

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

For the Fiscal Year Ended June 30, 2014



PHOTO CREDITS

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

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

Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

Roanoke City School Board

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

Dr. Rita D. Bishop, Superintendent

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

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INTRODUCTORY SECTION



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October 31, 2014

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

The Comprehensive Annual Financial Report (CAFR) for the School Board of the City of Roanoke, Virginia (School Board), a Component Unit of the City of Roanoke, Virginia, for the fiscal year ended June 30, 2014, is herein submitted. Please note that the School Board is more commonly known as "Roanoke City Public Schools" or "RCPS."

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

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

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

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

The independent audit of the basic financial statements of the School Board was performed in conjunction with a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The School Board is required to undergo an annual single audit in conformity

with the provisions of the *Single Audit Act Amendments of 1996* and the U. S. Office of Management and Budget's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The schedule of expenditures of federal awards and the independent auditor's report on compliance for each major program and on internal control over compliance are included in this report.

Profile of the School District

Roanoke City Public Schools is a progressive urban school district nestled in the heart of the Blue Ridge Mountains in the City of Roanoke, Virginia. Roanoke, the largest city in the Commonwealth of Virginia (Commonwealth) west of Richmond, is located at the southern end of the Shenandoah Valley, approximately 170 miles west of Richmond and 235 miles southwest of Washington, DC. Roanoke's 2013 estimated population as per the US Census Bureau of 96,742 accounts for just under 31% of the population in its metropolitan statistical area (MSA), which includes the neighboring city of Salem, Town of Vinton and the Counties of Roanoke, Botetourt, Craig and Franklin.

During the 2013-14 school year, RCPS provided a comprehensive program of study for 13,552 students in grades Kindergarten through twelve. In 2013-14, there were seventeen elementary schools, five middle schools, two high schools, the Roanoke Valley Governor's School for Science and Technology, a vocational school, two alternative education facilities, adult education programs, and preschool programs for at-risk children.

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

In 2013-14, 73.92% of RCPS students qualified for free or reduced price school lunch, where eligibility is determined based on poverty level. At sixteen of Roanoke's twenty-six instructional sites, over 75% of the student populations qualified for free or reduced price school lunch; at twenty-four schools, over 50% of students were eligible for the program.

Sixty-eight percent (68%) of students passed their English SOL test in 2014, up from 64% just seven years ago. Seventy-two percent (72%) of RCPS students passed the Math SOL test in 2014 as compared to 68% the previous year. A decreased number of students passed the writing SOL test in 2014 at 63% versus 66% in FY 2013.

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

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

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

“Strong Students. Strong Schools. Strong City.” The School Board established the following priorities for the 2013-14 school years:

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

Narrowing the Achievement Gap. Roanoke City Public Schools is working to help all students achieve and improve with a special focus on closing achievement gaps between subgroups of students. In total, 12 of 24 schools met Federal Accountability and 13 of 24 are fully accredited. To achieve Federal Accountability under No Child Left Behind, elementary and middle schools must meet 36 objectives and high schools must meet 45 objectives for student achievement. State accreditation is determined by the overall percentage of student who pass SOL tests in four core subject areas: English, Mathematics, History and Science. Schools making Federal Accountability and/or achieving state accreditation based on 2013-14 student achievement data are listed on the following chart.

Roanoke City Public Schools
Accreditation and Federal Accountability Status for 2014-15
Based on 2013-14 Student Achievement

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

SAT Results 2014 Roanoke City Public Schools

Three hundred three (303) Roanoke City students took the SAT Reasoning Test. The division's mean (average) verbal score, now called Critical Reading, was four hundred eighty-seven (487), the mean mathematics score was four hundred seventy-nine (479) and the mean writing score was four hundred sixty-four (464). Compared to 2013 results, the mean scores for Roanoke City students have improved in all three areas – critical reading +14, mathematics +11 and writing +11. Overall Roanoke City's has increased thirty-six points (+36), compared to Virginia's increase (+2) and a national change of (-1).

Comparison of Roanoke City with Virginia and United States on SAT—2014

The proportion of students by ethnic group who took the SAT in 2014:

| | <u>Roanoke</u> | <u>Virginia</u> | <u>U.S.</u> |
|-------------------|----------------|-----------------|-------------|
| White | 50% | 58% | 49% |
| African American | 40% | 20% | 13% |
| Other Ethnicities | 11% | 23% | 38% |

Mean (average) scores of all students tested (*and change from 2013*):

| | Roanoke | | Virginia | | U.S. | |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Mean 2013 / 2014 | Change from 2013 | Mean 2013 / 2014 | Change from 2013 | Mean 2013 / 2014 | Change from 2013 |
| Critical Reading | 473 / 487 | +14 | 516 / 518 | +2 | 496 / 497 | +1 |
| Mathematics | 468 / 479 | +11 | 514 / 515 | +1 | 514 / 513 | -1 |
| Writing | 453 / 464 | +11 | 498 / 497 | -1 | 488 / 487 | -1 |
| Total Score | 1394 / 1430 | +36 | 1528 / 1530 | +2 | 1498 / 1497 | -1 |

Mean (average) scores of tested students by ethnicity (*and change from 2013*):

| | Roanoke | | | | Virginia | | | | U.S. | | | |
|-------------------------|---------|--------|-------|--------|----------|--------|-------|--------|-------|--------|-------|--------|
| | Black | | White | | Black | | White | | Black | | White | |
| | Mean | Change | Mean | Change | Mean | Change | Mean | Change | Mean | Change | Mean | Change |
| Critical Reading | 410 | 0 | 551 | +6 | 442 | +2 | 543 | +3 | 431 | 0 | 529 | +2 |
| Mathematics | 404 | -3 | 540 | +3 | 435 | +3 | 535 | +1 | 429 | 0 | 534 | 0 |
| Writing | 395 | 0 | 522 | +1 | 423 | -1 | 519 | -2 | 418 | 0 | 513 | -2 |
| Total Score | 1209 | -3 | 1613 | +10 | 1300 | +4 | 1597 | +2 | 1278 | 0 | 1576 | 0 |

Mean (average) scores of students tested by high school (*and change from 2013*):

| | Patrick Henry | | William Fleming | |
|-------------------------|---------------|--------|-----------------|--------|
| | Mean | Change | Mean | Change |
| Critical Reading | 511 | +15 | 441 | +10 |
| Mathematics | 507 | +15 | 427 | +2 |
| Writing | 487 | +7 | 421 | +18 |
| Total Score | 1505 | +37 | 1289 | +30 |

SAT I: Reasoning Test Scores for Graduating Seniors Roanoke City Public Schools 1995-2014

Table I. Mean Scores on SAT

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|------|------|------|------|------|------|------|------|------|------|------|---------------------------------|------|------|------|-------|------|------|------|
| Mean (average) Verbal SAT Score | 400 | 477 | 483 | 484 | 507 | 493 | 500 | 502 | 487 | 507 | 512 | 481* | 485* | 474* | 484* | 480* | 469*~ | 475 | 473 | 487 |
| Mean (average) Mathematics SAT Score | 437 | 472 | 477 | 477 | 487 | 482 | 487 | 482 | 482 | 496 | 500 | 473 | 475 | 464 | 472 | 472 | 464~ | 465 | 468 | 479 |
| Writing | | | | | | | | | | | | | 469 | 464 | 460 | 460 | 450~ | 458 | 453 | 464 |
| Total | 837 | 949 | 960 | 961 | 994 | 975 | 987 | 984 | 969 | 1003 | 1012 | 1429 | 1429 | 1402 | 1416 | 1412 | 1383 | 1398 | 1394 | 1430 |
| | | | | | | | | | | | | | *Verbal is now Critical Reading | | | | | | | |

Average performance of Roanoke City students as a group on SAT has increased over time from 2001 to 2014. A third component (writing) was added to the SAT in 2006. ~SAT data historically has included students who took the SAT at any point in high school through March of their senior year. Starting with 2011 the SAT data includes all students who tested through June of their senior year.

Table II. Mean Scores on SAT by Ethnic Group

| | Black | | | | | | | | | | | | White | | | | | | | | | | | |
|--|-------|-----|-----|------|------|------|------|------|------|------|------|------|---------------------------------|------|------|------|------|------|---------------------------------|------|-------|------|------|------|
| | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 |
| Mean (average) Verbal SAT Score | 406 | 420 | 434 | 416* | 414* | 411* | 416 | 421 | 409~ | 409 | 410 | 410 | 528 | 536 | 540 | 532* | 548* | 541* | 548* | 545* | 541*~ | 554 | 545 | 551 |
| Mean (average) Mathematics SAT Score | 402 | 408 | 424 | 404 | 404 | 405 | 403 | 407 | 398~ | 399 | 407 | 404 | 519 | 528 | 532 | 520 | 534 | 527 | 534 | 535 | 537~ | 545 | 537 | 540 |
| Writing | | | | 405 | 395 | 405 | 396 | 400 | 391~ | 396 | 395 | 395 | | | | 531 | 536 | 529 | 521 | 522 | 515~ | 533 | 521 | 522 |
| Total | 808 | 828 | 858 | 1225 | 1213 | 1221 | 1212 | 1231 | 1198 | 1204 | 1212 | 1209 | 1047 | 1064 | 1072 | 1583 | 1618 | 1597 | 1603 | 1603 | 1593 | 1632 | 1603 | 1613 |
| | | | | | | | | | | | | | *Verbal is now Critical Reading | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | *Verbal is now Critical Reading | | | | | |

Roanoke City Public Schools 2014 ACT Results

Participation in ACT testing among Roanoke City Public School graduates decreased slightly. During 2014 ninety-six (96) seniors took the ACT compared with ninety-seven (97) in 2013. When compared to last year, the percentage of Roanoke City students meeting college readiness benchmarks this year increased in all areas (English +7, mathematics +5, reading +10, science +15, and composite +11).

Total participants: 96

Patrick Henry High School: 57

William Fleming High School: 39

Percentage of Students Meeting College Readiness Benchmarks 2014 / 2013

| | Patrick Henry 2014 / 2013 | William Fleming 2014 / 2013 | District 2014 / 2013 | State 2014 / 2013 | National 2014 / 2013 |
|---------------------|------------------------------|--------------------------------|-------------------------|----------------------|-------------------------|
| English Composition | 84/72 | 38/38 | 66/59 | 76/76 | 64/64 |
| College Algebra | 63/50 | 18/24 | 45/40 | 57/57 | 43/44 |
| Reading | 72/57 | 33/30 | 56/46 | 58/57 | 44/44 |
| Science | 63/38 | 21/19 | 46/31 | 49/47 | 37/36 |
| Composite | 56/32 | 8/14 | 36/25 | 38/37 | 26/26 |

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

Comparison of Average ACT Scores

| | English 2014 2013 | | Mathematics 2014 2013 | | Reading 2014 2013 | | Science 2014 2013 | | Composite 2014 2013 | |
|-----------------|----------------------|------|--------------------------|------|----------------------|------|----------------------|------|------------------------|------|
| PH | 23.9 | 21.0 | 23.2 | 21.7 | 24.3 | 22.2 | 23.9 | 21.2 | 24.0 | 21.6 |
| Fleming | 17.9 | 15.8 | 18.4 | 18.3 | 19.7 | 18.5 | 19.4 | 18.3 | 19.1 | 17.9 |
| RCPS | 21.5 | 19.0 | 21.3 | 20.4 | 22.5 | 20.8 | 22.1 | 20.1 | 22.0 | 20.2 |
| Virginia | 22.4 | 22.3 | 22.7 | 22.5 | 23.4 | 23.1 | 22.4 | 22.2 | 22.8 | 22.6 |
| National | 20.3 | 20.2 | 20.9 | 20.9 | 21.3 | 21.1 | 20.8 | 20.7 | 21.0 | 20.9 |

Factors Affecting Financial Condition

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

Economic Condition and Outlook

The District's ability to fund adequately its major educational initiatives is significantly affected by the City's economic outlook. City funding for fiscal year 2014 continued to follow the funding formula established in 2012, which stipulates that (a) the schools receive 40% of property and other local tax receipts levied by the City of Roanoke and (b) the schools pay 100% of the debt service associated with school projects (up from approximately 50% under the previous funding arrangement). Revenue growth has been slow, and the city anticipates almost no change in revenue between the 2014 and 2015 fiscal years. Revenue for 2014 was slightly lower than was budgeted; Roanoke City Public Schools' share of that shortfall was \$140,219.

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

State revenues other than state sales tax remain well below fiscal year 2009 levels. Although a modest increase in state revenues was anticipated and realized in fiscal year 2014, the increase chiefly resulted from Roanoke's increased student enrollment, which naturally also carried with it increased costs. Similarly, the Commonwealth's 2013-14 initiative to partially fund a two percent compensation supplement for Standards of Quality (SOQ) instructional and support positions provided additional state aide, but only in response to the District's commitment to absorbing additional expenditures. Because RCPS provided a minimum two percent raise in 2013-14 to all employees, \$802,945 was paid by the state to offset a portion of the additional cost.

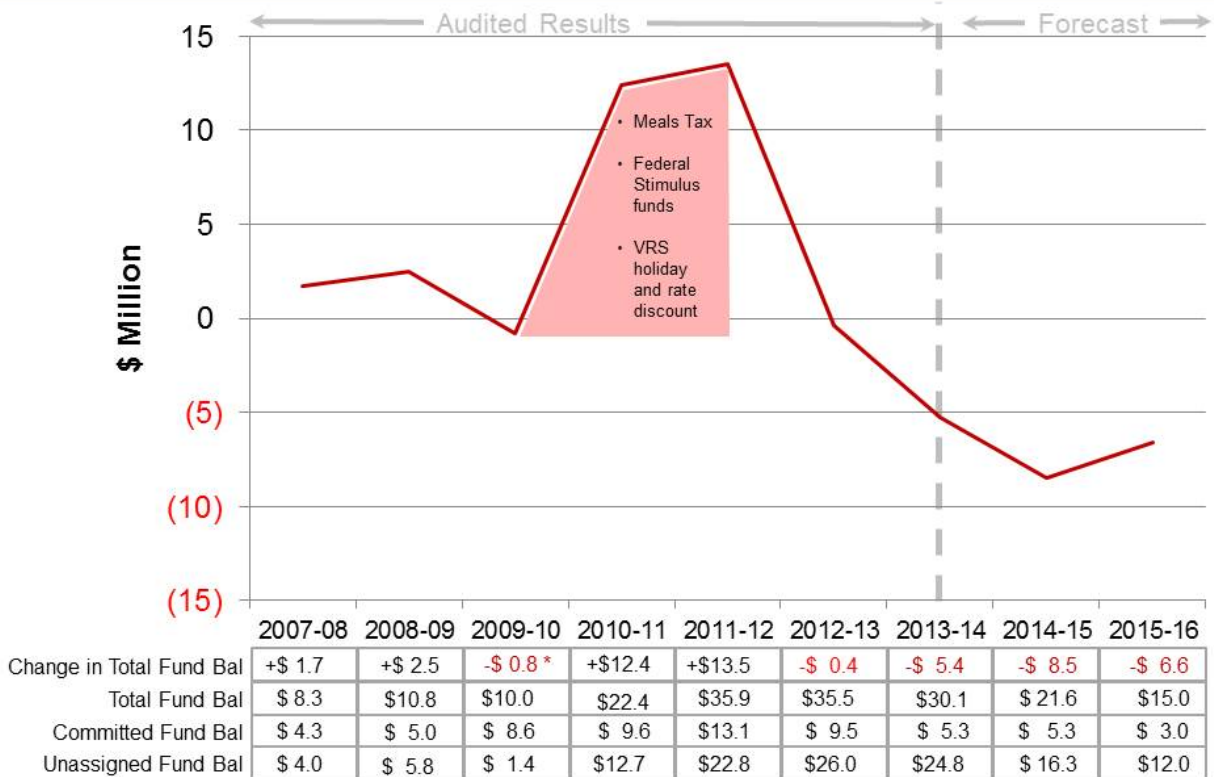
It was discovered in May of 2014 that Virginia's revenue projections were significantly overstated, and the District's share of state sales tax revenue has reflected that. Governor McAuliffe has announced a projected \$2.4 billion revenue shortfall over three years, which includes \$346 million to be cut from the fiscal year 2015 budget, and \$536 million in 2016. No direct cuts to K-12 education have been implemented to date, however that could change in the future, and the District can certainly expect to feel the impact of planned cuts to local government funding.

At the Federal level, Sequestration caused reductions in the District's funding for certain grant programs. Although the district did not anticipate funding for those programs to be restored to pre-sequestration levels, some relief was anticipated. Unfortunately, funding for Federal grant programs has not rebounded as anticipated. Sequestration has also been cited by Governor McAuliffe as a significant contributor to Virginia's funding woes, based on Northern Virginia's reliance on federal spending, as well as the large defense contractors located in Northern Virginia and the Hampton Roads area.

In light of the above – and in order to continue providing instruction at the level necessary to sustain the improvements achieved over the past several years – the Schools expect to be in a deficit spending position during fiscal years 2015 and 2016 if current trends continue. The following chart illustrates the projected impact of this deficit spending on total fund balance:

Roanoke City Public Schools

Change in Total Fund Balance



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

Accounting System and Budgetary Controls

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

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

General Operations

Management's Discussion and Analysis, which is contained in the financial section of this report, provides a discussion of financial results for fiscal years 2013 and 2014 as well as summaries of the government-wide financial statements.

Auditing

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

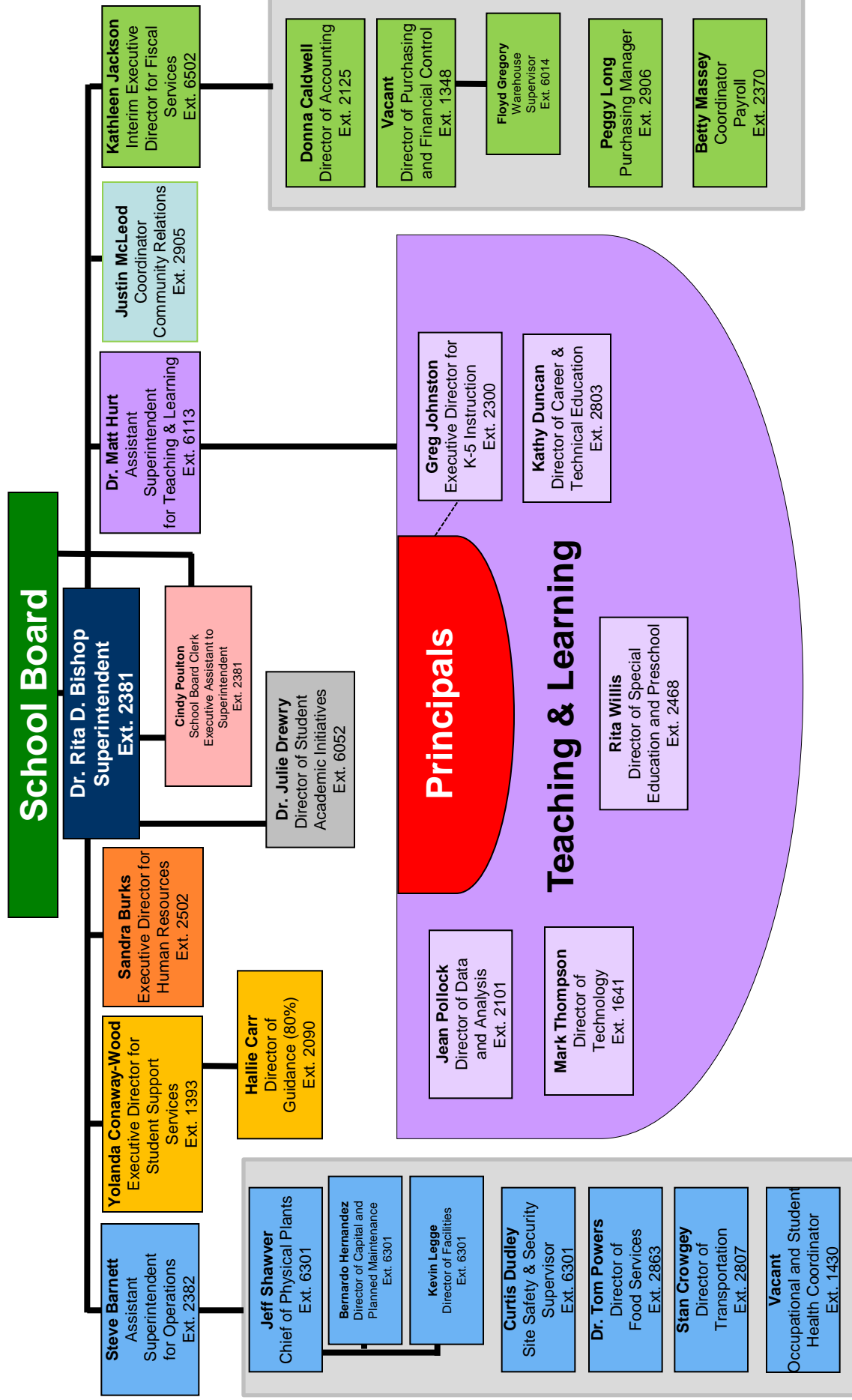
Federal and state agencies also perform audits and reviews of School Board programs and financial records. The School Board's basic financial statements are audited annually by an independent public accounting firm, including a single audit of expenditures of federal awards. The current year independent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

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Roanoke City Public Schools

2013-14 Chart of Organization



Awards and Acknowledgments


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board of the City of Roanoke, Virginia, for its comprehensive annual financial report for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In addition, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School Board of the City of Roanoke, Virginia, for its comprehensive annual financial report for the fiscal year ended June 30, 2013. The Certificate of Excellence program is similar to the GFOA Certificate of Achievement program and is an international award recognizing excellence in the preparation and issuance of school system financial reports.


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

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

Sincerely,



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



Kathleen M. Jackson, MBA
Acting Chief Financial Officer



Donna A. Caldwell, CPA
Director of Accounting

Association of School Business Officials International

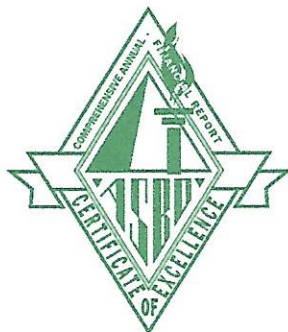


*The Certificate of Excellence in Financial Reporting Award
is presented to*

School Board of the City of Roanoke, Virginia

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2013*

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



A handwritten signature in black ink, reading "Terrie S. Simmons".

Terrie S. Simmons, RSBA, CSBO
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

**Roanoke City Public Schools
Officers and Principal Administrators
(July 1, 2013 through June 30, 2014)**

Roanoke City School Board

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

Superintendent of Schools

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

Executive Staff

| | |
|----------------------|---|
| Curtis D. Baker | Deputy Superintendent (through 11/22/13) |
| P. Steve Barnett | Assistant Superintendent of Operations (as of 11/25/13) |
| Margaret A. Lindsey | Executive Director of Fiscal Services (11/25/13 – 5/30/14) |
| Kathleen M. Jackson | Interim Executive Director of Fiscal Services (as of 4/28/14) |
| James Matthew Hurt | Assistant Superintendent for Teaching and Learning |
| Yolanda Conaway-Wood | Executive Director, Student Services |
| Julie Drewry, Ph.D. | Executive Director, 6-12 Instruction |
| Greg Johnston | Executive Director, K-5 Instruction |
| Sandra Burks | Executive Director, Human Resources |
| Jean Pollock | Director of Data and Analysis |

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School Board of the City of Roanoke, Virginia (the "School Board"), a component unit of the City of Roanoke, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School Board, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 31, 2014

The School Board of the City of Roanoke, Virginia
A Component Unit of the City of Roanoke, Virginia
Management's Discussion and Analysis
For the Year Ended June 30, 2014

As management of the School Board of the City of Roanoke, Virginia (School Board), we offer readers of the financial statements this narrative overview and analysis for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- Assets exceeded liabilities at the close of the most recent fiscal year by \$31,161,945 (net position). Of this amount, \$2,740,357 was invested in capital assets, leaving unrestricted net position totaling \$28,421,588. Unrestricted net position is normally used to meet the School Board's ongoing obligations to citizens and creditors.
- Net position decreased by \$3,787,319, a 10.8% decrease from the prior fiscal year-end balance. Total assets decreased by \$5,519,764. Total liabilities decreased by \$1,732,445. The change in total assets was due to a decrease in cash and cash equivalents of \$7,648,187, an increase in Due from City of Roanoke of \$115,505, a decrease in prepaid expenses of \$685,842 an increase in accounts receivable of \$297,846, an increase in Due from Other Governments of \$2,416,828, an increase in Due from Other Sources of \$4,601 and a decrease in net book value of capital assets of \$20,515. The change in total liabilities was due to a decrease in accounts payable and accrued expenses of \$617,719, an increase in unearned revenue of \$61,962, a decrease in the claims payable of \$114,729, a decrease in long-term liabilities specifically for workman's compensation of \$969,072 an increase in long term liabilities due within one year of \$133,275, an increase in compensated absences payable of \$299,224, and a decrease of \$525,386 in Other Postemployment Benefits (OPEB) liability.
- The general fund experienced a net operating decrease of \$5,416,181 due in part to a decrease in funding from the State Government due to sequestration which reduced grant funding. The food service fund experienced a net operating decrease of \$228,609 primarily due to an increase in food costs and payroll related expenditures.
- Overall revenues were approximately \$176 million, \$5.4 million less than expenditures. The excess of expenditures greater than revenues was primarily the result of reduced funding in grants revenue of approximately 18.1 percent, and budgeted use of fund balance.
- The total cost of basic programs was approximately \$180.3 million. Since a portion of those costs were paid with charges, fees and intergovernmental aid, the net cost to the School Board to operate basic programs was \$131.9 million.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$24.8 million, or 15.9% of total general fund expenditures. Restrictions of fund balance are placed by sources external to RCPS while the School Board may make commitments of fund balance.
- As required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which the Schools adopted as of July 1, 2007, the Schools actuarially determined the liability associated with other postemployment benefits (OPEB) for retirees. The Schools have committed a portion of its fund balance for the annual required contribution of \$1,397,630 as of the end of fiscal year 2014.

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

| | | June 30, | |
|-------------------------------|----|-------------------|----------------------|
| | | 2014 | 2013 |
| Current and other assets | \$ | 42,975,280 | \$ 48,474,529 |
| Capital Assets, net | | 2,740,357 | 2,760,872 |
| Total assets | | 45,715,637 | 51,235,401 |
| Current and other liabilities | | 10,586,312 | 11,123,523 |
| Long-term liabilities | | 3,967,380 | 5,162,614 |
| Total liabilities | | 14,553,692 | 16,286,137 |
| Investment in capital assets | | 2,740,357 | 2,760,872 |
| Unrestricted | | 28,421,588 | 32,188,392 |
| Total net position | \$ | 31,161,945 | \$ 34,949,264 |

Net position may serve, over time, as a useful indicator of a district's financial position. In the case of the School Board, assets exceeded liabilities by \$31,161,945 at the close of the most recent fiscal year.

Current and other assets decreased during the fiscal year by \$5,499,249. The decrease was primarily comprised of decreases of \$7,648,187 in cash and cash equivalents and prepaid expenses of \$685,842 offset by increases of \$2,416,828 in due from other governments.

The School Board's investment in capital assets, machinery and equipment net of accumulated depreciation, in the amount of \$2,740,357 represents 8.8% of net position. The School Board uses these capital assets to provide services to students; consequently, these assets are not available for future spending. It should be noted that these assets reflect outlays made during the current fiscal year and previous years. No debt service exists for the reported capital assets.

Current and other liabilities decreased by \$537,211. The net decrease for this category was primarily comprised of a decrease of \$617,719 in accounts payable and accrued expenses and a decrease of \$114,729 in claims payable. This was offset by an increase in unearned revenue of \$61,962, and long term liabilities due within one year of \$133,275.

Long-term liabilities decreased by \$1,195,234. The net decrease for this category was comprised of a decrease of \$969,072 in the liability for workers' compensation benefits along with a decrease of \$525,386 in the liability for other postemployment benefits. This was offset by an increase in compensated absences of \$299,224.

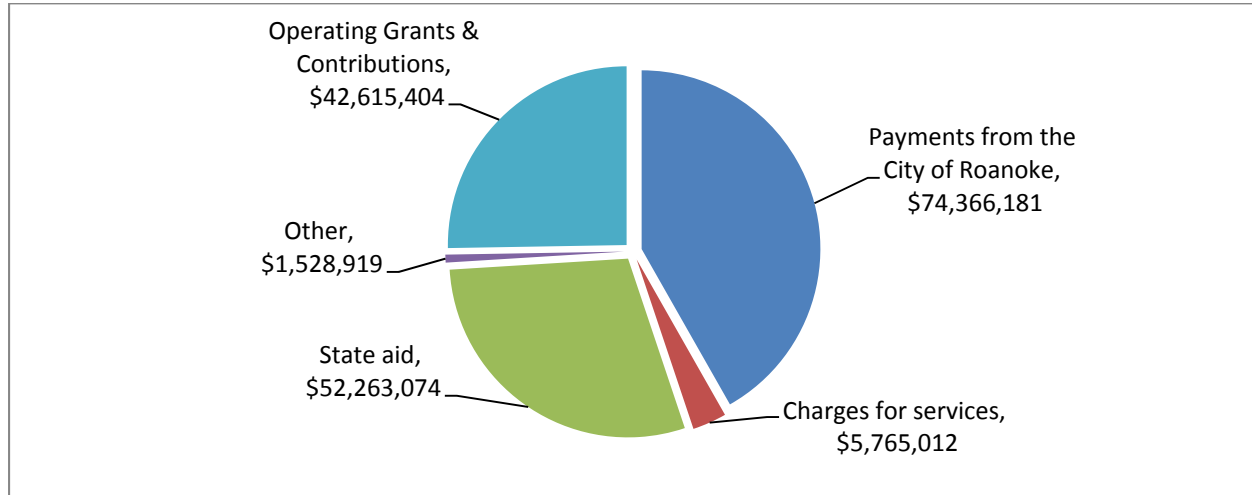
The School Board's unrestricted net position, in the amount of \$28,421,588 (91.2% of net position) represents resources that are available to be used to meet the School Board's ongoing obligations to students, staff, and creditors. The decrease of unrestricted net position from the prior year in the amount of \$3,766,804 consisted primarily of an excess of expenses over revenues.

Governmental Activities. Governmental activities resulted in a decrease in the School Board's net position of \$3,787,319 during the current fiscal year. Key elements of the change in net position are as follows:

- Expenses for total governmental activities exceeded program revenues by \$131.9 million. The division's expenses by program have been netted against revenues that directly fund that program, resulting in the net cost of the program activity. The net cost of instructional activities, \$75.3 million, comprises 57.1% of total governmental activities. The net cost of operations, maintenance, and facilities was \$14.3 million, or 10.9% of total governmental activities. The net costs of other functional activities were: athletics, \$1.4 million or 1.1%; transportation, \$10.3 million or 7.8%, payments to the primary government for debt service, \$15.5 million or 11.7%, support services, \$15.2 million or 11.4%. At fiscal year-end, food services had an operating gain in net position of \$92,444 or (.07%) of the government-wide net cost. Expenses for FY 2014 increased \$4.73 million in total compared to the prior year, with a \$4.99 million increase in the cost of instructional programs, a \$999,840 decrease in the cost of support services and a \$698,344 increase in the cost of transportation; this increase was partially offset by a decrease of \$334,357 in food service.
- General revenues not identifiable to specific functions or programs totaled \$128.2 million or \$3,787,319 less than the net cost of the division's programs. Total revenues for FY 2014 increased 143,599 from the prior year. Program revenues decreased by \$1.5 million or 3.0% and general revenue collections increased by \$1.7 million or 1.3%. The change in general revenue collection consisted of an increase in state aid not restricted to specific programs of \$895,698 or 1.7%, and an increase in payments from the City of Roanoke of \$495,967 or 0.7% from the prior year.
- The acquisitions of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. Net capital assets, accordingly, decreased by \$20,515, the amount by which depreciation expense exceeded capital asset purchases in the current period and the net book value of capital assets disposed. Net capital asset increases of \$449,941 (equipment additions of \$516,694 less retirements of \$66,753) were offset by a net increase in accumulated depreciation for the year of \$470,456.
- Increase in compensated absences liability which affects expenses amounted to \$432,499.

Revenues and Expenses Summaries – Governmental Activities:

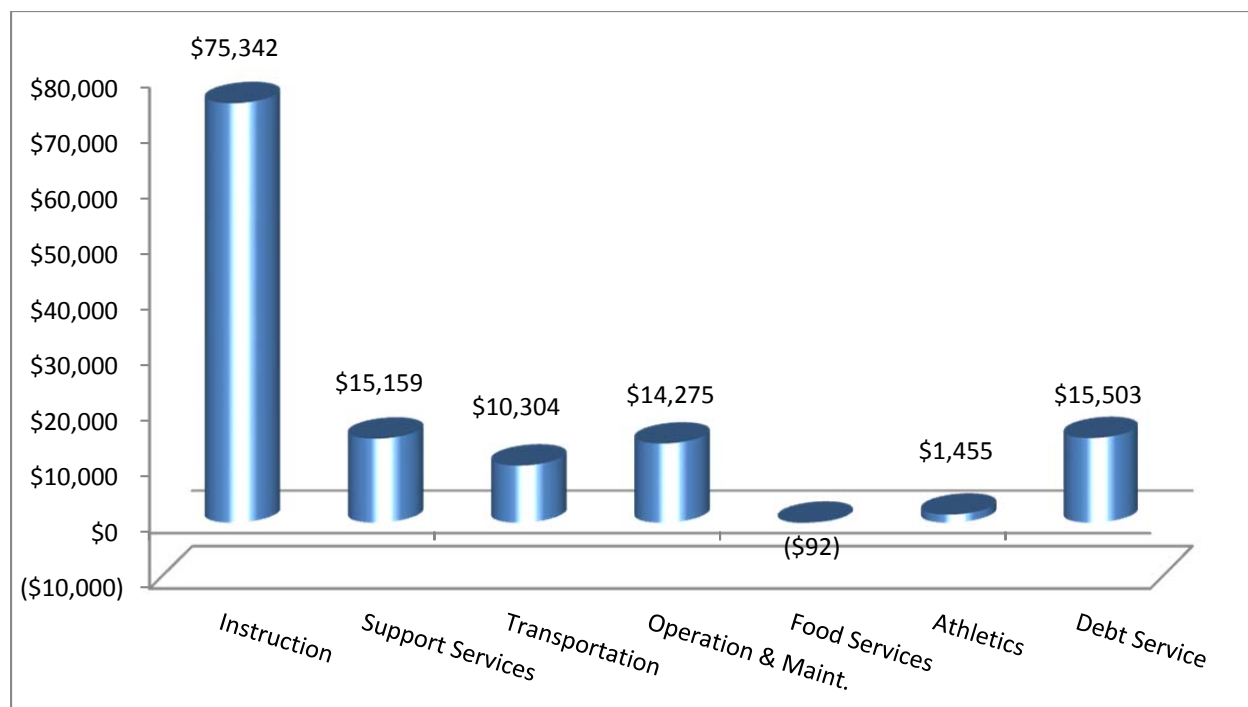
Revenues by Source – Governmental Activities:



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

| | Year Ended June 30, | |
|---|----------------------|----------------------|
| | 2014 | 2013 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for services | \$ 5,765,012 | \$ 5,404,395 |
| Operating grants and contributions | 42,615,404 | 44,492,512 |
| General Revenues: | | |
| Payments from the City of Roanoke | 74,366,181 | 73,870,214 |
| State aid not restricted to specific programs | 52,263,074 | 51,367,378 |
| Grants not restricted to specific programs | - | 15,809 |
| Interest Income on Investments | 73,939 | 68,365 |
| Other(Miscellaneous on Exhibit 2) | 1,454,980 | 1,176,318 |
| Total Revenues | 176,538,590 | 176,394,991 |
| Expenses: | | |
| Instruction | 115,218,083 | 113,261,181 |
| Support Services | 16,625,349 | 16,484,846 |
| Transportation | 10,331,892 | 9,671,918 |
| Operation & Maintenance of Plant | 14,311,773 | 13,338,890 |
| Food Services | 6,709,067 | 6,816,374 |
| Athletics | 1,626,777 | 1,583,315 |
| Payments for Debt Service | 15,502,968 | 15,954,665 |
| Total Expenses | 180,325,909 | 177,111,191 |
| Change in net position | (3,787,319) | (716,200) |
| Net position - Beginning of year | 34,949,264 | 35,665,464 |
| Net position - End of year | \$ 31,161,945 | \$ 34,949,264 |

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



Financial Analysis of the Governmental Funds

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

Governmental Fund – The focus of the School Board's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School Board's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School Board's total governmental funds reported an ending fund balance of \$32,439,739 a decrease of \$5,419,938 in comparison with the prior year. Of that amount, \$511,182 was non-spendable, zero was restricted, \$4,939,677 was committed, \$2,147,563 was assigned, and \$24,841,317 was unassigned.

The general fund is the chief operating fund of the School Board. At the end of the current fiscal year, total fund balance of the general fund was \$30,104,846. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. The fiscal year 2014 total fund balance represents 19.2% of total general fund expenditures, compared to the prior year total fund balance which represented 23.6% of total general fund expenditures.

The fund balance of the School Board's general fund decreased \$5,416,181 during the current fiscal year, substantially less than the budgeted decrease of 9.8 million. Key factors in this change are as follows:

- Expenditures exceeded revenues (excluding transfers) by \$5,416,181 or approximately 3.6% of total revenues. Revenues exceeded the budget by \$1.4 million. State revenue, including state sales tax, exceeded the budget by \$1.4 million. Expenditures were less than the budget due to a variety of reduced costs in fiscal year 2014.

- Transfers to the school grants fund for program local match funds, in the amount of \$806,982, reflect the commitment of the School Board to pursue grants and other special revenue sources that enhance the educational programs of the division.

The food service fund balance reflects a shortage of expenditures over revenues (excluding transfers) of \$228,609 which was the result of increased cost for food and for partial outsourcing of food service staffing.

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

Capital Asset Administration

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

The School Board's investment in capital assets for its governmental activities as of June 30, 2014, totaled \$2,740,357 (net of accumulated depreciation). The investment in capital assets includes equipment only. The total decrease in the School Board's gross balance of capital assets for the current fiscal year was \$516,694, netted against the retirement of assets with a net book value of \$6,799 and depreciation expense for the year of \$530,410, resulting in a net decrease in capital assets of \$20,515. More detailed information about capital assets can be found in Notes I-D-3, II, and III-C of the basic financial statements.

Requests for Information

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

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

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Net Position
June 30, 2014

| <u>Assets</u> | <u>Governmental Activities</u> |
|---|---|
| Cash and Cash Equivalents | \$ 31,156,570 |
| Accounts Receivable | 438,874 |
| Due From City of Roanoke | 2,141,360 |
| Due From Other Governments | 8,727,294 |
| Prepays | 511,182 |
| Capital Assets, net | <u>2,740,357</u> |
| Total Assets | <u>45,715,637</u> |
| | |
| <u>Liabilities</u> | |
| Accounts Payable and Accrued Expenses | 3,676,398 |
| Unearned Revenue | 676,396 |
| Claims Payable | 5,277,069 |
| Long-Term Liabilities Due Within One Year | 956,449 |
| Long-Term Liabilities: | |
| Workman's Compensation | 1,400,895 |
| Compensated Absences Payable | 2,536,178 |
| Other Postemployment Benefits | <u>30,307</u> |
| Total Liabilities | <u>14,553,692</u> |
| | |
| <u>Net Position</u> | |
| Investment in Capital Assets | 2,740,357 |
| Unrestricted | <u>28,421,588</u> |
| Total Net Position | <u>\$ 31,161,945</u> |

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2014

| Functions | Expenses | Program Revenues | | Net (Expenses) |
|--------------------------------------|-------------------------|-------------------------|----------------------|-----------------------|
| | | Charges for | Operating | Revenue and |
| | | Services | Grants and | Changes in |
| | | | Contributions | Net Position |
| | | | | Governmental |
| | | | | Activities |
| Instruction: | | | | |
| Regular Instruction | \$ (70,668,571) | \$ 9,932 | \$ 22,026,358 | \$ (48,632,281) |
| Special Education | (22,592,851) | 3,797,406 | 10,377,250 | (8,418,195) |
| Vocational Instruction | (2,398,078) | - | 696,024 | (1,702,054) |
| Gifted | (1,729,456) | 333,359 | 533,275 | (862,822) |
| Guidance | (4,122,002) | - | 181,985 | (3,940,017) |
| Media Services | (1,265,762) | 10 | 2,045 | (1,263,707) |
| School Administration | (9,408,013) | - | 470,397 | (8,937,616) |
| District-Wide Instructional Programs | (3,033,350) | - | 1,447,729 | (1,585,621) |
| Support Services: | | | | |
| Administration | (12,161,115) | 272,605 | 1,095,186 | (10,793,324) |
| Attendance and Health Services | (4,464,234) | - | 98,709 | (4,365,525) |
| Transportation | (10,331,892) | 27,768 | - | (10,304,124) |
| Operation & Maintenance of Plant | (14,311,773) | 3,721 | 33,541 | (14,274,511) |
| Food Services | (6,709,067) | 1,148,606 | 5,652,905 | 92,444 |
| Athletics | (1,626,777) | 171,605 | - | (1,455,172) |
| Debt Service | (15,502,968) | - | - | (15,502,968) |
| Total Governmental Activities | <u>\$ (180,325,909)</u> | <u>\$ 5,765,012</u> | <u>\$ 42,615,404</u> | <u>(131,945,493)</u> |
| General Revenues: | | | | |
| | | | | 74,366,181 |
| | | | | 52,263,074 |
| | | | | 1,454,980 |
| | | | | 73,939 |
| Total General Revenues | | | | <u>128,158,174</u> |
| Change in Net Position | | | | (3,787,319) |
| Net Position - Beginning of Year | | | | <u>34,949,264</u> |
| Net Position - End of Year | | | | <u>\$ 31,161,945</u> |

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2014

| <u>Assets</u> | <u>General Fund</u> | <u>Food Service Fund</u> | <u>School Grants Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------------------|-----------------------------------|---|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 28,849,251 | \$ 2,307,319 | \$ - | \$ 31,156,570 |
| Accounts Receivable | 390,267 | 43,566 | - | 433,833 |
| Due From City of Roanoke | 2,141,360 | - | - | 2,141,360 |
| Due From Other Governments | 2,344,049 | 86,221 | 6,297,024 | 8,727,294 |
| Due From Other Sources | - | - | 5,041 | 5,041 |
| Due From Other Funds | 5,332,705 | - | - | 5,332,705 |
| Prepays | 505,968 | 5,214 | - | 511,182 |
| Total Assets | <u>\$ 39,563,600</u> | <u>\$ 2,442,320</u> | <u>\$ 6,302,065</u> | <u>\$ 48,307,985</u> |
| <u>Liabilities, Deferred Inflows and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts Payable and Accrued | | | | |
| Expenditures | \$ 3,334,828 | \$ 94,478 | \$ 247,092 | \$ 3,676,398 |
| Claims Payable | 5,203,220 | 12,949 | 60,900 | 5,277,069 |
| Due to Other Funds | - | - | 5,332,705 | 5,332,705 |
| Deferred Revenue | 15,028 | - | 661,368 | 676,396 |
| Total Liabilities | <u>8,553,076</u> | <u>107,427</u> | <u>6,302,065</u> | <u>14,962,568</u> |
| Deferred Inflows: | | | | |
| Unavailable Revenue | 905,678 | - | - | 905,678 |
| Total Deferred Inflows | <u>905,678</u> | <u>-</u> | <u>-</u> | <u>905,678</u> |
| Fund Balances: | | | | |
| Non-spendable: | 505,968 | 5,214 | - | 511,182 |
| Committed: | | | | |
| Committed for Workers' Compensation | 1,218,779 | 182,116 | - | 1,400,895 |
| Committed for Other Postemployment Benefits | 1,397,630 | - | - | 1,397,630 |
| Committed for Transportation Sinking Fund | 250,000 | - | - | 250,000 |
| Committed for Textbook Adoption | 1,891,152 | - | - | 1,891,152 |
| Assigned: | - | 2,147,563 | - | 2,147,563 |
| Unassigned: | 24,841,317 | - | - | 24,841,317 |
| Total Fund Balances | <u>30,104,846</u> | <u>2,334,893</u> | <u>-</u> | <u>32,439,739</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ 39,563,600</u> | <u>\$ 2,442,320</u> | <u>\$ 6,302,065</u> | |

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

Receivables on the Statement of Net Position that do not provide current financial resources
are reported as unavailable revenues in the funds. 905,678

Capital assets used in governmental activities are not current financial resources 2,740,357

The following three reconciling items are not due and payable in the current period and therefore are not reported in the funds.
Compensated absences payable (3,492,627)

Workers' compensation claims payable - long term portion is not due and payable in the current period,
and therefore, is not reported as a liability in the governmental funds. (1,400,895)

Other postemployment benefits payable (30,307)

Net position of governmental activities \$ 31,161,945

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

| | <u>General Fund</u> | <u>Food Service Fund</u> | <u>School Grants Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------------------|-----------------------------------|---|
| Revenues: | | | | |
| Investment Income | \$ 70,409 | \$ 3,530 | \$ - | \$ 73,939 |
| Intergovernmental: | | | | |
| City of Roanoke | 74,165,273 | - | - | 74,165,273 |
| Commonwealth of Virginia | 71,732,785 | 132,637 | 3,200,567 | 75,065,989 |
| Federal Government | - | 5,652,905 | 14,043,251 | 19,696,156 |
| Other Agencies | - | - | 607,609 | 607,609 |
| Charges for Services | 4,444,801 | 1,148,606 | - | 5,593,407 |
| Athletics | 171,605 | - | - | 171,605 |
| Miscellaneous | 571,464 | - | 2,336 | 573,800 |
| Total Revenues | <u>151,156,337</u> | <u>6,937,678</u> | <u>17,853,763</u> | <u>175,947,778</u> |
| Expenditures: | | | | |
| Current - Education: | | | | |
| Instruction | 103,874,316 | - | 16,626,717 | 120,501,033 |
| Administration, Technology, Attendance & Health | 11,210,824 | - | 1,062,207 | 12,273,031 |
| Transportation | 10,331,892 | - | - | 10,331,892 |
| Operation & Maintenance of Plant | 14,257,717 | - | - | 14,257,717 |
| Food Services | - | 6,709,069 | 165,229 | 6,874,298 |
| Athletics | 1,626,777 | - | - | 1,626,777 |
| Payments for Debt Service | 15,270,992 | - | 231,976 | 15,502,968 |
| Total Expenditures | <u>156,572,518</u> | <u>6,709,069</u> | <u>18,086,129</u> | <u>181,367,716</u> |
| Revenues Over (Under) Expenditures | <u>(5,416,181)</u> | <u>228,609</u> | <u>(232,366)</u> | <u>(5,419,938)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers From Other Funds | 874,616 | - | 806,982 | 1,681,598 |
| Transfers To Other Funds | (806,982) | (300,000) | (574,616) | (1,681,598) |
| Other Financing Sources (Uses), Net | <u>67,634</u> | <u>(300,000)</u> | <u>232,366</u> | <u>-</u> |
| Net Change in Fund Balances | (5,348,547) | (71,391) | - | (5,419,938) |
| Fund Balances, Beginning of Year | <u>35,453,393</u> | <u>2,406,284</u> | <u>-</u> | <u>37,859,677</u> |
| Fund Balances, End of Year | <u>\$ 30,104,846</u> | <u>\$ 2,334,893</u> | <u>\$ -</u> | <u>\$ 32,439,739</u> |
| Net Change in Fund Balances | | | | \$ (5,419,938) |
| Amounts reported for governmental activities in the Statement of Activities are different due to: | | | | |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | | | 591,175 |
| The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense and losses on disposals exceeded capital asset purchases in the current period. | | | | (20,515) |
| Increase in compensated absences payable reported in the Statement of Activities, represent a use of current financial resources and therefore are reported as expenditures in governmental funds. Amounts were previously recorded in the statement of activities. | | | | (432,499) |
| Decreases in long-term Worker's Compensation do not represent a use of current financial resources, and therefore, are not reported in governmental funds. | | | | 969,072 |
| Decrease in other postemployment benefits payable, reported in the Statement of Activities, does not represent a use of current financial resources and therefore is not reported in the governmental funds. | | | | <u>525,386</u> |
| Change in net position of governmental activities | | | | <u>\$ (3,787,319)</u> |

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Fiduciary Assets and Liabilities
June 30, 2014

| | <u>Agency Fund</u> |
|---|-------------------------------|
| <u>Assets</u> | |
| Cash and Cash Equivalents | <u>\$ 1,050,638</u> |
| <u>Liabilities</u> | |
| Accounts Payable | 30,040 |
| Due to Students | <u>1,020,598</u> |
| Total Liabilities | <u>\$ 1,050,638</u> |
| See accompanying notes to the basic financial statements. | |

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
Notes to the Basic Financial Statements
June 30, 2014

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

B. Government-wide and Fund Financial Statements.

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

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

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

given function, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

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

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

The School Board reports the following major governmental funds:

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

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

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

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

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

Additionally, the School Board reports the following funds:

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

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

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

1. *Deposits and Investments.*

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

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

Transactions between funds and other entities that are representative of the recognition of revenues or expenditures are referred to as "due to/from" the other funds or entities. "Other Funds" are funds managed by the School Board. "Other Governments" can include the Federal Government, the Commonwealth of Virginia (Commonwealth), or political subdivisions other than the City of Roanoke. Amounts due to the General Fund from the Grants Fund at June 30, 2014 are \$ 5,332,705. There are no other amounts due to or from any other fund.

3. *Capital Assets.*

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

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

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

4. *Compensated Absences Payable.*

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

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

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, no expenditure is reported in the governmental fund statements for compensated absences until they are due for payment. Current (amounts expected to be paid within one year) and non-current portions of compensated absences totaling \$3,492,627 are recorded for governmental activities in the entity-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. *Workers' Compensation Claims Payable*

In the fund financial statements, an actuarial estimate of the School Board's short-term liability for workers' compensation claims of \$647,439 is included as a component of claims payable. The remaining \$1,400,895 is deemed non-current and included as part of fund balance committed for workman's compensation claims, and a liability in the statement of net position.

6. *Unearned Revenue*

Unearned revenue represents revenue that is initially recorded as a liability but is expected to become an asset over time and/or through normal operations, such as a payment that has been received for work that has not yet been performed. Total unearned revenue at June 30, 2014 was \$676,396 of which \$15,028 was for General Fund and \$661,368 was for the School Grants Fund.

7. *Deferred Inflows and Outflows*

In addition to liabilities, the statements that present financial position reports a separate section for deferred inflows of resources. *Deferred inflows of resources* represents an inflow of resources (revenue) until that time. The School Board has one item that qualifies for reporting in this category. This item, *unavailable revenue*, is reported only in the governmental funds balance sheet for funds not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. *Other Postemployment Benefits.*

In the government-wide statement of net position, an actuarial estimate of the School Board's unfunded annual required contribution for other postemployment benefits of \$30,307 is included. At June 30, 2014 the Schools show a committed fund balance for OEPB of \$1,397,630 to attempt to offset the future costs of any unfunded liability.

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

9. *Prepays*

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

10. *Fund Balances and Net Position.*

Fund Balances

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

The classifications are as follows:

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

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

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

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

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

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

Restricted Amounts

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

Minimum Fund Balance Policy

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Management's policy is to cancel all open purchase orders at June 30th each year. Orders will then be reissued if necessary during the new fiscal year. Therefore, no encumbrances of fund balance exist as of June 30, 2014.

E. Pension Plan

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

F. Intergovernmental Revenue

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

G. Interfund Transactions

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

H. Use of Estimates

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

I. Tax Status

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

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

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

One element of that reconciliation explains that "the acquisitions of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense and the net book value of capital assets disposed exceeded capital asset purchases in the current period". The details of this \$20,515 difference are as follows:

| | Capital | Depreciation | Net Book Value | Net Change in |
|-----------------------|-------------------|---------------------|-----------------------|--------------------|
| | Outlay | Expense | of Assets Disposed | Capital Assets |
| Regular Instruction | \$ 278,684 | \$ (242,774) | \$ (5,643) | \$ 30,267 |
| Administration | 226,020 | (200,655) | (1,156) | 24,209 |
| Transportation | - | (3,139) | - | (3,139) |
| Operation/Maintenance | 11,990 | (83,842) | - | (71,852) |
| | <u>\$ 516,694</u> | <u>\$ (530,410)</u> | <u>\$ (6,799)</u> | <u>\$ (20,515)</u> |

Another element of that reconciliation states that "increases, reported in the statement of activities, do not represent income from current financial resources and, therefore, are not reported as revenue in governmental funds." The details of this \$173,809 difference are as follows:

| | Compensated Absences | Workers' Compensation | Total |
|----------------------------------|-------------------------|--------------------------|--------------|
| Liability as of June 30, 2014 | \$ 3,492,627 | \$ 1,400,895 | \$ 4,893,522 |
| Liability as of June 30, 2013 | 3,060,128 | 2,369,967 | 5,430,095 |
| Current Year Increase (Decrease) | \$ 432,499 | \$ (969,072) | \$ (536,573) |

Another element of that reconciliation is "decrease in other postemployment benefits payable". The details of this \$525,386 difference are as follows:

| | OPEB Obligation |
|--|--------------------|
| Net OPEB Obligation as of June 30, 2013 | \$ 555,693 |
| Net OPEB Obligation as of June 30, 2014 | 30,307 |
| Current Year Decrease in OPEB Obligation | \$ 525,386 |

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

A. Deposits and Investments

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

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

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

As of June 30, 2014, the School Board's investments, with their respective credit ratings, were as follows:

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

The State Treasurer's Office of the Commonwealth of Virginia has regulatory oversight over the LGIP. RCPS' fair value of investment in the LGIP is the same as the pooled value of its shares. As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard

and Poor's, and Fitch Investor's Service, provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt is rated "A" or better by Moody's and Standard and Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard and Poor's and "P-1" by Moody's Investor Service.

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

As of June 30, 2014, the School Board had the following investments and maturities:

| | Investment Maturity | |
|----------------------|----------------------|----------------------|
| | Fair Value | Less than 1 year |
| Virginia LGIP | \$ 12,499,050 | \$ 12,499,050 |
| Money Market Account | 15,075,411 | 15,075,411 |
| TOTAL | \$ 27,574,461 | \$ 27,574,461 |

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

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

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

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

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

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

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

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

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

As of June 30, 2014, the School Board had the following cash and investments:

| | |
|-----------------------------------|---------------------|
| Cash | \$ 9,175 |
| Deposits | 4,623,572 |
| Money Market Account | 15,075,411 |
| Virginia LGIP | 12,499,050 |
| Total Cash and Investments | \$32,207,208 |

Statements of net position:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 31,156,570 |
| Fiduciary fund cash and cash equivalents | 1,050,638 |
| Total Cash and Investments | \$32,207,208 |

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

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

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

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

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

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

As of June 30, 2014, 38.8 percent of the School Board's investment portfolio was invested in the Virginia LGIP and 46.8 percent was invested in the money market account.

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

B. Due from Other Governments

Due from other governments as of June 30, 2014, for the School Board's individual major funds is as follows:

| | <u>General</u> | <u>Food Service</u> | <u>School Grants</u> | <u>Total</u> |
|--------------------------|---------------------|-------------------------|--------------------------|----------------------|
| Commonwealth of Virginia | \$ 2,344,049 | - | \$ 1,069,387 | \$ 3,413,436 |
| Federal Government | - | 86,221 | 5,227,637 | 5,313,858 |
| City of Roanoke | 2,141,360 | | | 2,141,360 |
| Totals | <u>\$ 4,485,409</u> | <u>\$ 86,221</u> | <u>\$ 6,297,024</u> | <u>\$ 10,868,654</u> |

C. Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

| | Balance June 30, 2013 | Additions | Deletions | Balance June 30, 2014 |
|------------------------------|--------------------------|--------------------|-----------------|--------------------------|
| Capital Assets | | | | |
| Equipment: | | | | |
| Instruction | \$ 3,545,234 | \$ 278,684 | \$ 43,192 | \$ 3,780,726 |
| Administration | 1,312,854 | 226,020 | 7,925 | 1,530,949 |
| Transportation | 37,670 | - | - | 37,670 |
| Maintenance | 1,537,100 | 11,990 | 15,636 | 1,533,454 |
| Total Equipment | 6,432,858 | 516,694 | 66,753 | 6,882,799 |
| Less: | | | | |
| Accumulated Depreciation | (3,671,986) | (530,410) | 59,954 | (4,142,442) |
| Governmental activities, net | <u>\$ 2,760,872</u> | <u>\$ (13,716)</u> | <u>\$ 6,799</u> | <u>\$ 2,740,357</u> |

Depreciation expense and accumulated depreciation was allocated as follows:

| | Balance June 30, 2013 | Additions | Deletions | Balance June 30, 2014 |
|---------------------------------|---------------------------|-------------------------|----------------------|---------------------------|
| Depreciation per class: | | | | |
| Instruction | (1,975,548) | (242,774) | 37,548 | (2,180,774) |
| Administration | (576,303) | (200,655) | 6,769 | (770,189) |
| Transportation | (21,726) | (3,139) | - | (24,865) |
| Maintenance | (1,098,409) | (83,842) | 15,637 | (1,166,614) |
| Accumulated Depreciation | <u>(3,671,986)</u> | <u>(530,410)</u> | <u>59,954</u> | <u>(4,142,442)</u> |

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

D. Transfers

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

Inter-fund Transfers consisted of the following for the year ended June 30, 2014:

| From: | To General Fund | To School Grants | Total |
|---------------|-------------------|-------------------|---------------------|
| General Fund | \$ - | \$ 806,982 | \$ 806,982 |
| Food Service | 300,000 | - | 300,000 |
| School Grants | 574,616 | - | 574,616 |
| | <u>\$ 874,616</u> | <u>\$ 806,982</u> | <u>\$ 1,681,598</u> |

E. Accounts Payable and Accrued Expenditures

The composition of accounts payable and accrued expenditures as of June 30, 2014, is as follows:

| | <u>General</u> | <u>Food Service</u> | <u>School Grants</u> | <u>Total</u> |
|----------------------|---------------------|-------------------------|--------------------------|---------------------|
| Accrued Payroll | \$ 1,090,873 | \$ 19,428 | \$ 98,792 | \$ 1,209,093 |
| Payroll Withholdings | 237,532 | 9,868 | 22,000 | 269,400 |
| Flexible Spending | 40,015 | - | - | 40,015 |
| Accounts Payable | 1,966,409 | 65,181 | 126,300 | 2,157,890 |
| Totals | \$ 3,334,829 | \$ 94,477 | \$ 247,092 | \$ 3,676,398 |

F. Claims Payable

As of June 30, 2014, the composition of claims payable includes amounts held to pay current health insurance and workers' compensation claims is as follows:

| | <u>General</u> | <u>Food Service</u> | <u>School Grants</u> | <u>Total</u> |
|-----------------------|---------------------|-------------------------|--------------------------|---------------------|
| Health Insurance | \$ 4,581,679 | \$ - | \$ 47,951 | \$ 4,629,630 |
| Workers' Compensation | 621,541 | 12,949 | 12,949 | 647,439 |
| Totals | \$ 5,203,220 | \$ 12,949 | \$ 60,900 | \$ 5,277,069 |

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

G. Compensated Absences Payable

The change in compensated absences payable is summarized below:

| | |
|----------------------------|---------------------|
| Balance June 30, 2013 | \$ 3,060,128 |
| Increases | 3,605,039 |
| Decreases | (3,172,540) |
| Balance June 30, 2014 | \$ 3,492,627 |
| Amount Due Within One Year | (956,449) |
| Long-Term Payable | \$ 2,536,178 |

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

H. Fund Balances

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

The non-spendable portion of fund balance in the general fund and food service is \$505,968 and \$5,214 respectively.

Commitments at June 30, 2014, consist of the following:

General Fund:

- 1) \$1,218,779 in long-term worker's compensation claims.
- 2) \$1,397,630 for other postemployment benefits.
- 3) \$1,891,152 for new textbook adoption
- 4) \$250,000 for transportation sinking fund

Food Service Fund:

\$182,116 in long-term workers' compensation claims

Assignments at June 30, 2014, consist of the following:

Food Service Fund:

\$2,147,563 to the operational activities of the fund

IV. Other Information

A. Defined Benefit Pension Plans

Plan Description

The School Board contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan. Operational, maintenance and food service (non-professional) employees hired prior to July 1, 2006 participate in the City of Roanoke Pension Plan (Plan). Disclosure concerning these three plans is as follows:

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set out below:

VRS PLAN 1

About VRS Plan 1 – VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election – VRS non-hazardous duty covered plan members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan were not eligible to elect the Hybrid Retirement Plan and remain as plan members or ORP.

Retirement Contributions – Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

Calculating the Benefit – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

Normal Retirement Age – Age 65.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (COLA) matches the first 3% 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%.

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS PLAN 2

VRS Plan 2 is the same as VRS Plan 1 except for the following:

Employees are eligible for VRS 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.

Average Final Compensation – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age – Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – 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%.

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

HYBRID RETIREMENT PLAN

The Hybrid Retirement Plan is the same as VRS Plan 1 except for the following:

About the Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window.

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS 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

*Non-Eligible Members

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Retirement Contributions – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution

component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Calculating the Benefit

Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation – Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier – The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Not applicable.

Disability Coverage – Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

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 most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Roanoke City School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended June 30, 2014 for non-professional employees was 12.49% of the annual covered payroll.

The School Board professional employees' contribution rate for the VRS statewide teacher pool for fiscal year ended 2014 was 11.66% of annual covered payroll. The following table shows total

employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School System for the prior three years:

| | <u>Total Contributions</u> | <u>% of Annual Covered Payroll</u> | <u>Annual Covered Payroll</u> |
|---------------|--------------------------------|--|-----------------------------------|
| June 30, 2014 | \$11,961,417 | 16.75 | \$71,425,124 |
| June 30, 2013 | 11,618,072 | 16.68 | \$69,661,960 |
| June 30, 2012 | \$7,531,647 | 11.33 | \$66,367,331 |

Annual Pension Cost

For the fiscal year ended June 30, 2014, the School Board's annual pension cost for professional employees was \$11,961,417 and \$279,971 for non-professional employees for VRS and both were equal to the required and actual contributions.

Three-Year Trend Information

Professional Group Roanoke City School Board Roanoke, Virginia

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------|--------------------------------------|--|-----------------------------------|
| June 30, 2014 | \$ 11,961,417 | 100% | \$ - |
| June 30, 2013 | \$ 11,618,072 | 100% | \$ - |
| June 30, 2012 | \$ 7,531,647 | 100% | \$ - |

Non-Professional Group Roanoke City School Board Roanoke, Virginia

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------|--------------------------------------|--|-----------------------------------|
| June 30, 2014 | \$ 279,971 | 100% | \$ - |
| June 30, 2013 | \$ 235,092 | 100% | \$ - |
| June 30, 2012 | \$ 167,647 | 100% | \$ - |

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available

to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the Roanoke City School Board is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 172.47 percent funded. The actuarial accrued liability for benefits was \$833,355 and the actuarial value of assets was \$1,437,266 resulting in an unfunded actuarial accrued liability (UAAL) of \$(603,911). The covered payroll (annual payroll of active employees covered by the plan) was \$2,113,589, and the ratio of the UAAL to the covered payroll was (28.57) percent.

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

City of Roanoke Pension Plan

Plan Description

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

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

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

On July 16, 2012, City Council adopted a restatement of the Chapter of the City Code governing the Plan. The restated Chapter 22.3, Pensions and Retirement, provides for the introduction of new benefit plans and benefit tiers with effective dates of July 1, 2013 and July 1, 2014. Employees hired prior to July 1, 2014 will be provided the irrevocable option of prospective membership for the accrual of benefits under the new defined benefit plan provisions with a new benefit tier and eligibility criteria,

and membership under a new hybrid retirement plan consisting of both defined benefit and defined contribution components effective July 1, 2014. Contributions for employees electing the hybrid plan benefit will be placed in the defined contribution plan component with employee-directed investment of their assets. The restated Chapter 22.3 also provides for a cost of living adjustment for retirees whose effective retirement dates are July 1 of the preceding fiscal year or earlier. The cost of living adjustment is defined as 2/3 of the average CPI-U for the prior calendar year, not to exceed 4% or the average increase in compensation provided to active member employees of the City of Roanoke. Members retiring on or after July 1, 2014 must have 15 years of creditable service to eligible for a cost of living adjustment.

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

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

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

a. Funding Policy

School Board employees do not contribute to the Pension Plan. The School Board's contribution is based on a percentage of the annual compensation of the active members. The contribution rate was 15.3% of annual covered payroll for the year ended June 30, 2014.

b. Annual Required Contribution

For fiscal year 2014, the School Board's annual required contribution was \$449,454. The required contribution was based on an actuarial valuation. The School Board's actual contribution was \$449,454. Total School Board payroll for 2014 was \$86,937,501. Payroll covered by City Retirement for School Board employees was \$2,937,608. Information related to trend information is presented below.

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

| Fiscal Year Ended | Annual Required Contribution (ARC) | Percentage of ARC Contributed |
|------------------------------|---|--|
| June 30, 2014 | \$449,454 | 100.0% |
| June 30, 2013 | \$425,310 | 100.0% |
| June 30, 2012 | \$598,352 | 98.2% |

B. Other Post Employment Benefits

a. Plan Descriptions

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

b. Funding Policies

The contribution requirements of the Roanoke City Public Schools Healthcare Plan members and the Roanoke City Public Schools are established and may be amended by the Roanoke City School Board. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health and dental insurance, the School Board contributes 0% of all premium payments, and the retirees contribute 100%. Employees who retired on or before July 1, 2010, participate in the plan at a group rate which is blended with that of active employees. Employees who retired after that date pay an unblended group rate. For the fiscal year ended June 30, 2014, the Roanoke City Public Schools retirees contributed \$1,085,145 to the Roanoke City Public Schools Healthcare Plan. The retiree's claims amounted to \$1,160,923 for the same time period.

c. Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the Roanoke City Public Schools' annual OPEB cost for fiscal year end 2014, the amount actually contributed to the plan, and changes in the Roanoke City Public Schools' net OPEB obligation to the Retiree Health Benefit Fund:

| | <u>Healthcare Plan</u> |
|--------------------------------------|------------------------|
| Annual Required Contribution | \$ 230,083 |
| Interest on net OPEB Obligation | 22,228 |
| Adjustment to net OPEB liability: | <u>(60,992)</u> |
| Annual OPEB Cost | 191,319 |
| Contributions made | <u>(716,705)</u> |
| Decrease in net OPEB obligation | (525,386) |
| Net OPEB obligation at July 1, 2013 | <u>555,693</u> |
| Net OPEB obligation at June 30, 2014 | <u>\$ 30,307</u> |

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

| Fiscal Year Ended | Contribution | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------------|---------------------|-----------------------------|---|--------------------------------|
| June 30, 2014 | \$ 716,705 | \$ 191,319 | 374.6% | \$ 30,307 |
| June 30, 2013 | 233,028 | \$ 193,701 | 120.3% | 555,693 |
| June 30, 2012 | 714,619 | 180,534 | 395.8% | 595,020 |

d. Funded Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the Roanoke City Public Schools' Healthcare Plan was zero percent funded. The actuarial accrued liability for benefits was \$ 1,919,200 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 1,919,200. The covered payroll was \$0. The plan does not have separately issued financial statements.

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

e. Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial valuation of the liabilities as of June 30, 2014 is based on a closed group. Current retirees only are considered; no provision is made for future hires as they are not eligible to enter the plan. For the five-year projection, the actuarial valuation has assumed no new entrants. Therefore, the active population will decline each year as the exiting group ages out of coverage.

f. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to

reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 valuation, the projected unit credit actuarial cost method was used. Past service liability is amortized over a level dollar, open 20 year period that declines year per year. The remaining amortization period at July 1, 2014 was 10 years.

The actuarial assumptions included a 4 percent discount rate. Annual medical rates are expected to increase at an annual trend rate of 8.0% for the year ending June 30, 2014. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

C. Jointly Governed Organizations

The counties of Craig, Botetourt, and Franklin, and the cities of Roanoke and Salem jointly participate in a regional education program for severely handicapped students, operated by the Roanoke Valley Regional Board (Regional Board). The Regional Board is composed of six members, one from each participating locality. The School Board has control over budget and financing of the venture only to the extent of representation by the one board member appointed. Each locality's financial obligation is based on its proportionate share of students attending the regional program. For the fiscal year ended June 30, 2014, the School Board remitted \$4,722,059 to the Regional Board for services. The Regional Board has separately issued financial statements which can be obtained from the Regional Board, 143 Poor Farm Road, Fincastle, Virginia 24090.

D. Pollution Remediation Obligation

In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, The School Board is obligated to address pollution remediation activities associated with normal repair and maintenance activities. As of June 30, 2014 we had contracts for ongoing asbestos monitoring, annual walkthroughs, permit review and sampling. The total obligation for the remaining portion of these contracts is \$0. During fiscal year 2014, RCPS expended \$51,877 for pollution remediation of certain environmental products including paints, solvents and cleaners and asbestos monitoring which is included in amounts shown for Operation and Maintenance of Plant on both the district-wide Statement of Activities (exhibit 2) and the governmental Statement of Revenues, Expenditures, and Changes in Fund Balances (exhibit 4). Management is not aware of any obligation related to removal or disposal of any other paints, chemicals, cleaning fluids, etc., other than those items already properly removed and disposed.

E. Risk Management

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

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

School Board and this vendor are in dispute regarding both reimbursement for uninsured damages and payments for services.

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

| | Healthcare Claims | Workers' Compensation | Total |
|---|------------------------------|----------------------------------|---------------------|
| Fiscal Year 2013-14: | | | |
| Claims liability at July 1 | \$ 4,600,403 | \$ 3,161,362 | \$ 7,761,765 |
| Claims incurred (including IBNR and changes in estimates) | 15,193,914 | (215,974) | 14,977,940 |
| Claim payments | <u>(15,164,687)</u> | <u>(897,054)</u> | <u>(16,061,741)</u> |
| Claims liability at June 30 | <u>4,629,630</u> | <u>2,048,334</u> | <u>6,677,964</u> |
| Due within one year | <u>4,629,630</u> | <u>647,439</u> | <u>5,277,069</u> |
| Long-term payable | <u>\$ -</u> | <u>\$ 1,400,895</u> | <u>\$ 1,400,895</u> |
| Fiscal Year 2012-13: | | | |
| Claims liability at July 1 | \$ 4,066,473 | \$ 3,838,133 | \$ 7,904,606 |
| Claims incurred (including IBNR and changes in estimates) | 14,533,271 | 95,771 | 14,629,042 |
| Claim payments | <u>(13,999,341)</u> | <u>(772,542)</u> | <u>(14,771,883)</u> |
| Claims liability at June 30 | <u>4,600,403</u> | <u>3,161,362</u> | <u>7,761,765</u> |
| Due within one year | <u>4,600,403</u> | <u>791,395</u> | <u>5,391,798</u> |
| Long-term payable | <u>\$ -</u> | <u>\$ 2,369,967</u> | <u>\$ 2,369,967</u> |

F. Contingent Liabilities

Grants

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

Litigation

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

Contract Renewal

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

Total net payments to Mountain Valley Transportation during fiscal year 2014 and 2013 were \$9,855,857 and \$8,677,370 respectively. Future payments to Mountain Valley Transportation will depend upon the level of service (e.g., number of routes) required by RCPS.

G. Retirement/Early Retirement Opportunity Program

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

Any employee who was a member of the Virginia Retirement System or City of Roanoke Pension Plan was eligible to retire under the retirement incentive program any time after achieving eligibility to retire under either retirement system, provided the employee had completed seventeen (17) years of service in the appropriate retirement system, ten (10) of which must have been in the Roanoke City Public Schools, and provided he or she was not eligible for disability retirement benefits under either retirement system. This incentive retirement program closed to new entrants at July 1, 2009. The year ended June 30, 2014 was the last year of the program.

Each employee who elected early retirement under this program is paid an annual supplement equal to 20 percent of his or her annual salary at the time of retirement. The payments of the supplement will commence at the date of retirement and will continue until the earlier of (1) the death of the retired employee or (2) receipt by the retired employee of payment of five years of service after retirement. In return for the supplement, the retiree entered into a contractual obligation to perform services for 20 days per year. If the retired employees did not elect to enter in the contractual obligation of 20 days service, the benefit was not paid. The expenditures for the School Board's Early Retirement Opportunity Program (EROP) during fiscal year 2014 were \$802,842. The fiscal year ending June 30, 2014 was the last year of the program.

H. New Accounting Pronouncements

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

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

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* was issued to address an issue regarding application of the transition provisions of *GASB Statement No. 68, Accounting and Financial Reporting*

for Pensions. This Statement amends *GASB Statement No. 68* to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This Statement will be effective for the year ending June 30, 2015.

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REQUIRED SUPPLEMENTARY INFORMATION



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THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

| | <u>Budgeted Amounts</u> | | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-----------------------------|---------------------------|---|
| | <u>Original and Final</u> | <u>Actual Amounts</u> | |
| Revenues: | | | |
| Investment Income | \$ - | \$ 70,409 | \$ 70,409 |
| Intergovernmental: | | | |
| City of Roanoke | 74,506,400 | 74,165,273 | (341,127) |
| Commonwealth of Virginia | 70,321,715 | 71,732,785 | 1,411,070 |
| Other Revenue | 4,900,000 | 5,187,870 | 287,870 |
| Total Revenues | <u>149,728,115</u> | <u>151,156,337</u> | <u>1,428,222</u> |
| Expenditures: | | | |
| Current - Education: | | | |
| Instruction | 104,290,337 | 103,874,316 | 416,021 |
| Administration, Technology, Attendance & Health | 12,280,525 | 11,210,824 | 1,069,701 |
| Transportation | 10,184,460 | 10,331,893 | (147,433) |
| Operation & Maintenance of Plant | 15,839,119 | 14,257,716 | 1,581,403 |
| Athletics | 1,691,000 | 1,626,777 | 64,223 |
| Payments for Debt Service | 15,523,945 | 15,270,992 | 252,953 |
| Total Expenditures | <u>159,809,386</u> | <u>156,572,518</u> | <u>3,236,868</u> |
| Revenues (Under) Over Expenditures | <u>(10,081,271)</u> | <u>(5,416,181)</u> | <u>4,665,090</u> |
| Other Financing Sources (Uses): | | | |
| Transfers From Other Funds | 300,000 | 874,616 | 574,616 |
| Transfers To Other Funds | <u> </u> | <u>(806,982)</u> | <u>(806,982)</u> |
| Other Financing Sources (Uses), Net | <u>300,000</u> | <u>67,634</u> | <u>(232,366)</u> |
| Net Change in Fund Balance | (9,781,271) | (5,348,547) | 4,432,724 |
| Fund Balances, Beginning of Year | <u>35,453,393</u> | <u>35,453,393</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 25,672,122</u> | <u>\$ 30,104,846</u> | <u>\$ 4,432,724</u> |

See accompanying notes to the budgetary comparison schedules.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Budgetary Comparison Schedule
Food Service Fund
For the Year Ended June 30, 2014

| | <u>Budgeted Amounts</u> | | Variance with Final Budget Positive (Negative) |
|-------------------------------------|---------------------------|---------------------------|---|
| | <u>Original and Final</u> | <u>Actual Amounts</u> | |
| Revenues: | | | |
| Investment Income | - | \$ 3,530 | \$ 3,530 |
| Intergovernmental: | | | |
| Commonwealth of Virginia | 132,126 | 132,637 | 511 |
| Federal Government | 4,725,000 | 5,652,905 | 927,905 |
| Charges for Services | 1,200,000 | 1,148,606 | (51,394) |
| Total Revenues | <u>6,057,126</u> | <u>6,937,678</u> | <u>880,552</u> |
| Expenditures: | | | |
| Current - Education: | | | |
| Food Services | <u>6,986,905</u> | <u>6,709,069</u> | <u>277,836</u> |
| Total Expenditures | <u>6,986,905</u> | <u>6,709,069</u> | <u>277,836</u> |
| Revenues Over Expenditures | <u>(929,779)</u> | <u>228,609</u> | <u>1,158,388</u> |
| Other Financing Sources (Uses): | | | |
| Transfers To Other Funds | <u>(300,000)</u> | <u>(300,000)</u> | <u>-</u> |
| Other Financing Sources (Uses), Net | <u>(300,000)</u> | <u>(300,000)</u> | <u>-</u> |
| Net Change in Fund Balance | (1,229,779) | (71,391) | 1,158,388 |
| Fund Balances, Beginning of Year | <u>2,406,284</u> | <u>2,406,284</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 1,176,505</u> | <u>\$ 2,334,893</u> | <u>\$ 1,158,388</u> |

See accompanying notes to the budgetary comparison schedules.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2014

Stewardship, Compliance, and Accountability.

I. Budgetary Information.

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

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

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

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

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

II. Material Violations.

There were no material violations of the annual appropriated budget for the General Fund or Food Service Fund for the fiscal year ended June 30, 2014.

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Schedule C

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedules of Funding Progress and Employer Contributions - Other Postemployment Benefits
For the Year Ended June 30, 2014

| Other Post Employment Benefits Schedule of Funding Progress | | | | | | |
|--|--------------------------------------|--|--------------------------------------|-----------------------------|----------------------------|--|
| Actuarial Valuation Date | Actuarial Value of Assets [a] | Actuarial Accrued Liability (AAL) - PUC [b] | Unfunded AAL (UAAL) [b] - [a] | Funded Ratio [a]/[b] | Covered Payroll [c] | UAAL as a Percentage of Covered Payroll ([b] - [a])/[c] |
| 6/30/2014 | - | \$ 1,919,200 | \$ 1,919,200 | 0.00% | N/A | N/A |
| 6/30/2013 | - | 2,015,639 | 2,015,639 | 0.00% | N/A | N/A |
| 6/30/2012 | - | 2,166,661 | 2,166,661 | 0.00% | N/A | N/A |
| 6/30/2011 | - | 2,437,419 | 2,437,419 | 0.00% | N/A | N/A |
| 6/30/2010 | - | 4,083,544 | 4,083,544 | 0.00% | N/A | N/A |
| 6/30/2009 | - | 7,964,432 | 7,964,432 | 0.00% | 85,979,029 | 9.3% |
| 6/30/2008 | - | 20,074,254 | 20,074,254 | 0.00% | 83,474,785 | 24.0% |

| Fiscal Year | Annual OPEB Cost | Contribution | Percent of Annual OPEB Cost Contributed | Net OPEB Obligation |
|--------------------|-------------------------|---------------------|--|----------------------------|
| 6/30/2010 | \$ 684,706 | \$ 381,702 | 55.8% | \$ 1,445,797 |
| 6/30/2011 | 289,043 | 605,735 | 209.6% | 1,129,105 |
| 6/30/2012 | 180,534 | 714,619 | 395.8% | 595,020 |
| 6/30/2013 | 193,701 | 233,028 | 120.3% | 555,693 |
| 6/30/2014 | 191,319 | 716,705 | 374.6% | 30,307 |

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Required Supplementary Information
Virginia Retirement System Schedule of Funding Progress
Year ended June 30, 2014

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

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as % of Payroll (b-a) / (c) |
|--------------------------------|---|---|--|--------------------------|-------------------------------------|---|
| June 30, 2013 | \$ 1,437,266 | \$ 833,355 | \$ (603,911) | 172.47% | \$ 2,113,589 | -28.57% |
| June 30, 2012 | \$ 1,168,380 | \$ 718,966 | \$ (449,414) | 162.51% | \$ 1,485,891 | -30.25% |
| June 30, 2011 | \$ 947,844 | \$ 710,365 | \$ (237,479) | 133.43% | \$ 1,225,391 | -19.38% |
| June 30, 2010 | \$ 784,752 | \$ 514,460 | \$ (270,292) | 152.54% | \$ 1,071,610 | -25.22% |
| June 30, 2009 | \$ 808,508 | \$ 722,986 | \$ (85,522) | 111.83% | \$ 3,583,415 | -2.39% |

OTHER SUPPLEMENTARY INFORMATION



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THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Cash Receipts and Disbursements by School
School Activity Funds
For the Year Ended June 30, 2014

| <u>School</u> | <u>Balance at Beginning of Year</u> | <u>Inter-School Transfers</u> | <u>Cash Receipts</u> | <u>Expenditures</u> | <u>Balance at End of Year</u> |
|--------------------------------------|---|-----------------------------------|--------------------------|---------------------|---------------------------------------|
| Due to Students | | | | | |
| High Schools: | | | | | |
| William Fleming High School | \$ 94,798 | \$ (1,374) | \$ 149,559 | \$ 135,308 | \$ 107,675 |
| Patrick Henry High School | 322,941 | (2,489) | 212,355 | 222,496 | 310,311 |
| Gibboney Technical Center | 104,764 | 3,863 | 154,544 | 165,144 | 98,027 |
| Roanoke Valley Governor's School | 33,283 | - | 50,802 | 66,254 | 17,831 |
| Noel C. Taylor Learning Academy | 44 | - | 1,039 | 447 | 636 |
| Forest Park Academy | 9,332 | - | 6,155 | 10,428 | 5,059 |
| Adult Education | 56,883 | - | 27,025 | 18,875 | 65,033 |
| Middle Schools: | | | | | |
| Lucy Addison Aerospace Middle School | 7,954 | - | 86,716 | 86,298 | 8,372 |
| James Breckinridge Middle School | 11,967 | - | 10,817 | 17,917 | 4,867 |
| Stonewall Jackson Middle School | 971 | - | 12,446 | 11,678 | 1,739 |
| James Madison Middle School | 31,699 | - | 84,394 | 78,464 | 37,629 |
| Woodrow Wilson Middle School | 42,801 | - | 60,654 | 61,762 | 41,693 |
| Elementary Schools: | | | | | |
| Crystal Spring Elementary School | 38,808 | - | 33,429 | 28,163 | 44,074 |
| Fairview Elementary School | 10,579 | - | 25,248 | 27,711 | 8,116 |
| Fallon Park Elementary School | 11,795 | - | 6,967 | 4,618 | 14,144 |
| Fishburn Park Elementary School | 27,918 | - | 18,231 | 22,101 | 24,048 |
| Garden City Elementary School | 9,090 | - | 17,166 | 19,166 | 7,090 |
| Grandin Court Elementary School | 61,126 | - | 27,711 | 36,886 | 51,951 |
| Highland Park Elementary School | 17,809 | - | 42,916 | 42,091 | 18,634 |
| Hurt Park Elementary School | 8,360 | - | 2,869 | 3,941 | 7,288 |
| Lincoln Terrace Elementary School | 87 | - | 7,194 | 5,275 | 2,006 |
| Monterey Elementary School | 23,113 | - | 24,229 | 23,929 | 23,413 |
| Morningside Elementary School | 8,916 | - | 12,143 | 13,795 | 7,264 |
| Preston Park Primary School | 19,919 | - | 8,926 | 9,980 | 18,865 |
| Roanoke Academy for Math and Science | 27,338 | - | 8,523 | 6,336 | 29,525 |
| Round Hill Primary School | 8,536 | - | 5,704 | 11,285 | 2,955 |
| Virginia Heights Elementary School | 16,109 | - | 10,695 | 10,505 | 16,299 |
| Wasena Elementary School | 37,284 | - | 6,299 | 15,011 | 28,572 |
| Westside Elementary School | 16,114 | - | 20,230 | 18,862 | 17,482 |
| Total Due to Students | <u>\$ 1,060,338</u> | <u>\$ -</u> | <u>\$ 1,134,986</u> | <u>\$ 1,174,726</u> | <u>\$ 1,020,598</u> |

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Fiduciary Assets and Liabilities
For the Year Ended June 30, 2014

| | <u>Assets</u> | <u>Agency Fund</u> |
|--------------------------------|---------------------------|-------------------------------|
| <u>Cash</u> | | |
| Balance June 30, 2013 | | \$ 1,087,760 |
| Additions | | 1,165,026 |
| Deductions | | (1,202,148) |
| Balance June 30, 2014 | | \$ <u>1,050,638</u> |
| | <u>Liabilities</u> | |
| <u>Accounts Payable</u> | | |
| Balance June 30, 2013 | | \$ 27,422 |
| Additions | | 30,040 |
| Deductions | | (27,422) |
| Balance June 30, 2014 | | \$ <u>30,040</u> |
| <u>Due to Students</u> | | |
| Balance June 30, 2013 | | \$ 1,060,338 |
| Additions | | 1,134,986 |
| Deductions | | (1,174,726) |
| Balance June 30, 2014 | | \$ <u>1,020,598</u> |

Schedule G

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Insurance Coverage
For the Year Ended June 30, 2014

| | <u>Amount</u> |
|--|----------------|
| The Virginia Municipal Liability Pool | |
| Property and Scheduled Equipment Coverage | \$ 434,097,330 |
| The Virginia Municipal Liability Pool | |
| Local Government Liability Coverage | 1,000,000 |
| The Virginia Municipal Liability Pool | |
| Automobile Coverage | 1,000,000 |
| The Virginia Municipal Liability Pool | |
| No Fault Property Coverage | 10,000 |
| The Virginia Municipal Liability Pool | |
| Excess Liability Coverage | 10,000,000 |
| The Virginia Municipal Liability Pool | |
| Boiler and Machinery Coverage | 1,000,000 |
| The Virginia Municipal Liability Pool | |
| Fidelity/Crime Coverage | 1,000,000 |
| The Virginia Municipal Liability Pool | |
| Miscellaneous Equipment | 592,458 |
| Ace American Insurance Company | |
| Student Accident Insurance - Coordinated with VHSLCI | 1,000,000 |
| Safety National | |
| Workers' Compensation Employer's Liability Maximum | 1,000,000 |
| Symetra | |
| Health Insurance aggregate reimbursement maximum | 1,000,000 |

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STATISTICAL SECTION

(Unaudited)



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Table 1

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

| | Invested in Capital Assets | Unrestricted | Total Net Position |
|------------------|-------------------------------|--------------|-----------------------|
| Fiscal Year 2005 | 3,942,348 | (1,798,711) | 2,143,637 |
| Fiscal Year 2006 | 4,226,716 | (2,840,751) | 1,385,965 |
| Fiscal Year 2007 | 4,594,989 | 2,929,159 | 7,524,148 |
| Fiscal Year 2008 | 4,682,939 | 1,864,686 | 6,547,625 |
| Fiscal Year 2009 | 4,137,983 | 4,945,470 | 9,083,453 |
| Fiscal Year 2010 | 2,904,199 | 6,892,489 | 9,796,688 |
| Fiscal Year 2011 | 2,799,326 | 19,619,040 | 22,418,366 |
| Fiscal Year 2012 | 2,787,940 | 32,877,524 | 35,665,464 |
| Fiscal Year 2013 | 2,760,872 | 32,188,392 | 34,949,264 |
| Fiscal Year 2014 | 2,740,357 | 28,421,588 | 31,161,945 |

Source: Statement of Net Position (Exhibit 1).

Table 2

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

| | Fiscal Year | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Expenses: | | | | | | | | | | |
| Instruction | \$ 115,218,083 | \$ 113,261,181 | \$ 108,920,537 | \$ 107,067,285 | \$ 109,338,130 | \$ 111,483,779 | \$ 110,294,480 | \$ 103,824,545 | \$ 103,021,806 | \$ 102,115,635 |
| Administration | 12,161,115 | 12,319,863 | 10,847,658 | 8,032,822 | 11,206,444 | 10,017,243 | 9,197,034 | 7,053,154 | 6,399,423 | 6,106,188 |
| Attendance & Health Services | 4,464,234 | 4,164,983 | 3,998,564 | 2,279,228 | 1,709,483 | 3,414,687 | 2,319,315 | 2,145,467 | 1,993,858 | 1,807,576 |
| Transportation | 10,331,892 | 9,671,918 | 10,024,200 | 9,159,765 | 8,848,642 | 8,046,245 | 7,150,856 | 6,645,788 | 6,467,602 | 6,120,680 |
| Operation & Maintenance of Plant | 14,311,773 | 13,338,890 | 13,060,376 | 14,861,138 | 15,256,459 | 16,058,753 | 17,480,443 | 15,008,538 | 13,546,369 | 12,621,110 |
| Food Services | 6,709,067 | 6,816,374 | 6,231,331 | 5,613,676 | 5,232,656 | 5,324,523 | 5,172,831 | 4,952,841 | 5,337,543 | 5,246,329 |
| Athletics (1) | 1,626,777 | 1,593,315 | 1,557,556 | 1,380,626 | 1,181,887 | 1,512,359 | n/a | n/a | n/a | n/a |
| Facilities | | | | | | | 3,874 | 44,730 | 526,357 | 381,666 |
| Payments for Debt Service | 15,502,968 | 15,954,665 | 16,348,972 | 9,710,060 | 10,031,481 | 8,932,913 | 9,029,155 | 8,225,021 | 6,531,023 | 5,228,689 |
| Total Expenses | 180,325,909 | 177,111,189 | 170,989,194 | 158,104,600 | 162,805,182 | 164,790,502 | 160,647,988 | 147,900,084 | 143,823,981 | 139,627,873 |
| Program revenues: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Instruction | 4,140,707 | 3,797,462 | 3,299,018 | 3,126,427 | 2,867,222 | 2,883,589 | 3,031,069 | 2,581,920 | 2,662,269 | 2,499,837 |
| Administration | 272,605 | 158,267 | 49,577 | 1,768,215 | 493,428 | - | - | - | - | - |
| Technology | | | | | 3,600 | - | - | - | - | - |
| Transportation | 27,768 | 66,138 | 63,840 | 209,661 | 154,061 | 974,079 | 569,552 | 763,741 | 570,918 | 603,130 |
| Operations & maintenance | 3,721 | 74,037 | 43,041 | 110,030 | 204,473 | 54,713 | 101,219 | 122,329 | 82,819 | 164,087 |
| Food Services | 1,148,606 | 1,146,209 | 1,269,261 | 1,138,961 | 1,248,571 | 1,368,128 | 1,316,086 | 1,449,759 | 1,503,183 | 1,511,244 |
| Athletics (1) | 171,605 | 162,282 | 184,231 | 213,882 | 179,060 | 110,995 | n/a | n/a | n/a | n/a |
| Operating grants and contributions | 42,615,404 | 44,492,512 | 50,542,428 | 46,888,580 | 43,808,957 | 40,880,659 | 35,050,367 | 34,501,837 | 32,931,331 | 33,014,220 |
| Total revenues | 48,380,416 | 49,896,907 | 55,451,396 | 53,455,756 | 48,959,372 | 46,272,163 | 40,068,293 | 39,419,586 | 37,750,520 | 37,792,518 |
| Net expense | (131,945,493) | (127,214,282) | (115,537,798) | (104,648,844) | (113,845,810) | (118,518,339) | (120,579,695) | (108,480,498) | (106,073,461) | (101,835,355) |
| General revenues: | | | | | | | | | | |
| Payments from the City of Roanoke | 74,366,181 | 73,870,214 | 78,351,405 | 70,232,036 | 63,441,557 | 62,506,419 | 62,392,633 | 58,669,043 | 55,843,100 | 52,676,279 |
| State aid | 52,263,074 | 51,367,376 | 49,125,626 | 45,907,251 | 49,941,848 | 58,370,478 | 56,730,226 | 55,710,091 | 49,286,548 | 47,821,217 |
| Grants not restricted to a specific program | - | 15,809 | 18,695 | 23,074 | 8,197 | 25,473 | 151,158 | 113,331 | 144,281 | 79,630 |
| Interest Income on Investments | 73,939 | 68,365 | 35,626 | - | - | - | - | - | - | - |
| Miscellaneous | 1,454,980 | 1,176,318 | 1,253,544 | 791,469 | 144,787 | 151,797 | 329,155 | 126,216 | 41,860 | 30,810 |
| Special item - Gain from sale of transportation vehicles and equipment | - | - | - | - | 1,022,656 | - | - | - | - | - |
| Special item - OPEB reduction in payable | - | - | - | 316,692 | - | - | - | - | - | - |
| Total general revenues | 128,158,174 | 126,498,082 | 128,784,896 | 117,270,522 | 114,559,045 | 121,054,167 | 119,603,172 | 114,618,681 | 105,315,789 | 100,607,936 |
| Change in net position | \$ (3,787,319) | \$ (716,200) | \$ 13,247,098 | \$ 12,621,678 | \$ 713,235 | \$ 2,535,828 | \$ (976,523) | \$ 6,138,183 | \$ (757,672) | \$ (1,227,419) |

Source: Statement of Activities (Exhibit 2).

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

Table 3

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Pre-GASB 54 implementation: | | | | | | |
| General Fund | | | | | | |
| Reserved | \$ 998,897 | \$ 800,201 | \$ 1,638,071 | \$ 929,971 | \$ - | \$ - |
| Unreserved | 713,693 | 333,793 | 4,975,948 | 7,389,857 | 10,787,998 | 9,988,445 |
| Total General Fund | \$ 1,712,590 | \$ 1,133,994 | \$ 6,614,019 | \$ 8,319,828 | \$ 10,787,998 | \$ 9,988,445 |
| All Other Governmental Funds | | | | | | |
| Reserved | \$ 3,448 | \$ 3,831 | \$ 179,985 | \$ 9,708 | \$ - | \$ - |
| Unreserved | 103,370 | 147,922 | 260,560 | 764,436 | 1,111,426 | 2,817,037 |
| Total all other governmental funds | \$ 106,818 | \$ 151,753 | \$ 440,545 | \$ 774,144 | \$ 1,111,426 | \$ 2,817,037 |
| | 2011 | 2012 | 2013 | 2014 | | |
| Post-GASB 54 implementation: | | | | | | |
| General Fund | | | | | | |
| Nonspendable | \$ 738,964 | \$ 944,422 | \$ 1,197,024 | \$ 505,968 | | |
| Committed | 8,909,493 | 12,160,042 | 8,257,297 | 4,757,561 | | |
| Assigned | - | - | - | - | | |
| Unassigned | 12,704,697 | 22,791,837 | 25,999,072 | 24,841,317 | | |
| Total General Fund | \$ 22,353,154 | \$ 35,896,301 | \$ 35,453,393 | \$ 30,104,846 | | |
| All Other Governmental Funds | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 5,214 | | |
| Committed | 36,082 | 57,922 | 305,726 | 182,116 | | |
| Assigned | 3,149,862 | 2,989,357 | 2,100,558 | 2,147,563 | | |
| Unassigned | - | - | - | - | | |
| Total all other governmental funds | \$ 3,185,944 | \$ 3,047,279 | \$ 2,406,284 | \$ 2,334,893 | | |

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

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

* As restated

Table 4

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-----------------------|----------------------|----------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Revenues: | | | | | | | | | | |
| City of Roanoke | \$ 74,165,273 | \$ 73,555,711 | \$ 78,351,405 | \$ 70,232,036 | \$ 63,441,557 | \$ 62,506,419 | \$ 62,392,633 | \$ 58,669,043 | \$ 55,843,100 | \$ 52,676,279 |
| Commonwealth of Virginia | 75,065,989 | 71,641,056 | 68,878,360 | 66,050,074 | 70,342,651 | 81,114,482 | 76,428,772 | 74,587,049 | 65,915,136 | 64,862,765 |
| Federal Government | 19,696,156 | 23,476,103 | 29,877,473 | 26,373,082 | 23,035,591 | 17,578,897 | 15,502,981 | 15,738,210 | 16,447,023 | 16,052,301 |
| Charges for services | 5,593,407 | 5,220,361 | 4,724,737 | 6,263,751 | 2,537,590 | 5,280,509 | 5,017,926 | 4,880,917 | 4,811,690 | 4,763,299 |
| Other | 1,426,953 | 2,682,255 | 2,899,317 | 1,919,914 | 3,686,084 | 846,023 | 329,153 | 163,048 | 49,360 | 45,810 |
| Total revenue | <u>175,947,778</u> | <u>176,575,486</u> | <u>184,731,292</u> | <u>170,838,857</u> | <u>163,043,473</u> | <u>167,326,330</u> | <u>159,671,465</u> | <u>154,038,267</u> | <u>143,066,309</u> | <u>138,400,454</u> |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Instruction | \$ 120,501,033 | \$ 117,629,772 | \$ 113,318,331 | \$ 108,674,725 | \$ 110,508,021 | \$ 115,776,687 | \$ 111,709,321 | \$ 107,462,621 | \$ 104,612,255 | \$ 104,002,373 |
| Administration, Administration & Health | 12,273,031 | 12,510,079 | 10,934,995 | 10,098,271 | 11,168,822 | 11,325,604 | 9,181,383 | 6,313,487 | 5,756,182 | 5,129,549 |
| Transportation | 10,331,893 | 9,668,779 | 9,969,049 | 9,159,765 | 8,848,642 | 8,147,387 | 6,530,019 | 6,318,760 | 6,237,424 | 5,602,079 |
| Operation & Maintenance of Plant | 14,257,716 | 13,392,881 | 12,964,536 | 13,468,118 | 15,161,689 | 15,021,466 | 16,107,669 | 14,170,006 | 12,424,146 | 12,176,055 |
| Food Services | 6,874,298 | 6,919,898 | 6,227,606 | 5,613,676 | 5,236,873 | 5,321,241 | 4,957,128 | 4,896,238 | 5,163,903 | 5,140,583 |
| Athletics (1) | 1,626,777 | 1,583,315 | 1,563,321 | 1,380,626 | 1,181,887 | 1,512,359 | n/a | n/a | n/a | n/a |
| Facilities Capital Outlay | | - | - | - | - | 70,212 | 117,382 | 883,307 | 2,875,047 | 1,921,031 |
| Payments for Debt Service | 15,502,968 | 15,954,665 | 16,348,972 | 9,710,060 | 10,031,481 | 8,932,913 | 9,029,155 | 8,225,021 | 6,531,023 | 5,228,689 |
| Total expenditures | <u>181,367,716</u> | <u>177,659,389</u> | <u>171,326,810</u> | <u>158,105,241</u> | <u>162,137,415</u> | <u>166,107,869</u> | <u>157,632,057</u> | <u>148,269,440</u> | <u>143,599,980</u> | <u>139,200,359</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,419,938)</u> | <u>(1,083,903)</u> | <u>13,404,482</u> | <u>12,733,616</u> | <u>906,058</u> | <u>1,218,461</u> | <u>2,039,408</u> | <u>5,768,827</u> | <u>(533,671)</u> | <u>(799,905)</u> |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers from Other Funds | 1,681,598 | \$ 2,764,928 | \$ 2,727,714 | \$ 1,278,650 | \$ 2,929,796 | \$ 1,276,260 | \$ 931,444 | \$ 836,606 | \$ 1,245,652 | \$ 2,404,928 |
| Transfers to Other Funds | <u>(1,681,598)</u> | <u>(2,764,928)</u> | <u>(2,727,714)</u> | <u>(1,278,650)</u> | <u>(2,929,796)</u> | <u>(1,276,260)</u> | <u>(931,444)</u> | <u>(836,606)</u> | <u>(1,245,652)</u> | <u>(2,404,928)</u> |
| Total other financing sources (uses) | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in fund balances | <u>(5,419,938)</u> | <u>\$ (1,083,903)</u> | <u>\$ 13,404,482</u> | <u>\$ 12,733,616</u> | <u>\$ 906,058</u> | <u>\$ 1,218,461</u> | <u>\$ 2,039,408</u> | <u>\$ 5,768,827</u> | <u>\$ (533,671)</u> | <u>\$ (799,905)</u> |

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

Information is presented on a modified accrual basis of accounting.

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

Table 5

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

| <u>Regional Tuition - General Fund</u> | | <u>Charges for Services - Food Services</u> | |
|--|-----------|---|-----------|
| <u>Annual Payment Received</u> | | <u>Local Breakfast/Lunch Fees</u> | |
| 2005 | 1,614,549 | 2005 | 1,511,244 |
| 2006 | 1,456,753 | 2006 | 1,503,183 |
| 2007 | 1,662,137 | 2007 | 1,449,759 |
| 2008 | 2,183,557 | 2008 | 1,316,086 |
| 2009 | 1,990,872 | 2009 | 1,368,128 |
| 2010 | 2,169,750 | 2010 | 1,248,572 |
| 2011 | 2,500,940 | 2011 | 1,138,961 |
| 2012 | 2,758,907 | 2012 | 1,269,261 |
| 2013 | 3,314,639 | 2013 | 1,124,458 |
| 2014 | 4,120,989 | 2014 | 1,087,442 |

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

Table 6
Unaudited

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

| | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| Total Tax Levies | | | | | | | | | | |
| Current Tax Collections | \$ 113,183,821 | \$ 113,209,446 | \$ 112,485,925 | \$ 112,560,131 | \$ 110,098,047 | \$ 110,034,071 | \$ 106,316,893 | \$ 101,301,039 | \$ 94,754,245 | \$ 88,719,548 |
| Current Tax Collections - State Share (1) | 103,746,942 | 103,802,153 | 103,693,219 | 102,130,123 | 100,833,008 | 98,726,769 | 95,621,945 | 89,761,174 | 83,902,929 | 78,489,950 |
| Delinquent Tax Collections | 8,075,992 | 8,075,992 | 8,075,992 | 8,075,992 | 8,075,992 | 8,075,992 | 8,073,460 | 8,089,164 | 7,789,896 | 8,147,634 |
| Delinquent Tax Collections - State Share (1) | - | 1,673,743 | 2,153,199 | 2,333,454 | 2,186,663 | 3,450,543 | 3,362,031 | 3,323,515 | 2,544,365 | 2,709,780 |
| | - | - | - | - | - | - | - | 32,383 | 172,172 | 178,186 |
| Total Tax Collections | \$ 111,822,934 | \$ 113,551,888 | \$ 113,922,410 | \$ 112,539,569 | \$ 111,095,663 | \$ 110,253,304 | \$ 107,057,436 | \$ 101,206,236 | \$ 94,409,362 | \$ 89,525,550 |
| Current Tax Collections As | | | | | | | | | | |
| Percent of Levies | 98.80% | 98.82% | 99.36% | 97.91% | 98.92% | 97.06% | 97.53% | 96.59% | 96.77% | 97.65% |
| Total Tax Collections As | | | | | | | | | | |
| Percent of Levies (2) | 98.80% | 100.30% | 101.28% | 99.98% | 100.91% | 100.20% | 100.70% | 99.91% | 99.64% | 100.91% |

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

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

Source: City of Roanoke, Department of Finance

Table 7
Unaudited

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

| Year | REAL PROPERTY | | | | PERSONAL PROPERTY | | | | PUBLIC SERVICE CORPORATIONS | | | | Total Assessed Value |
|------|----------------|-------------------|------------------------|------------------|-------------------|-------------------|------------------------|------------------|-----------------------------|-------------------|------------------------|------------------|----------------------|
| | Assessed Value | Percentage Growth | Estimated Actual Value | Assessment Ratio | Assessed Value | Percentage Growth | Estimated Actual Value | Assessment Ratio | Assessed Value | Percentage Growth | Estimated Actual Value | Assessment Ratio | |
| | | | | | | | | | | | | | |
| 2005 | 4,912,403,589 | 7.75% | 4,912,403,589 | 1.00 | 731,086,348 | 8.25% | 1,218,477,246 | 0.60 | 333,486,044 | (10.56%) | 338,499,005 | 0.985 | 5,976,975,981 |
| 2006 | 5,351,633,570 | 8.94% | 5,351,633,570 | 1.00 | 762,403,478 | 4.28% | 1,270,672,463 | 0.60 | 303,859,616 | (8.88%) | 308,722,893 | 0.984 | 6,417,896,664 |
| 2007 | 5,834,424,939 | 9.02% | 5,834,424,939 | 1.00 | 818,058,932 | 7.30% | 1,363,431,553 | 0.60 | 310,606,990 | 2.22% | 316,097,815 | 0.983 | 6,963,090,861 |
| 2008 | 6,256,495,314 | 7.23% | 6,256,495,314 | 1.00 | 836,674,524 | 2.28% | 1,394,457,540 | 0.60 | 314,604,888 | 1.29% | 321,271,916 | 0.979 | 7,407,774,726 |
| 2009 | 6,564,294,962 | 4.92% | 6,564,294,962 | 1.00 | 809,722,606 | (3.22%) | 1,349,537,677 | 0.60 | 335,086,164 | 6.51% | 341,586,222 | 0.981 | 7,709,103,732 |
| 2010 | 6,698,391,113 | 2.04% | 6,698,391,113 | 1.00 | 758,872,026 | (6.28%) | 1,264,786,710 | 0.60 | 359,212,368 | 7.20% | 360,848,221 | 0.995 | 7,816,475,507 |
| 2011 | 6,801,971,286 | 1.55% | 6,801,971,286 | 1.00 | 769,951,558 | 1.46% | 1,283,252,597 | 0.60 | 353,515,462 | (1.59%) | 357,281,499 | 0.989 | 7,925,438,306 |
| 2012 | 6,794,772,298 | (0.11%) | 6,794,772,298 | 1.00 | 816,148,651 | 6.00% | 1,360,247,752 | 0.60 | 360,309,314 | 1.92% | 360,309,314 | 1.000 | 7,971,230,263 |
| 2013 | 6,725,168,858 | (1.02%) | 6,725,168,858 | 1.00 | 840,633,111 | 3.00% | 1,401,055,185 | 0.60 | 416,800,579 | 15.68% | 418,303,022 | 0.996 | 7,982,602,548 |
| 2014 | 6,679,969,872 | (0.67%) | 6,679,969,872 | 1.00 | 859,809,462 | 2.28% | 1,433,015,770.00 | 0.60 | 414,953,913 | (0.44%) | 413,969,355 | 1.002 | 7,954,733,247 |

Source: City of Roanoke, Department of Finance

Table 8
Unaudited

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

| REAL PROPERTY | | | | PERSONAL PROPERTY | | | | PUBLIC SERVICE CORPORATIONS | | | |
|---------------|--------------------|------------|--|--------------------|------------|---------|--|-----------------------------|-----------|--|------------------|
| Year | Tax Rate Per \$100 | Levy | | Tax Rate Per \$100 | Levy | | | Tax Rate Per \$100 | Levy | | Total Tax Levies |
| 2005 | 1.21 | 59,439,602 | | 3.45 | 25,222,479 | (1) | | 1.21 | 4,057,467 | | 88,719,548 |
| 2006 | 1.21 | 64,754,545 | | 3.45 | 26,302,920 | (1) | | 1.21 | 3,696,780 | | 94,754,245 |
| 2007 | 1.19 (2) | 69,429,439 | | 3.45 | 28,163,083 | (1),(3) | | 1.19 (2) | 3,708,517 | | 101,301,039 |
| 2008 | 1.19 | 74,451,741 | | 3.45 | 28,100,133 | (1) | | 1.19 | 3,765,019 | | 106,316,893 |
| 2009 | 1.19 | 78,114,892 | | 3.45 | 27,925,972 | (1) | | 1.19 | 3,993,207 | | 110,034,071 |
| 2010 | 1.19 | 79,710,636 | | 3.45 | 26,141,385 | (1) | | 1.19 | 4,246,026 | | 110,098,047 |
| 2011 | 1.19 | 80,943,458 | | 3.45 | 27,385,166 | (1) | | 1.19 | 4,231,507 | | 112,560,131 |
| 2012 | 1.19 | 80,857,790 | | 3.45 | 27,311,532 | (1) | | 1.19 | 4,316,603 | | 112,485,925 |
| 2013 | 1.19 | 80,029,509 | | 3.45 | 28,188,385 | (1) | | 1.19 | 4,991,552 | | 113,209,446 |
| 2014 | 1.19 | 79,491,642 | | 3.45 | 28,709,212 | (1) | | 1.19 | 4,982,967 | | 113,183,821 |

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

(2) Effective July 1, 2006, the rate became \$1.19.

(3) The Personal Property Tax Relief changed from a flat % to fixed block grant in the amount of \$8,075,992.

Source: City of Roanoke, Department of Finance

Table 9
Unaudited

CITY OF ROANOKE, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
COMPARISON OF JUNE 30, 2014 AND JUNE 30, 2004

| <u>Taxpayer</u> | <u>Description</u> | 2014 | | | 2005 | | |
|---|---------------------------|--------------------------------------|--------------------|---|--------------------------------------|--------------------|---|
| | | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Carilion Clinic | Healthcare Provider | \$ 211,212,100 | 1 | 2.66% | \$ 56,814,598 | 4 | 0.95% |
| Appalachian Power | Public Utility | 141,835,579 | 2 | 1.78% | 86,105,642 | 1 | 1.44% |
| Norfolk Southern Corporation | Transportation | 136,271,779 | 3 | 1.71% | 76,124,656 | 3 | 1.27% |
| Valley View Mall LLC (Formerly Hershey's) | Shopping Mall | 74,940,200 | 4 | 0.94% | 53,091,185 | 5 | 0.89% |
| Roanoke Gas Company | Public Utility | 40,859,269 | 5 | 0.51% | 25,681,928 | 8 | 0.43% |
| Verizon Virginia, Inc | Communications | 39,463,254 | 6 | 0.50% | 85,902,271 | 2 | 1.44% |
| Steel Dynamics Roanoke Division | Primary Metals | 37,763,242 | 7 | 0.47% | - | - | - |
| Maple Leaf Bakery | Bakery | 30,080,865 | 8 | 0.38% | 21,503,487 | 10 | 0.36% |
| Faison Roanoke Office Limited | Office Building | 29,885,900 | 9 | 0.38% | 27,959,900 | 6 | 0.47% |
| Advance Auto Parts | Auto Parts | 23,783,394 | 10 | 0.30% | - | - | - |
| Johnson and Johnson | Lens Manufacturing | - | - | 0.00% | 25,786,488 | 7 | 0.43% |
| Times World Corporation | Newspaper | - | - | 0.00% | 22,978,837 | 9 | 0.38% |
| | | <u>\$ 766,095,582</u> | | <u>9.63%</u> | <u>\$ 481,948,992</u> | | <u>8.06%</u> |

Source: City of Roanoke, Commissioner of the Revenue

Table 10
Unaudited

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

| <u>Calendar Year</u> | <u>Total Retail Sales (1)</u> |
|-----------------------------|--------------------------------------|
| 2005 | 1,599,236,967 |
| 2006 | 1,876,508,609 |
| 2007 | 1,900,930,872 |
| 2008 | 1,925,487,309 |
| 2009 | 1,692,267,903 |
| 2010 | 1,676,331,018 |
| 2011 | 1,649,614,469 |
| 2012 | 1,732,017,118 |
| 2013 | 1,746,710,461 |
| 2014 through June | 872,622,942 |

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

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

| Fiscal Year | Population (A) | Total Estimated Value | Gross Bonded Debt (D) | Bonds | | Amount Available in Debt Service Fund | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|-------------|----------------|-----------------------|-----------------------|---|-------------------------------------|---------------------------------------|-----------------|--|----------------------------|
| | | | | Supported By Western Virginia Water Authority | Supported By Hotel Roanoke, LLC (E) | | | | |
| 2005 | 92,671 | 6,469,379,840 | 237,750,405 | 33,435,000 | - | 988,465 (B) | 221,945,743 | 3.43% | 2,394.99 |
| 2006 | 92,994 | 6,931,028,926 | 255,708,015 | 31,315,992 | - | 1,063,737 | 249,429,088 | 3.60% | 2,682.21 |
| 2007 | 93,048 | 7,513,954,307 | 249,451,409 | 28,924,766 | - | 1,021,667 | 244,080,118 | 3.25% | 2,623.16 |
| 2008 | 93,734 | 7,972,224,770 | 272,991,207 | 26,596,538 | - | 1,143,782 | 271,035,648 | 3.40% | 2,891.54 |
| 2009 | 94,482 | 8,255,418,861 | 274,721,495 | 24,255,948 | - | 1,161,895 | 278,653,960 | 3.38% | 2,949.28 |
| 2010 | 97,032 | 8,324,026,044 | 254,789,731 | 21,987,683 | - | 1,213,260 | 260,401,694 | 3.13% | 2,683.67 |
| 2011 | 97,206 (est) | 8,442,505,382 | 250,315,325 | 19,875,450 | 1,355,000 | 1,133,011 | 255,294,843 | 3.02% | 2,626.33 |
| 2012 | 97,206 (est) | 8,515,329,364 | 234,279,293 | 17,558,082 | 910,000 | 1,317,554 | 240,805,224 | 2.83% | 2,477.27 |
| 2013 | 98,641 (est) | 8,544,527,065 | 225,402,117 | 13,389,900 | - | 1,493,056 | 237,463,254 | 2.78% | 2,407.35 |
| 2014 | 98,913 (est.) | 8,526,954,997 | 217,261,926 | 10,989,900 | - | 1,406,148 | 231,682,944 | 2.72% | 2,342.29 |

Source (A) Weldon - Cooper Center for Public Service

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

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

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

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

Table 12
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2014

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

| | | |
|---|--------------------|--|
| Total Assessed Value of Real Estate, 2014 (1) | | <u><u>\$ 6,679,969,872</u></u> |
| Legal Debt Limit: 10% of \$6,679,969,872 | | 667,996,987 |
| Debt applicable to limitation: | | |
| General Obligation Serial Bonds - Governmental Activities | \$ 159,138,800 | |
| General Obligation Serial Bonds - Western Virginia Water Authority (WVWA) | 10,989,900 | |
| Premium on Bonds - Governmental Activities | 12,547,353 | |
| Deferred Bond Costs - Governmental Activities | (7,032,017) | |
| Qualified Zone Academy Bonds (QZAB) | 3,037,829 | |
| State Literary Fund Loans | 1,720,000 | |
| Virginia Public School Authority (VPSA) School Bonds | 36,860,061 | |
| Civic Facilities Enterprise Fund - Business-Type Activities | 13,111,900 | |
| Premium on Bonds - Civic Facilities Enterprise Fund Debt | 956,720 | |
| Deferred Bond Costs - Civic Facilities Enterprise Fund Debt | (444,970) | |
| Parking Enterprise Fund Supported Debt - Business-Type Activities | 13,568,100 | |
| Premium on Bonds - Parking Enterprise Fund Supported Debt | 718,331 | |
| Deferred Bond Costs - Parking Enterprise Fund Supported Debt | (1,093,015) | |
| Total Debt | <u>244,078,992</u> | |
| Less: Available in Debt Service Fund | (1,406,148) | |
| WVWA Supported Debt | (10,989,900) | |
| Parking Enterprise Fund Supported Debt | (13,568,100) | |
| Premium on Bonds - Parking Enterprise Fund Supported Debt | (718,331) | |
| Deferred Bond Costs - Parking Enterprise Fund Supported Debt | <u>1,093,015</u> | |
| Legal Debt Margin | | <u><u>\$ 218,489,528</u></u> <u><u>\$ 449,507,459</u></u> |

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

Table 13
Unaudited

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

| Fiscal Year | Principal (1) | Interest (1) | Total Debt Service | Total General Expenditures (2) | Percent of Debt Service to General Expenditures |
|--------------------|----------------------|---------------------|---------------------------|---------------------------------------|--|
| 2004-05 | 12,283,849 | 7,860,775 | 20,144,624 | 284,024,496 | 7.1% |
| 2005-06 | (3) 14,765,894 | 9,357,973 | 24,123,867 | 298,166,075 | 8.1% |
| 2006-07 | 17,493,085 | 10,549,172 | 28,042,257 | 318,422,477 | 8.8% |
| 2007-08 | 18,181,973 | 9,880,643 | 28,062,616 | 334,448,507 | 8.4% |
| 2008-09 | 20,480,823 | 11,121,043 | 31,601,866 | 340,360,591 | 9.3% |
| 2009-10 | 21,869,664 | 11,436,671 | 33,306,335 | 324,345,350 | 10.3% |
| 2010-11 | 19,093,669 | 10,346,300 | 29,439,969 | 314,114,285 | 9.3% |
| 2011-12 | 21,033,664 | 10,338,250 | 31,371,914 | 318,343,912 | 9.9% |
| 2012-13 | 22,234,068 | 9,209,934 | 31,444,002 | 330,390,756 | 9.5% |
| 2013-14 | 22,092,342 | 8,888,882 | 30,981,224 | 340,700,280 | 9.1% |

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

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

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

Table 14

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

June 30, 2014

(Unaudited)

| | Interest Rates | Issue Date | Maturity Date | Issue Amount Designated for School Improvements | Balance as of June 30, 2014 |
|--|----------------|------------|---------------|--|--------------------------------|
| <u>General Obligation Bonds, RCPS Portion</u> | | | | | |
| Series 2004 Refunding Bonds | 5.00% | 2/25/2004 | 10/1/2019 | \$ 12,457,340 | \$ 1,261,635 |
| Series 2004A Refunding Bonds | 3.15% - 3.50% | 3/11/2004 | 8/1/2017 | 2,769,626 | 691,097 |
| Series 2004B Public Improvement Bonds | 3.50% - 5.00% | 11/23/2004 | 2/1/2025 | 25,000,000 | 1,250,000 |
| Series 2006A Public Improvement Bonds | 3.75% - 4.00% | 2/8/2006 | 2/1/2026 | 14,250,000 | 1,430,000 |
| Series 2008 Public Improvement Bonds | 3.38% - 5.00% | 2/5/2008 | 2/1/2033 | 39,740,000 | 20,670,000 |
| Series 2010A Refunding Bonds | 2.00% - 5.00% | 3/11/2010 | 10/1/2021 | 18,955,400 | 18,185,900 |
| Series 2010C Refunding Bonds | 3.00% | 8/11/2010 | 7/15/2015 | 669,300 | 669,300 |
| Series 2010C Public Improvement Bonds | 2.00% - 4.00% | 8/11/2010 | 7/15/2030 | 2,459,100 | 2,171,182 |
| Series 2012A Public Improvement Bonds | 2.00% - 5.00% | 3/14/2012 | 2/1/2032 | 1,725,000 | 1,550,000 |
| Series 2012C Refunding Bonds | 4.00% - 5.00% | 3/14/2012 | 2/1/2025 | 7,805,000 | 7,805,000 |
| Series 2013A Public Improvement Bonds | 1.00% - 5.00% | 2/27/2013 | 7/15/2033 | 2,000,000 | 1,762,800 |
| Series 2013A Refunding Bonds | 1.00% - 5.00% | 2/27/2013 | 7/15/2025 | 8,085,000 | 8,085,000 |
| Series 2013B Refunding Bonds | .37% - 2.73% | 2/27/2013 | 7/15/2024 | 3,195,000 | 3,195,000 |
| Series 2014A Public Improvement Bonds | 3.00%-5.00% | 3/5/2014 | 4/1/2034 | 3,000,000 | 2,810,400 |
| Total General Obligation Bonds: | | | | 142,110,766 | |
| <u>School Fund Bonds and Loans</u> | | | | | |
| Virginia Public School Authority-Series 1994B | 6.75% | 11/1/1994 | 7/15/2014 | 1,679,413 (1) | 98,742 |
| Virginia Public School Authority-Series 1995C | 5.10% | 12/21/1995 | 7/15/2015 | 4,006,579 (2) | 435,359 |
| Virginia Public School Authority-Series 1996B | 5.23% | 11/14/1996 | 7/15/2016 | 4,512,217 (3) | 736,946 |
| Virginia Public School Authority-Series 1997 | 5.20% - 5.23% | 11/1/1997 | 7/15/2017 | 4,578,704 (4) | 977,282 |
| Virginia Public School Authority-Series 1998A | 4.60% - 5.10% | 11/19/1998 | 7/15/2018 | 5,000,000 | 1,250,000 |
| Virginia Public School Authority-Series 1998B | 4.60% - 5.10% | 11/19/1998 | 7/15/2018 | 1,182,212 (5) | 304,604 |
| Virginia Public School Authority-Series 1999A | 5.98% - 6.10% | 11/18/1999 | 7/15/2019 | 3,100,000 (6) | 930,000 |
| Virginia Public School Authority-Series 1999B | 5.98% - 6.10% | 11/18/1999 | 7/15/2019 | 1,091,854 (7) | 354,073 |
| Virginia Public School Authority - Series 2000B | 5.10% | 11/16/2000 | 7/15/2020 | 2,504,568 (8) | 929,519 |
| Virginia Public School Authority - Series 2000B.1 | 5.10% | 11/16/2000 | 7/15/2020 | 1,730,421 (9) | 642,212 |
| Virginia Public School Authority - Series 2000B.2 | 5.10% | 11/16/2000 | 7/15/2020 | 1,730,421 (10) | 642,212 |
| Virginia Public School Authority - Series 2001B | 3.10% - 5.10% | 11/15/2001 | 7/15/2021 | 2,594,691 (11) | 1,072,709 |
| Virginia Public School Authority - Series 2001B | 3.10% - 5.10% | 11/15/2001 | 7/15/2021 | 2,358,808 (12) | 975,189 |
| Virginia Public School Authority - Series 2003C | 4.60% - 5.35% | 11/6/2003 | 7/15/2023 | 4,595,399 (13) | 2,385,734 |
| Virginia Public School Authority - Series 2004B | 4.10% - 5.10% | 11/1/2004 | 1/15/2025 | 1,118,756 (14) | 659,866 |
| Virginia Public School Authority - Series 2005D | 4.60% - 5.10% | 11/10/2005 | 7/15/2025 | 992,464 (15) | 630,031 |
| Virginia Public School Authority - Series 2005D | 4.60% - 5.10% | 11/11/2005 | 7/15/2025 | 3,291,459 (16) | 2,089,428 |
| Virginia Public School Authority - Series 2006B | 4.23% - 5.10% | 11/9/2006 | 7/15/2026 | 6,573,600 (17) | 4,477,284 |
| Virginia Public School Authority - Series 2007A | 4.10% - 5.10% | 5/10/2007 | 7/15/2027 | 3,345,000 (18) | 2,325,000 |
| Virginia Public School Authority - Series 2008B | 4.10% - 5.35% | 12/11/2008 | 7/15/2028 | 6,350,705 (19) | 4,893,891 |
| Virginia Public School Authority - Series 2008B | 4.10% - 5.35% | 12/11/2008 | 7/15/2028 | 10,580,000 | 7,930,000 |
| Virginia Public School Authority - Series 2014B | 3.0%-5.00% | 5/15/2014 | 7/15/2026 | 1,245,000 | 1,245,000 |
| Total Virginia Public School Authority Bonds: | | | | 74,162,271 | |
| Literary Fund Loan-Morningside Elementary School | 4.00% | 8/1995 | 9/1/2015 | 2,090,000 | 220,000 |
| Literary Fund Loan-Lucy Addison Middle School | 4.00% | 10/1999 | 10/01/2019 | 5,000,000 | 1,500,000 |
| Total Literary Fund Loan Bonds: | | | | 7,090,000 | |
| Qualified Zone Academy Bond - Lincoln Terrace | 0% | 11/01/2002 | 10/31/2016 | 800,000 | 204,812 |
| Qualified Zone Academy Bond - Fallon Park | 0% | 12/29/2004 | 12/29/2020 | 439,100 | 220,554 |
| Qualified Zone Academy Bond - Patrick Henry H.S. | 0% | 12/27/2006 | 12/27/2022 | 1,097,571 | 689,910 |
| Qualified Zone Academy Bond - School Capital Projects | 0% | 10/31/2012 | 6/1/2035 | 2,014,104 | 1,922,553 |
| Total Qualified Zone Academy Bonds: | | | | 4,350,775 | |
| Qualified School Construction Bonds-Elementary Schools | 0% | 7/8/2010 | 6/1/2027 | 1,135,000 (21) | 875,000 |
| Total Qualified School Construction Bonds | | | | 1,135,000 | |
| Total Outstanding Bonded Debt | | | | \$ 228,848,812 | \$ - |

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

Table 14 (continued)

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

- (1) \$2,000,000 proceeds received but repayment of only \$1,679,413 required.
- (2) \$4,400,000 proceeds received but repayment of only \$4,006,579 required.
- (3) \$5,000,000 proceeds received but repayment of only \$4,512,217 required.
- (4) \$5,000,000 proceeds received but repayment of only \$4,578,704 required.
- (5) \$1,200,000 proceeds received but repayment of only \$1,182,212 required.
- (6) \$3,250,000 proceeds received but repayment of only \$3,100,000 required.
- (7) \$1,250,000 proceeds received but repayment of only \$1,091,854 required.
- (8) \$2,750,000 proceeds received but repayment of only \$2,504,568 required.
- (9) \$1,900,000 proceeds received but repayment of only \$1,730,421 required.
- (10) \$1,900,000 proceeds received but repayment of only \$1,730,421 required.
- (11) \$2,750,000 proceeds received but repayment of only \$2,594,691 required.
- (12) \$2,500,000 proceeds received but repayment of only \$2,358,808 required.
- (13) \$5,000,000 proceeds received but repayment of only \$4,595,399 required.
- (14) \$1,300,000 proceeds received but repayment of only \$1,118,756 required.
- (15) \$1,160,900 proceeds received but repayment of only \$ 992,464 required.
- (16) \$3,850,000 proceeds received but repayment of only \$3,291,459 required.
- (17) \$7,500,000 proceeds received but repayment of only \$6,573,600 required.
- (18) \$3,345,000 proceeds received but repayment of only \$3,345,000 required.
- (19) \$7,500,000 proceeds received but repayment of only \$6,350,705 required.
- (20) Annual payments on Qualified Zone Academy Bonds are made to a sinking fund. No interest is accrued on this debt.
- (21) Interest expense on Qualified School Construction Bonds is reimbursed by federal subsidy, subject to available federal funding.

Table 15
Unaudited

CITY OF ROANOKE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

| | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt Limit | \$ 667,996,987 | \$ 672,516,886 | \$ 679,477,230 | \$ 680,197,128 | \$ 669,839,111 | \$ 656,429,496 | \$ 625,649,531 | \$ 583,442,494 | \$ 535,163,357 | \$ 491,240,359 |
| Total Net Debt Applicable to Limit | 218,489,528 | 224,003,579 | 227,263,512 | 240,667,032 | 244,769,119 | 263,493,652 | 260,060,887 | 234,919,976 | 239,565,221 | 214,127,613 |
| Legal Debt Margin | \$ 449,507,459 | \$ 448,513,307 | \$ 452,213,718 | \$ 439,530,096 | \$ 425,069,992 | \$ 392,935,844 | \$ 365,588,644 | \$ 348,522,518 | \$ 295,598,136 | \$ 277,112,746 |
| Total Net Debt Applicable to Limit as a Percentage of Debt Limit | 32.71% | 33.31% | 33.45% | 35.38% | 36.54% | 40.14% | 41.57% | 40.26% | 44.76% | 43.59% |

Source: City of Roanoke, Department of Finance

Table 16
Unaudited

CITY OF ROANOKE
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

| Fiscal Year | Population (1) | Per Capita Income (2) | Personal Income | School Enrollment (3) | Local Unemployment Rate (4) | National Unemployment Rate (5) |
|-------------|----------------|-----------------------|-----------------|-----------------------|-----------------------------|--------------------------------|
| 2004-05 | 92,671 | 32,169 (est.) | 2,975,832,000 | 12,712 | 3.7% | 5.0% |
| 2005-06 | 92,994 | 33,090 (est.) | 3,118,622,000 | 12,587 | 3.3% | 4.6% |
| 2006-07 | 93,048 | 36,277 (est.) | 3,443,232,000 | 12,256 | 3.2% | 4.6% |
| 2007-08 | 93,734 | 38,276 (est.) | 3,667,342,000 | 12,286 | 3.9% | 5.6% |
| 2008-09 | 94,482 | 37,108 (est.) | 3,600,438,000 | 12,303 | 7.7% | 9.5% |
| 2009-10 | 97,032 | 38,110 (est.) | 3,691,187,000 | 12,266 | 7.4% | 9.4% |
| 2010-11 | 97,206 (est.) | 40,215 (est.) | 3,889,328,000 | 12,261 | 6.9% | 9.1% |
| 2011-12 | 97,206 (est.) | 40,215 (est.) | 3,889,328,000 | 13,006 | 6.5% | 8.4% |
| 2012-13 | 98,641 (est.) | 40,215 (est.) | 3,889,328,000 | 13,192 | 5.9% | 7.8% |
| 2013-14 | 98,913 (est.) | 41,363 (est.) | 4,031,570,000 | 13,390 | 5.7% | 6.3% |

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

(2) Source: Bureau of Economic Analysis

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

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

(5) Source: Bureau of Labor Statistics

Table 17
Unaudited

CITY OF ROANOKE, VIRGINIA
PRINCIPAL EMPLOYERS
SON AS OF DECEMBER 31, FISCAL YEARS 2014 AND 2005

| Employer | December 31, 2014 | | | December 31, 2004 | | |
|------------------------------------|-------------------|---------------|---------------------|-------------------|---------------|---------------------|
| | Rank | Ownership | Number of Employees | Rank | Ownership | Number of Employees |
| Carilion | 1 | Private | 1000+ | 1 | Private | 1000+ |
| Roanoke City Public Schools | 2 | Local Govt. | 1000+ | 2 | Local Govt. | 1000+ |
| City of Roanoke | 3 | Local Govt. | 1000+ | 3 | Local Govt. | 1000+ |
| Advance Auto Parts | 4 | Private | 1000+ | 4 | Private | 1000+ |
| Norfolk Southern | 5 | Private | 1000+ | 6 | Private | 1000+ |
| United Parcel Service | 6 | Private | 500-999 | 9 | Private | 500-999 |
| Triad Laboratory Alliance | 7 | Private | 500-999 | - | Private | 500-999 |
| Virginia Western Community College | 8 | State Govt. | 500-999 | 14 | State Govt. | 500-999 |
| United States Postal Service | 9 | Federal Govt. | 500-999 | 8 | Federal Govt. | 500-999 |
| Kroger | 10 | Private | 500-999 | 10 | Private | 500-999 |
| Anthem (Blue Cross & Blue Shield) | - | - | - | 7 | Private | 500-999 |
| Walmart | - | - | - | 5 | Private | 500-999 |

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

Table 18

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

| | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|---|-----------|-----------|-----------|----------|----------|----------|----------|----------|----------|----------|
| Average Daily Membership | 13,390 | 12,438 | 13,006 | 12,262 | 12,266 | 12,303 | 12,286 | 12,256 | 12,587 | 12,712 |
| Total Graduates | 667 | 744 | 746 | 776 | 698 | 686 | 675 | 686 | 666 | 668 |
| Dropout Rate Percentage | 3.48% | 4.91% | 5.37% | 4.03% | 6.06% | 5.40% | 5.72% | 4.06% | 3.83% | 4.04% |
| Student Attendance Rate | 93.79 | 94% | 94% | 94% | 94% | 94% | 94% | 94% | 94% | 94% |
| Total Per Pupil Cost | \$ 11,841 | \$ 11,825 | \$ 11,328 | \$11,083 | \$11,227 | \$11,615 | \$12,830 | \$12,098 | \$11,409 | \$10,950 |
| Local Composite Index of Ability to Pay | 37% | 37% | 37% | 39% | 35.82% | 34.20% | 37.63% | 37.63% | 37.65% | 37.65% |
| Average Teacher Salary | \$ 50,509 | \$ 47,363 | \$ 43,654 | \$44,425 | \$43,276 | \$46,727 | \$47,416 | \$47,447 | \$45,904 | \$44,305 |
| per 1,000 Students | 110.9 | 115.0 | 87.7 | 87.4 | 87.1 | 87.2 | 89.2 | 89.4 | 84.4 | 86.2 |

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

Table 19

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

| | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Superintendent | 1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Asst. Supt./Executive Director/Supervisor | 7 | 6.0 | 6.0 | 7.0 | 7.0 | 5.0 | 5.0 | 6.0 | 5.0 | 6.0 |
| Principal/Asst. Principal | 31.55 | 36.6 | 33.0 | 36.0 | 36.8 | 29.0 | 32.0 | 30.9 | 30.5 | 23.9 |
| Classroom Teacher | 52.8 | 53.8 | 54.0 | 52.8 | 52.0 | 58.0 | 43.0 | 46.7 | 49.5 | 51.4 |
| Guidance Counselor | 1050.56 | 1,045.4 | 1,034.0 | 1,008.4 | 1,064.6 | 1,135.9 | 1,095.8 | 1,095.9 | 1,062.0 | 1,096.1 |
| Librarian | 43.6 | 43.6 | 41.1 | 38.5 | 44.0 | 54.4 | 60.9 | 63.2 | 63.1 | 59.7 |
| Other Professional | 26 | 26.0 | 26.0 | 26.0 | 27.0 | 30.0 | 31.0 | 33.2 | 32.1 | 31.3 |
| Clerical | 61.9 | 72.4 | 57.0 | 18.0 | 19.0 | 1.5 | 3.2 | 3.2 | 2.0 | 1.0 |
| Teacher Aides | 96.55 | 97.1 | 96.5 | 97.8 | 91.0 | 108.0 | 103.1 | 120.7 | 124.2 | 118.3 |
| Attendance & Health | 296.92 | 302.1 | 313.0 | 340.6 | 321.1 | 283.5 | 288.5 | 292.2 | 307.2 | 292.2 |
| Pupil Transportation | 1 | 1.0 | 1.0 | 41.9 | 42.2 | 32.7 | 33.8 | 30.6 | 29.7 | 32.5 |
| Maintenance of Plant | 2 | 2.0 | 2.0 | 2.0 | 2.0 | 217.0 | 244.7 | 245.8 | 245.0 | 241.9 |
| Operation of Plant | 36 | 40.0 | 53.0 | 53.0 | 39.0 | 53.5 | 56.8 | 59.0 | 59.0 | 59.0 |
| Food Services | 121 | 119.0 | 132.5 | 118.0 | 117.0 | 136.7 | 139.1 | 144.0 | 143.5 | 155.1 |
| | 69 | 77.0 | 108.0 | 102.0 | 99.0 | 161.0 | 135.2 | 99.8 | 118.3 | 146.5 |
| Total Personnel | 1,896.9 | 1,922.9 | 1,958.1 | 1,942.9 | 1,962.7 | 2,307.2 | 2,273.0 | 2,272.1 | 2,272.0 | 2,316.0 |

Source: Roanoke City Public Schools, Department of Human Resources

Table 20

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

| | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Elementary Schools: | | | | | | | | | | |
| Crystal Spring | 51 | 57 | 63 | 65 | 58 | 59 | 51 | 44 | 43 | 40 |
| Fairview | 389 | 390 | 388 | 367 | 387 | 346 | 307 | 314 | 290 | 322 |
| Fallon Park | 553 | 533 | 517 | 522 | 480 | 494 | 472 | 448 | 397 | 436 |
| Fishburn Park | 167 | 152 | 132 | 143 | 112 | 198 | 172 | 166 | 145 | 131 |
| Forest Park** | 0 | 0 | 0 | 0 | 0 | 0 | 247 | 266 | 255 | 260 |
| Garden City | 245 | 218 | 232 | 218 | 239 | 202 | 176 | 177 | 178 | 165 |
| Grandin Court | 104 | 95 | 114 | 106 | 122 | 106 | 98 | 103 | 122 | 119 |
| Highland Park | 230 | 213 | 231 | 239 | 237 | 179 | 128 | 112 | 187 | 167 |
| Huff Lane**** | 0 | 0 | 0 | 0 | 166 | 157 | 142 | 130 | 126 | 146 |
| Hurt Park | 355 | 381 | 282 | 258 | 269 | 221 | 169 | 163 | 226 | 215 |
| Lincoln Terrace | 247 | 221 | 222 | 169 | 250 | 206 | 174 | 190 | 164 | 173 |
| Monterey | 386 | 339 | 316 | 343 | 316 | 219 | 201 | 159 | 180 | 179 |
| Morningside | 252 | 227 | 214 | 223 | 216 | 266 | 247 | 226 | 231 | 198 |
| Oakland*** | 0 | 0 | 0 | 0 | 0 | 137 | 119 | 107 | 105 | 99 |
| Preston Park | 311 | 286 | 245 | 217 | 222 | 185 | 187 | 184 | 173 | 188 |
| Raleigh Court* | 0 | 0 | 0 | 0 | 0 | 99 | 92 | 88 | 89 | 74 |
| Roanoke Academy | 411 | 398 | 411 | 448 | 302 | 356 | 291 | 309 | 239 | 281 |
| Round Hill | 530 | 500 | 419 | 429 | 201 | 186 | 177 | 180 | 201 | 182 |
| Virginia Heights | 246 | 230 | 253 | 265 | 214 | 203 | 169 | 167 | 173 | 161 |
| Wasena | 164 | 168 | 119 | 120 | 149 | 68 | 73 | 86 | 86 | 87 |
| Westside | 664 | 619 | 546 | 468 | 462 | 430 | 443 | 465 | 382 | 432 |
| Middle Schools: | | | | | | | | | | |
| Addison | 480 | 476 | 431 | 398 | 392 | 338 | 331 | 337 | 365 | 336 |
| Breckinridge | 356 | 353 | 362 | 366 | 416 | 222 | 232 | 247 | 225 | 255 |
| Jackson | 489 | 457 | 401 | 394 | 434 | 283 | 279 | 275 | 327 | 332 |
| Madison | 295 | 273 | 285 | 279 | 294 | 163 | 163 | 185 | 230 | 226 |
| Ruffner* | 0 | 0 | 0 | 0 | 0 | 244 | 274 | 286 | 301 | 355 |
| Wilson | 263 | 254 | 260 | 237 | 244 | 233 | 265 | 259 | 261 | 257 |
| High Schools: | | | | | | | | | | |
| William Fleming | 891 | 841 | 827 | 856 | 913 | 806 | 843 | 785 | 809 | 614 |
| Forest Park Academy** | 119 | 156 | 156 | 206 | 196 | 153 | 0 | 0 | 0 | 0 |
| Patrick Henry | 892 | 857 | 838 | 837 | 915 | 724 | 722 | 651 | 677 | 441 |
| Noel Taylor Learning Center | 108 | 89 | 86 | 92 | 105 | 0 | 0 | 0 | 129 | 149 |
| Total Free Lunch Approvals | 9,198 | 8,783 | 8,350 | 8,265 | 8,311 | 7,483 | 7,244 | 7,109 | 7,316 | 7,020 |
| Total ADM | 13,552 | 13,192 | 13,006 | 12,262 | 12,266 | 12,303 | 12,286 | 12,256 | 12,587 | 12,712 |
| Percentage Free Lunch | 67.87% | 66.58% | 64.20% | 67.40% | 67.76% | 60.82% | 58.96% | 58.00% | 58.12% | 55.22% |

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

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

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

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

Source: Roanoke City Public Schools Department of Food and Nutrition

Table 21
Unaudited

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

| School Description | Total Current Classrooms | Constructed Student Capacity | Current Useable Student Capacity | Enrollment FY2012-13 | Enrollment FY2013-14 | % Of Constructed Capacity | % Of Useable Capacity | Modular Buildings |
|----------------------------------|--------------------------|------------------------------|----------------------------------|----------------------|----------------------|---------------------------|-----------------------|-------------------|
| Elementary Schools: | | | | | | | | |
| Crystal Spring | 19.0 | 425 | 456 | 340 | 326 | 77% | 72% | 0 |
| Fairview | 30.0 | 775 | 600 | 456 | 435 | 56% | 72% | 0 |
| Fallon Park | 43.0 | 850 | 624 | 587 | 614 | 72% | 98% | 3 |
| Fishburn Park | 25.0 | 750 | 480 | 232 | 232 | 31% | 48% | 0 |
| Garden City | 25.0 | 575 | 456 | 285 | 296 | 51% | 65% | 0 |
| Grandin Court | 16.0 | 525 | 480 | 347 | 338 | 64% | 70% | 0 |
| Highland Park | 27.0 | 525 | 456 | 359 | 354 | 67% | 78% | 0 |
| Hurt Park | 27.0 | 600 | 384 | 348 | 338 | 56% | 88% | 0 |
| Lincoln Terrace | 26.0 | 600 | 360 | 263 | 277 | 46% | 77% | 1 |
| Monterey | 29.0 | 775 | 520 | 480 | 492 | 63% | 95% | 1 |
| Morningside | 26.0 | 500 | 312 | 213 | 268 | 54% | 86% | 2 |
| Preston Park | 23.0 | 525 | 474 | 382 | 414 | 79% | 87% | 0 |
| Roanoke Academy | 31.0 | 750 | 432 | 326 | 335 | 45% | 77% | 0 |
| Round Hill | 24.0 | 475 | 582 | 532 | 561 | 118% | 96% | 3 |
| Virginia Heights | 22.0 | 425 | 332 | 300 | 320 | 75% | 96% | 0 |
| Wasena | 15.0 | 400 | 288 | 265 | 264 | 66% | 92% | 0 |
| Westside | 48.0 | 850 | 816 | 659 | 712 | 84% | 87% | 0 |
| Middle Schools: | | | | | | | | |
| Addison | 40.0 | 1,075 | 720 | 620 | 611 | 57% | 85% | 0 |
| Breckinridge | 33.0 | 550 | 630 | 549 | 540 | 98% | 86% | 0 |
| Jackson | 37.0 | 775 | 660 | 558 | 607 | 78% | 92% | 0 |
| Madison | 35.0 | 900 | 690 | 564 | 594 | 66% | 86% | 0 |
| Wilson | 40.0 | 975 | 840 | 497 | 470 | 48% | 56% | 0 |
| High Schools: | | | | | | | | |
| William Fleming | 93 | 2,100 | 1,850 | 1,397 | 1,399 | 67% | 76% | 0 |
| Patrick Henry | 81 | 2,059 | 1,850 | 1,880 | 1,832 | 89% | 99% | 0 |
| Regional Program: | | | | | | | | |
| Roanoke Valley Governor's School | 12 | 160 | 240 | 272 | 266 | 166% | 111% | 0 |

Source: Roanoke City Public Schools Department of Fiscal Services

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

Table 22

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Table of Capital Assets by Location
June 30, 2014
(Unaudited)

| Location | Land | Buildings and Structures | Equipment | Construction in Progress | Total |
|--|---------------------|---|---------------------|---|-----------------------|
| William Fleming High School | \$ 237,993 | \$ 61,001,184 | \$ 254,995 | \$ - | \$ 61,494,172 |
| Patrick Henry High School | 36,527 | 59,974,583 | 753,764 | - | \$ 60,764,874 |
| Lucy Addison Aerospace Middle School | 12,015 | 13,610,192 | 99,826 | - | \$ 13,722,033 |
| James Breckinridge Middle School | 37,500 | 7,305,465 | 165,251 | - | \$ 7,508,216 |
| Stonewall Jackson Middle School | 36,005 | 6,329,649 | 91,702 | - | \$ 6,457,356 |
| James Madison Middle School | 9,883 | 5,559,783 | 151,552 | - | \$ 5,721,218 |
| William Ruffner Operations Center | 35,329 | 3,708,972 | 2,518,137 | - | \$ 6,262,438 |
| Woodrow Wilson Middle School | 12,500 | 12,424,180 | 193,381 | - | \$ 12,630,061 |
| Crystal Spring School | 153,444 | 3,571,840 | 98,208 | - | \$ 3,823,492 |
| Fairview School | 21,566 | 5,150,255 | 69,227 | - | \$ 5,241,048 |
| Fallon Park School | 13,700 | 4,430,531 | 52,810 | - | \$ 4,497,041 |
| Fishburn Park School | 4,236 | 3,177,907 | 104,547 | - | \$ 3,286,690 |
| Forest Park Academy | 27,992 | 4,016,536 | 27,727 | - | \$ 4,072,255 |
| Garden City School | 26,850 | 5,367,921 | 57,948 | - | \$ 5,452,719 |
| Grandin Court School | 33,700 | 2,981,076 | 98,680 | - | \$ 3,113,456 |
| Highland Park School | 600 | 6,031,642 | 36,673 | - | \$ 6,068,915 |
| Hurt Park School | 2,085 | 2,999,705 | 138,371 | - | \$ 3,140,161 |
| Lincoln Terrace School | 18,000 | 3,017,256 | 110,396 | - | \$ 3,145,652 |
| Monterey School | 15,000 | 4,785,164 | 102,900 | - | \$ 4,903,064 |
| Morningside School | 22,700 | 3,346,342 | 123,436 | - | \$ 3,492,478 |
| Noel C. Taylor Academy at Oakland | 78,727 | 2,130,015 | 24,035 | - | \$ 2,232,777 |
| Preston Park School | 33,956 | 3,934,826 | 34,987 | - | \$ 4,003,769 |
| Raleigh Court School | 18,750 | 1,154,078 | - | - | \$ 1,172,828 |
| Roanoke Academy for Math and Science | 15,000 | 13,103,172 | 125,911 | - | \$ 13,244,083 |
| Round Hill School | 47,790 | 2,886,070 | 134,598 | 786,745 | \$ 3,855,203 |
| Virginia Heights School | 32,750 | 5,699,268 | 73,947 | - | \$ 5,805,965 |
| Wasena School | 20,000 | 4,228,101 | 42,388 | - | \$ 4,290,489 |
| Westside School | 45,000 | 6,978,903 | 109,108 | - | \$ 7,133,011 |
| Governor's School for Math and Science | - | 4,117,720 | 168,843 | - | \$ 4,286,563 |
| School Administration | 8,050 | 1,005,713 | 624,338 | - | \$ 1,638,101 |
| Warehouse | - | - | 257,440 | - | \$ 257,440 |
| School Transportation | 360,000 | 1,883,933 | 37,670 | - | \$ 2,281,603 |
| Total Capital Assets | \$ 1,417,648 | \$ 265,911,982 | \$ 6,882,796 | \$ 786,745 | \$ 274,999,171 |

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

COMPLIANCE SECTION



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THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Period Ending June 30, 2014

| Federal Grantor/Pass-Through Grantor/Grant Program | Grant Number | Federal Catalogue Number | Expenditures 6/30/2014 |
|--|----------------------|---|-----------------------------------|
| <u>Department of Agriculture</u> | | | |
| Passed Through Commonwealth of Virginia Department of Agriculture: Child Nutrition Cluster: National School Lunch Program - Commodities (1) | -- | 10.555 | \$ 391,563 \$ 391,563 |
| Passed Through Commonwealth of Virginia Department of Education: Child Nutrition Cluster: School Breakfast Program | -- | 10.553 | \$ 1,386,945 |
| National School Lunch Program | -- | 10.555 | \$ 4,265,960 |
| | | | \$ 5,652,905 |
| <u>Department of Defense</u> | | | |
| Direct Program: Selected Reserve Educational Assistance Program (ROTC) | -- | 12.609 | \$ 107,101 |
| <u>Department of Education</u> | | | |
| Passed Through Commonwealth of Virginia Department of Education: | | | |
| Adult Basic Ed 2014 | V002A130047 | 84.002 | \$ 164,841 |
| Title I-A Improving Basic Programs 2013 | S010A120046 | 84.010 | \$ 108,250 |
| Title I-A Improving Basic Programs 2014 | S010A130046 | 84.010 | \$ 5,051,456 |
| | | 84.010 | \$ 5,159,706 |
| Title I-D SOP Detention Center Reading Prog 2014 | S013A130046 | 84.013 | \$ 1,990 |
| Special Education Cluster (IDEA) IDEA Part B, Section 611 Flow Through 2013 | H027A120107 | 84.027 | \$ 2,590,765 |
| IDEA Part B, Section 611 Flow Through 2014 | H027A130172 | 84.027 | \$ 706,154 |
| | | 84.027 | \$ 3,296,919 |
| Special Education Cluster (IDEA) IDEA Part B, Section 619 Preschool 2013 | H173A120112 | 84.173 | \$ 125,346 |
| IDEA Part B, Section 619 Preschool 2014 | H173A130112 | 84.173 | \$ 7,468 |
| | | 84.173 | \$ 132,814 |
| Perkins Act Fund 2014 | V048A130046 | 84.048 | \$ 296,597 |
| Title X-C McKinney-Vento Homeless 2014 | S196A130048 (G12414) | 84.196 | \$ 54,168 |
| Passed Through Commonwealth of Virginia Department of Education (continued): | | | |
| Title IV-B CLC - Addison Yr 3 2013 | S287C120047 | 84.287 | \$ 48,169 |
| Title IV-B CLC - Breckinridge Yr 2 2013 | S287C120047 | 84.287 | \$ 51,368 |
| Title IV-B CLC - Breckinridge Yr 3 2014 | S287C130047 | 84.287 | \$ 144,171 |
| Title IV-B CLC - Fairview Yr 2 2013 | S287C120047 | 84.287 | \$ 36,346 |
| Title IV-B CLC - Fairview Yr 3 2014 | S287C130047 | 84.287 | \$ 222,314 |
| Title IV-B CLC - Garden City Yr 2 2013 | S287C120047 | 84.287 | \$ 72,805 |
| Title IV-B CLC - Garden City Yr 3 2014 | S287C130047 | 84.287 | \$ 165,115 |

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Period Ending June 30, 2014

| Federal Grantor/Pass-Through Grantor/Grant Program | Grant Number | Federal Catalogue Number | Expenditures 6/30/2014 |
|---|---------------------|---|-----------------------------------|
| Title IV-B CLC - Highland Park Yr 1 2013 | S287C120047 | 84.287 | \$ 86,737 |
| Title IV-B CLC - Highland Park Yr 2 2014 | S287C130047 | 84.287 | \$ 63,274 |
| Title IV-B CLC - Hurt Park Yr 1 2013 | S287C120047 | 84.287 | \$ 113,551 |
| Title IV-B CLC - Hurt Park Yr 2 2014 | S287C130047 | 84.287 | \$ 48,220 |
| Title IV-B CLC - Jackson Yr 1 2013 | S287C120047 | 84.287 | \$ 28,683 |
| Title IV-B CLC - Jackson Yr 2 2014 | S287C130047 | 84.287 | \$ 196,822 |
| Title IV-B CLC - Lincoln Terrace Yr 3 2013 | S287C120047 | 84.287 | \$ 102,452 |
| Title IV-B CLC - Madison Yr 2 2013 | S287C120047 | 84.287 | \$ 119,968 |
| Title IV-B CLC - Madison Yr 3 2014 | S287C130047 | 84.287 | \$ 86,483 |
| Title IV-B CLC - Morningside Yr 3 2013 | S287C120047 | 84.287 | \$ 9,204 |
| Title IV-B CLC - Round Hill Yr 1 2013 | S287C120047 | 84.287 | \$ 84,681 |
| Title IV-B CLC - Round Hill Yr 2 2014 | S287C130047 | 84.287 | \$ 79,876 |
| Title IV-B CLC - Westside Yr 1 2013 | S287C120047 | 84.287 | \$ 16,171 |
| Title IV-B CLC - Westside Yr 2 2014 | S287C130047 | 84.287 | \$ 209,181 |
| Title IV-B CLC - Wilson Yr 2 2013 | S287C120047 | 84.287 | \$ 141,038 |
| Title IV-B CLC - Wilson Yr 3 2014 | S287C130047 | 84.287 | \$ 39,744 |
| | | <u>84.287</u> | <u>\$ 2,166,373</u> |
| Title III-A English Language Acquisition State Grant 2012 | S365A110046 | 84.365 | \$ 41,031 |
| Title III-A English Language Acquisition State Grant 2013 | S365A120046 | 84.365 | \$ 86,619 |
| Title III-A English Language Acquisition State Grant 2014 | S365A130046 | 84.365 | \$ 5,367 |
| | | <u>84.365</u> | <u>\$ 133,017</u> |
| Title II-A Improving Teacher Quality 2013 | S367A120044 | 84.367 | \$ 30,324 |
| Title II-A Improving Teacher Quality 2014 | S367A130044 | 84.367 | \$ 773,287 |
| | | <u>84.367</u> | <u>\$ 803,611</u> |
| School Improvement Grants Cluster | | | |
| Title I-A School Improvement 1003(g) 2011 | S377A090047 | 84.377 | \$ 60,426 |
| Title I-A School Improvement 1003(g) 2013 | S377A110047 | 84.377 | \$ 234,035 |
| Title I-A School Improvement 1003(g) 2014 | S377A120047 | 84.377 | \$ 898,586 |
| | | <u>84.377</u> | <u>\$ 1,193,047</u> |
| School Improvement Grants Cluster | | | |
| ARRA Title I-A School Improvement 1003(g) - Westside 2011 | S388A090047 | 84.388 | \$ 125,637 |

Department of Medical Assistance Services

Passed Through Commonwealth of Virginia
Department of Medical Assistance Services:

| | | | |
|------------------------|----|--------|-------------------|
| FAMIS Reimbursement | -- | 93.767 | \$ 10,967 |
| Medicaid Reimbursement | -- | 93.778 | \$ 382,745 |
| | | | <u>\$ 393,712</u> |

United States National Science Foundation

Passed Through Virginia Commonwealth University:

| | | | |
|--------------------------------|-------------|--------|--------|
| Math Specialist Expansion 2012 | DRL-0918223 | 47.076 | \$ 250 |
| Math Specialist Expansion 2013 | DRL-0918223 | 47.076 | \$ - |

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Period Ending June 30, 2014

| Federal Grantor/Pass-Through Grantor/Grant Program | Grant Number | Federal Catalogue Number | Expenditures 6/30/2014 |
|---|--------------|--------------------------------|---------------------------|
| | | | \$ 250 |
| Grand Total Federal Financial Assistance | | | \$ 20,074,251 |

Notes:

- (1) The value reported for disbursements, with respect to commodities distributed by the Federal government, is fair market value as furnished by the respective department of the Federal government.
- (2) Expenditures represent only the federally-funded portions of the program.
- (3) RCPS used the federal indirect cost rates as furnished by the Virginia Department of Education. The restricted and unrestricted rates are 3.6% and 16.7%, respectively.
- (4) Federal expenditures are presented using the modified accrual basis of accounting.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School Board of the City of Roanoke, Virginia (the "School Board"), a component unit of the City of Roanoke, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 31, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited the School Board of the City of Roanoke, Virginia's (the "School Board"), a component unit of the City of Roanoke, Virginia, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School Board's major federal programs for the year ended June 30, 2014. The School Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School Board, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 31, 2014

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2014

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the School Board of the City of Roanoke, Virginia's, a component unit of the City of Roanoke, Virginia, compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

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

State Agency Requirements

Education

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

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

| Name of Program | CFDA # |
|-------------------------------------|----------------|
| Title I-A: Improving Basic Programs | 84.010 |
| Special Education Cluster | 84.027, 84.173 |

8. The threshold for distinguishing Type A and B programs was \$602,228.
9. The School Board of the City of Roanoke **was** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

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