schools
Number of Students Per Teacher
Last Ten Fiscal Years**

**Table 16
Unaudited**

Grade	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Kindergarten	17	17	17	19	18	20	20	19	19	19
1	19	18	17	19	20	21	20	20	20	19
2	18	18	18	20	20	20	21	20	20	20
3	19	18	18	19	20	21	21	21	21	20
4	20	19	18	20	21	22	21	21	21	20
5	21	20	19	20	21	22	22	21	21	21
6	22	21	20	23	23	23	23	23	23	21
7	22	21	21	23	23	23	23	23	23	21
8	22	21	21	23	23	23	23	23	23	20
9	23	21	21	22	22	22	22	22	23	20
10	22	21	21	22	22	22	22	22	23	20
11	22	21	21	22	22	22	22	22	23	21
12	22	21	21	22	22	22	22	22	23	21

Source: Roanoke County Public School's Human Resources Department

Notes:

These ratios include teaching support provided by Elementary Assistant Principals and Language Arts Coordinators who teach 50% of the day.

Roanoke County Public Schools
Standards of Learning Test Scores (SOL's)
Last Ten Fiscal Years

Table 17
Unaudited

Level Course	2007		2008		2009		2010		2011		2012		2013		2014		2015		2016	
	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA
Elementary SOL's:																				
Grade 3 English RLR	89	80	90	84	90	86	87	83	94	83	95	86	78	72	72	69	83	75	81	76
Grade 3 Mathematics	95	89	94	89	94	89	96	92	96	91	73	64	73	65	71	67	81	74	81	77
Grade 3 History	94	92	95	93	95	93	97	93	91	90	90	87	90	87	86	86	n/a	n/a	n/a	n/a
Grade 3 Science	93	88	91	88	92	89	95	91	96	85	94	90	87	84	85	83	n/a	n/a	n/a	n/a
Grade 4 VA Studies	85	83	88	83	94	88	92	87	94	87	95	89	93	87	90	85	93	87	92	87
Grade 4 Reading	91	87	93	88	91	89	94	88	93	89	94	88	81	70	79	70	84	77	85	77
Grade 4 Mathematics	83	81	92	84	92	86	93	88	93	87	83	70	84	74	87	80	89	84	88	83
Grade 5 English RLR	91	87	92	89	91	92	93	90	94	89	93	89	86	73	84	73	85	79	85	81
Grade 5 English Writing	91	89	88	87	96	86	90	88	90	87	92	87	79	71	75	71	n/a	n/a	n/a	n/a
Grade 5 Mathematics	90	87	93	88	97	90	95	90	95	89	80	67	82	69	85	73	86	79	86	79
Grade 5 Science	92	88	92	88	95	88	95	88	93	87	95	88	85	75	86	73	88	79	89	81
Grade 6 Reading	88	84	89	85	91	86	93	88	94	87	95	89	83	73	83	73	87	76	83	77
Grade 6 Mathematics	64	60	74	68	72	73	77	77	85	73	89	74	91	77	91	76	94	83	92	82
Grade 6 U S History to 1865	-	-	77	74	81	74	83	78	91	81	89	81	91	83	94	81	n/a	n/a	n/a	n/a
Grade 7 Reading	90	82	92	86	94	88	91	90	94	89	94	88	83	74	86	76	92	81	90	82
Grade 7 Mathematics	70	55	79	65	78	71	81	75	89	77	86	58	86	61	87	65	92	72	93	72
Grade 7 U S History 1865 to present	-	-	94	92	94	92	91	91	89	85	88	84	89	82	90	81	n/a	n/a	n/a	n/a
Grade 8 English RLR	83	79	92	83	92	87	93	90	94	90	95	89	84	71	80	70	85	75	87	75
Grade 8 English Writing	90	86	91	87	92	89	92	91	90	88	92	88	78	70	77	70	79	72	78	71
Grade 8 Mathematics	86	77	92	83	93	85	93	87	89	82	74	60	76	61	80	67	85	74	81	73
Grade 8 Civics	-	-	92	84	92	84	92	86	91	89	91	84	93	85	91	83	91	86	92	87
Grade 8 Science	94	89	95	90	94	90	96	92	95	92	97	92	92	76	81	74	85	78	86	79
Secondary SOL's:																				
End of Course English RLR	96	94	95	94	97	95	95	94	96	94	95	94	95	89	94	90	95	89	92	89
End of Course English Writing	96	92	96	92	98	92	95	92	97	93	96	93	90	87	91	84	87	83	88	83
Algebra I	95	92	92	93	97	94	98	94	97	94	86	73	88	76	91	79	89	82	91	83
Algebra II	85	88	90	90	94	91	96	91	97	91	68	69	83	76	88	82	86	87	94	89
Geometry	92	86	89	87	95	87	92	88	92	87	83	74	89	76	90	77	90	80	89	80
Earth Science	91	84	88	86	94	87	94	88	94	89	94	90	93	83	93	83	90	83	89	84
Biology	93	87	92	88	92	88	94	89	93	90	96	92	91	83	89	83	89	84	90	84
Chemistry	91	91	88	92	95	93	95	93	97	93	96	93	87	86	85	87	89	88	87	88
World History to 1500	97	89	96	91	92	93	98	93	94	81	98	84	98	84	98	85	97	85	96	84
World History from 1500	96	92	94	92	98	93	95	92	85	82	88	85	92	85	89	86	94	87	89	86
World Geography	86	83	n/a	n/a	91	86	87	86	n/a	n/a	n/a	n/a	91	86	88	n/a	n/a	n/a	85	86
US & VA History	95	93	95	94	97	95	96	95	92	83	88	85	93	86	92	87	90	87	89	86

Source: Roanoke County Pubic School's Testing and Remediation Department

**Roanoke County Public Schools
Scholastic Achievement Tests (SAT's)
Last Ten Fiscal Years**

**Table 18
Unaudited**

Fiscal Year	Participation Rate	Roanoke County Schools				Virginia	National
		Verbal	Math	Writing	Combined		
2007	48%	524	526	507	1,557	1,516	1,511
2008	47	514	522	507	1,543	1,517	1,523
2009	60	515	517	504	1,536	1,521	1,509
2010	50	515	525	507	1,547	1,521	1,509
2011	44	518	523	516	1,557	1,521	1,509
2012	42	522	525	505	1,552	1,510	1,477
2013	59	526	522	511	1,559	1,517	1,474
2014	62	519	511	497	1,527	1,520	1,472
2015	61	510	508	482	1,500	1,520	1,400
2016	62	525	526	472	1,523	1,522	1,453

Source: Roanoke County Public School's Counseling Services Department

Roanoke County Public Schools
Full-time Equivalent (FTE) Positions
Last Ten Fiscal Years

Table 19
Unaudited

Positions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
School Board Member	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Assistant Superintendent	2.7	2.7	3.0	2.7	2.7	2.7	2.7	1.7	2.1	2.0
Administrator	30.9	29.7	31.3	20.5	16.8	19.2	12.8	14.0	14.5	15.7
Principal	29.0	29.0	29.0	29.0	27.0	27.0	27.3	27.0	26.8	26.9
Assistant Principal	27.1	27.5	28.5	28.0	26.9	26.0	25.3	24.9	24.8	24.2
Teacher	1,188.5	1,193.5	1,201.7	1,153.6	1,096.9	1,113.0	1,101.7	1,100.0	1,111.8	1,119.1
Guidance Counselor	57.9	57.6	59.9	43.4	42.9	47.0	47.7	47.8	47.7	47.7
Librarian	26.0	25.9	25.0	26.3	28.0	26.0	24.2	25.9	25.7	24.8
Social Worker	3.0	3.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Instructional Assistant	291.9	309.9	310.8	288.5	299.4	293.7	288.4	282.4	286.2	298.0
Secretary	74.7	74.7	75.5	75.5	69.9	71.4	68.6	69.0	69.8	70.9
School Nurse	24.7	27.9	27.8	26.0	25.9	23.0	24.7	24.3	26.2	27.7
School Psychologist	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.9	8.9	9.0
Other Attendance & Health	19.0	19.2	19.5	18.9	6.3	9.7	7.3	8.0	7.8	7.8
Bus Driver	162.4	168.5	176.5	170.9	170.8	175.7	174.3	167.3	182.8	191.1
Other Transportation	18.8	18.0	18.3	18.2	16.6	16.1	15.8	16.4	16.3	17.2
Custodian	118.0	121.3	118.3	127.1	114.1	113.3	113.0	102.9	83.8	67.1
Tradesman	34.0	33.0	35.5	31.8	30.2	29.7	29.7	28.0	29.1	27.7
Other Maintenance	6.0	6.5	6.9	5.3	4.0	4.0	4.0	4.0	3.8	4.0
Construction	4.0	6.0	6.4	5.2	4.0	4.4	4.0	4.3	4.4	3.9
Technology	49.0	50.5	50.0	47.0	40.9	37.6	37.3	36.4	36.2	34.1
School Nutrition	135.5	142.4	145.2	136.8	128.7	126.0	120.0	117.5	110.7	110.1
Total	2,318.1	2,362.0	2,388.1	2,273.7	2,171.0	2,184.5	2,147.8	2,120.7	2,129.4	2,139.0

Source: Annual School Report

**Roanoke County Public Schools
Teacher Salary Information
Last Ten Fiscal Years**

**Table 20
Unaudited**

Degree	Level	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
								(1)			
Bachelors	Min	\$34,000	\$34,500	\$35,000	\$35,000	\$35,000	\$35,700	\$36,000	\$36,000	\$36,000	\$36,000
	Max	52,565	54,404	57,125	57,125	57,125	58,268	63,366	63,366	64,633	64,885
Bachelors + 12 hrs	Min	34,321	34,821	35,321	35,321	35,321	36,021	36,321	36,321	36,321	36,321
	Max	53,020	54,859	57,580	57,580	57,580	58,723	63,821	63,821	65,088	65,340
Bachelors + 24 hrs	Min	34,482	34,982	35,482	35,482	35,482	36,182	36,482	36,482	36,482	36,482
	Max	53,248	55,087	57,808	57,808	57,808	58,951	64,049	64,049	65,316	65,568
Masters	Min	35,605	36,105	36,605	36,605	36,605	37,305	37,605	37,605	37,605	37,605
	Max	54,840	56,679	59,400	59,400	59,400	60,543	65,641	65,641	66,908	67,160
Masters + 12 hrs	Min	35,766	36,266	36,766	36,766	36,766	37,466	37,766	37,766	37,766	37,766
	Max	55,068	56,907	59,628	59,628	59,628	60,771	65,869	65,869	67,136	67,388
Masters + 24 hrs	Min	35,926	36,426	36,926	36,926	36,926	37,626	37,926	37,926	37,926	37,926
	Max	55,295	57,134	59,855	59,855	59,855	60,998	66,096	66,096	67,363	67,615
Doctorate	Min	37,210	37,710	38,210	38,210	38,210	38,910	39,210	39,210	39,210	39,210
	Max	57,115	58,954	61,675	61,675	61,675	62,818	67,916	67,916	69,183	69,435
Average Annual Salary Increase		4.50%	3.50%	5.00%	0.00%	0.00%	2.00%	8.75%	0.00%	2.00%	2.50%
Average Salary		\$46,734	\$47,698	\$49,221	\$48,656	\$48,712	\$48,267	\$50,886	\$49,968	\$49,719	\$49,967
Virginia Average Salary		\$49,152	\$50,511	\$52,309	\$52,149	\$51,903	\$52,003	\$52,561	\$53,466	\$54,516	\$55,553

Source: Annual Budget and Salary Scales

Note:

(1) In fiscal year 2013, the salary increase includes state mandated pass through of 5.0% VRS contribution.

Roanoke County Public Schools
Expenditures by Function - General Fund
Last Ten Fiscal Years

Table 21
Unaudited

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction	\$ 94,875,331 77.1%	\$ 99,117,153 76.5%	\$ 103,689,529 76.1%	\$ 94,148,008 75.5%	\$ 92,094,364 74.2%	\$ 93,314,768 74.2%	\$ 96,391,360 74.5%	\$ 97,531,990 74.2%	\$ 99,642,723 75.0%	\$ 99,646,993 73.1%
Administration	3,304,531 2.7%	3,261,460 2.5%	3,000,153 2.2%	2,852,598 2.3%	2,269,955 1.8%	2,472,105 2.0%	2,368,952 1.8%	2,459,588 1.9%	2,645,348 2.0%	2,795,734 2.1%
Attendance and health	2,435,385 2.0%	2,751,056 2.1%	2,670,042 2.0%	2,716,220 2.2%	2,207,280 1.8%	2,181,587 1.7%	2,018,980 1.6%	1,948,458 1.5%	2,085,647 1.6%	2,172,278 1.6%
Transportation	4,830,524 3.9%	5,233,994 4.0%	5,300,869 3.9%	5,314,350 4.3%	7,054,463 5.7%	6,668,232 5.3%	6,405,023 4.9%	6,522,524 5.0%	5,304,357 4.0%	6,896,242 5.1%
Operations and maintenance	11,279,126 9.2%	11,192,791 8.6%	12,125,394 8.9%	11,591,085 9.3%	10,868,321 8.8%	11,335,888 9.0%	11,975,025 9.3%	11,641,249 8.9%	11,221,460 8.4%	11,116,417 8.2%
Technology	3,126,761 2.5%	4,020,246 3.1%	4,012,055 2.9%	3,359,628 2.7%	3,059,017 2.5%	2,944,589 2.3%	3,078,205 2.4%	3,896,061 3.0%	4,162,379 3.1%	5,786,781 4.2%
Capital lease debt service	- 0.0%	246,264 0.2%	412,506 0.3%	448,136 0.4%	460,435 0.4%	473,103 0.4%	447,978 0.3%	461,418 0.4%	475,260 0.4%	489,517 0.4%
Facilities	225,099 0.2%	322,763 0.2%	340,810 0.3%	292,422 0.2%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%
Debt service	2,904,369 2.6%	3,429,369 3.0%	4,729,369 3.7%	4,029,369 3.3%	6,125,345 4.8%	6,450,345 5.1%	6,725,345 5.2%	7,025,343 5.1%	7,325,344 5.5%	7,325,340 5.3%
Total expenditures	<u>\$ 122,981,126</u>	<u>\$ 129,575,096</u>	<u>\$ 136,280,727</u>	<u>\$ 124,751,816</u>	<u>\$ 124,139,180</u>	<u>\$ 125,840,617</u>	<u>\$ 129,410,868</u>	<u>\$ 131,486,631</u>	<u>\$ 132,862,518</u>	<u>\$ 136,229,302</u>

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

Roanoke County Public Schools
Expenditures by Function Per Pupil - General Fund
Last Ten Fiscal Years

Table 22
Unaudited

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction	\$ 6,420 77.1%	\$ 6,696 76.5%	\$ 7,078 76.1%	\$ 6,505 75.5%	\$ 6,459 74.2%	\$ 6,627 74.2%	\$ 6,906 74.5%	\$ 7,002 74.2%	\$ 7,164 75.0%	\$ 7,127 73.1%
Administration	224 2.7%	220 2.5%	205 2.2%	197 2.3%	159 1.8%	176 2.0%	170 1.8%	177 1.9%	190 2.0%	200 2.1%
Attendance and health	165 2.0%	186 2.1%	182 2.0%	188 2.2%	155 1.8%	155 1.7%	145 1.6%	140 1.5%	150 1.6%	155 1.6%
Transportation	327 3.9%	354 4.0%	362 3.9%	367 4.3%	495 5.7%	474 5.3%	459 4.9%	468 5.0%	381 4.0%	493 5.1%
Operations and maintenance	763 9.2%	756 8.6%	828 8.9%	801 9.3%	762 8.8%	805 9.0%	858 9.3%	836 8.9%	807 8.4%	795 8.2%
Technology	212 2.5%	272 3.1%	274 2.9%	232 2.7%	215 2.5%	209 2.3%	221 2.4%	280 3.0%	299 3.1%	414 4.2%
Capital lease debt service	- 0.0%	17 0.2%	28 0.3%	31 0.4%	32 0.4%	34 0.4%	32 0.3%	33 0.4%	34 0.4%	35 0.4%
Facilities	15 0.2%	22 0.2%	23 0.3%	20 0.2%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%
Debt service	196 2.6%	231 3.0%	322 3.7%	278 3.3%	429 4.8%	457 5.1%	480 5.2%	504 5.1%	527 5.5%	524 5.3%
Total expenditures	<u>\$ 8,322</u>	<u>\$ 8,754</u>	<u>\$ 9,302</u>	<u>\$ 8,619</u>	<u>\$ 8,706</u>	<u>\$ 8,937</u>	<u>\$ 9,271</u>	<u>\$ 9,440</u>	<u>\$ 9,552</u>	<u>\$ 9,743</u>
March 31 ADM	14,777	14,802	14,650	14,474	14,259	14,081	13,958	13,929	13,909	13,982

Sources:

Expenditures derived from the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit E)

March 31 ADM derives from Student Enrollment (Table 15)

Note: ADM is average daily membership calculated as of March 31 each year and used by the Department of Education in the state funding formulas.

**Roanoke County Public Schools
School Nutrition Program
Last Ten Fiscal Years**

**Table 23
Unaudited**

Fiscal Year	Lunch				Breakfast			Free and Reduced Eligibility
	Number Served Daily	Student Lunch Price			Number Served Daily	Number Breakfast Sites	Student Breakfast Price	
		Elementary School	Middle School	High School				
2007	7,520	\$1.75	\$1.75	\$1.75	1,023	17	\$0.85	17.0%
2008	7,516	1.75	1.75	1.75	1,107	17	0.85	18.5
2009	7,449	2.00	2.00	2.00	1,106	17	1.00	20.0
2010	7,517	2.00	2.00	2.00	1,229	19	1.00	21.0
2011	7,477	2.00	2.00	2.00	1,367	19	1.00	23.8
2012	7,086	2.05	2.05	2.05	1,592	22	1.00	25.2
2013	6,345	2.15	2.15	2.15	1,582	24	1.00	25.7
2014	6,395	2.25	2.25	2.25	1,603	24	1.10	26.7
2015	6,195	2.35	2.35	2.35	1,722	26	1.15	28.9
2016	6,035	2.35	2.60	2.60	1,888	26	1.25	27.3

Source: Roanoke County Public School's Nutrition Department

**Roanoke County Public Schools
Capital Asset Statistics
Last Ten Fiscal Years**

**Table 24
Unaudited**

School / Statistic	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					(1)					(2)
Back Creek Elementary (1937)										
Square feet	48,316	48,316	48,316	48,316	48,316	48,316	48,316	48,316	48,316	48,316
Capacity (student)	386	386	386	386	386	386	386	386	386	349
Enrollment	331	311	285	298	318	303	318	287	303	325
Bonsack Elementary (1998)										
Square feet	70,514	70,514	70,514	70,514	57,649	57,649	57,649	57,649	57,649	57,649
Capacity (student)	572	572	572	572	572	572	572	572	572	428
Enrollment	469	463	440	447	447	418	418	392	399	389
Burlington Elementary (1939)										
Square feet	62,225	62,225	62,225	62,225	62,225	62,225	65,649	65,649	65,649	65,649
Capacity (student)	473	473	473	473	473	473	473	473	473	525
Enrollment	453	437	445	459	445	422	420	420	427	455
Cave Spring Elementary (1961)										
Square feet	49,164	49,164	49,164	49,164	65,245	65,245	65,245	65,245	65,245	65,245
Capacity (student)	537	537	537	537	600	600	600	600	600	501
Enrollment	506	496	441	445	435	472	459	452	466	494
Clearbrook Elementary (1938)										
Square feet	42,385	42,385	42,385	42,385	47,833	47,833	47,833	47,833	47,833	47,833
Capacity (student)	294	294	294	294	294	294	294	294	294	354
Enrollment	208	237	246	230	232	272	297	319	334	359
Fort Lewis Elementary (1928)										
Square feet	33,754	33,754	33,754	33,754	33,754	33,754	33,754	33,754	33,754	33,754
Capacity (student)	235	235	235	235	235	235	235	235	235	252
Enrollment	215	205	233	234	233	223	229	220	221	241

(Continued)

**Roanoke County Public Schools
Capital Asset Statistics
Last Ten Fiscal Years**

**Table 24
Unaudited**

School / Statistic	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					(1)					(2)
Glen Cove Elementary (1971)										
Square feet	65,630	65,630	65,630	65,630	65,630	65,630	65,630	65,630	65,630	65,630
Capacity (student)	516	516	516	516	516	516	516	516	516	470
Enrollment	446	433	443	443	434	423	430	443	429	446
Glenvar Elementary (1959)										
Square feet	65,521	65,521	65,521	65,521	61,418	61,418	61,418	61,418	61,418	61,418
Capacity (student)	446	446	446	446	446	446	446	446	446	420
Enrollment	352	366	358	354	355	365	351	363	359	403
Green Valley Elementary (1964)										
Square feet	51,469	51,469	51,469	51,469	69,629	69,629	69,629	69,629	69,629	69,629
Capacity (student)	387	387	387	387	600	600	600	600	600	517
Enrollment	365	350	370	359	347	383	409	418	458	518
Herman L. Horn Elementary (1961)										
Square feet	53,299	53,299	53,299	53,299	65,847	65,847	65,847	65,847	65,847	65,847
Capacity (student)	552	552	552	552	552	552	552	552	552	501
Enrollment	431	406	413	413	400	396	398	386	378	426
Mason's Cove Elementary (2012)										
Square feet	40,258	40,258	40,258	40,258	40,258	51,678	51,678	51,678	51,678	51,678
Capacity (student)	279	279	279	279	279	350	350	350	350	270
Enrollment	198	190	186	192	190	197	205	197	226	234
Mount Pleasant Elementary (1934)										
Square feet	52,361	52,361	52,361	52,361	64,836	64,836	64,836	64,836	64,836	64,836
Capacity (student)	403	403	403	403	403	403	403	403	403	412
Enrollment	288	306	317	317	317	330	307	323	326	344

(Continued)

**Roanoke County Public Schools
Capital Asset Statistics
Last Ten Fiscal Years**

**Table 24
Unaudited**

School / Statistic	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					(1)					(2)
Mountain View Elementary (1959)										
Square feet	50,968	50,968	50,968	50,968	71,255	71,255	71,255	71,255	71,255	71,255
Capacity (student)	584	584	584	584	584	584	584	584	584	483
Enrollment	467	446	451	449	462	444	430	389	379	376
Oak Grove Elementary (1959)										
Square feet	48,658	48,658	48,658	48,658	55,355	55,355	55,355	55,355	55,355	55,355
Capacity (student)	564	564	564	564	564	564	564	564	564	467
Enrollment	491	539	538	536	540	479	446	434	423	458
Penn Forest Elementary (1972)										
Square feet	70,387	70,387	70,387	70,387	64,206	64,206	64,206	64,206	64,206	64,206
Capacity (student)	516	516	516	516	516	516	516	516	516	504
Enrollment	557	580	564	567	544	472	463	456	449	462
W.E. Cundiff Elementary (1972)										
Square feet	62,133	62,133	62,133	62,133	62,133	62,133	62,133	62,133	62,133	62,133
Capacity (student)	512	512	512	512	512	512	512	512	512	585
Enrollment	535	524	472	479	484	456	455	497	515	533
Cave Spring Middle (2013)										
Square feet	74,511	74,511	74,511	74,511	77,527	77,527	135,365	135,365	135,365	135,365
Capacity (student)	675	675	675	675	675	675	900	900	900	952
Enrollment	638	614	607	603	631	671	716	728	746	775
Glenvar Middle (1996)										
Square feet	101,595	101,595	101,595	101,595	101,595	101,595	101,595	101,595	101,595	101,595
Capacity (student)	606	606	606	606	606	606	606	606	606	619
Enrollment	492	474	405	414	428	409	402	403	431	442

(Continued)

**Roanoke County Public Schools
Capital Asset Statistics
Last Ten Fiscal Years**

**Table 24
Unaudited**

School / Statistic	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					(1)					(2)
Hidden Valley Middle (1972)										
Square feet	123,537	123,537	123,537	123,537	122,462	122,462	122,462	122,462	122,462	122,462
Capacity (student)	938	938	938	938	938	938	938	938	938	952
Enrollment	823	801	758	762	769	768	653	653	597	601
Northside Middle (1970)										
Square feet	161,824	161,824	161,824	161,824	161,824	161,824	161,824	161,824	161,824	161,824
Capacity (student)	806	806	806	806	806	806	806	806	806	993
Enrollment	757	797	688	696	694	719	750	745	721	681
William Byrd Middle (1988)										
Square feet	167,026	167,026	167,026	167,026	153,412	153,412	153,412	153,412	153,412	153,412
Capacity (student)	887	887	887	887	887	887	887	887	887	938
Enrollment	894	905	910	908	883	922	856	821	801	797
Cave Spring High (1968)										
Square feet	150,618	150,618	150,618	150,618	150,240	150,240	150,240	150,240	150,240	150,240
Capacity (student)	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,190
Enrollment	875	863	863	837	823	856	887	947	983	1,012
Glenvar High (1964)										
Square feet	120,914	120,914	120,914	120,914	120,914	120,914	120,914	120,914	120,914	148,987
Capacity (student)	675	675	675	675	675	675	675	675	675	650
Enrollment	598	613	659	661	610	592	568	557	549	554
Hidden Valley High (2002)										
Square feet	201,808	201,808	201,808	201,808	171,435	171,435	171,435	171,435	171,435	171,435
Capacity (student)	975	975	972	972	972	972	972	972	972	1,251
Enrollment	1,161	1,202	1,164	1,154	1,095	1,060	999	1,014	1,007	949

(Continued)

**Roanoke County Public Schools
Capital Asset Statistics
Last Ten Fiscal Years**

**Table 24
Unaudited**

School / Statistic	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					(1)					(2)
Northside High (1961)										
Square feet	132,263	147,263	147,263	147,263	153,217	153,217	153,217	153,217	153,217	153,217
Capacity (student)	968	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,217
Enrollment	1,008	970	1,016	1,019	991	989	993	967	1,004	1,022
William Byrd High (1969)										
Square feet	169,720	169,720	169,720	169,720	183,169	183,169	183,169	183,169	183,169	183,169
Capacity (student)	950	950	950	950	1,400	1,400	1,400	1,400	1,400	1,107
Enrollment	1,235	1,207	1,177	1,158	1,157	1,100	1,158	1,142	1,131	1,133
Burton Center for Arts and Technology (1962)										
Square feet	84,232	84,232	84,232	84,232	96,148	96,148	96,148	96,148	96,148	96,148
Administration Building (1972)										
Square feet	52,773	52,773	52,773	52,773	58,917	58,917	58,917	58,917	58,917	58,917
Warehouse (2006)										
Square feet	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Maintenance (1967)										
Square feet	15,808	15,808	15,808	15,808	18,308	18,308	18,308	18,308	18,308	18,308
Bus Garage (1946)										
Square feet	16,134	16,134	16,134	16,134	17,074	17,074	17,074	17,074	17,074	17,074

Sources: Roanoke County Public School's insurance records, Operations Department, and Pupil Assignment Department

Notes:

The year of original construction or major replacement is shown in parentheses.

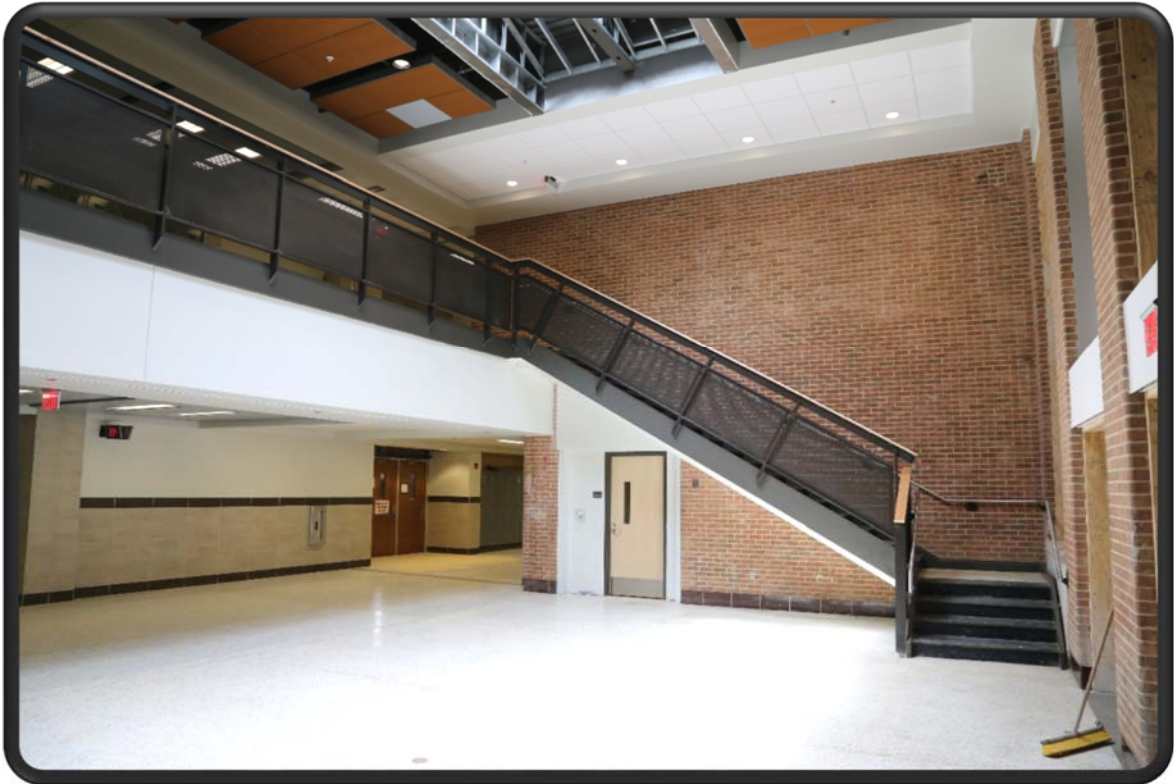
Increases in square footage and capacity are the result of renovations and additions.

The enrollment counts for May are used for comparison purposes in this table.

(1) In fiscal year 2011, the square footage was updated from an independent facility study conducted by Chas. Lunsford.



COMPLIANCE SECTION





DIGITAL C-CHANGE

Empowering all students through technology and
21st Century Skills: Critical Thinking, Collaboration,
Creativity, and Communication.

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the 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 aggregate remaining fund information of the Roanoke County Public Schools (the "School System"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School System'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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the School System'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 System's financial statements are free from 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* or the *Specifications for Audits of Counties, Cities, and Towns*.

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.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive style.

Roanoke, Virginia
November 30, 2016

Roanoke County Public Schools does not discriminate with regard to race, color, age, national origin, sex, or handicapping condition in an educational and/or employment policy or practice. Questions and/or complaints should be addressed to the Deputy Superintendent/Title IX Coordinator at (540) 562-3900 ext. 10121 or the Director of Pupil Personnel Services/504 Coordinator at (540) 562-3900 ext. 10181



Roanoke County Public Schools
Budget and Finance Office
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