

Roanoke County Public Schools

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

Comprehensive Annual Financial Report

Year ended June 30, 2012



The original Masons Cove Elementary School opened in 1961 on a ten acre tract in the Catawba District. A new school was constructed on the site and opened for students in the fall of 2011 at a cost of \$12 million.

Cover by Chuck Lionberger

Roanoke County Public Schools

Comprehensive Annual Financial Report For the Year Ended June 30, 2012

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



Prepared by the
Department of Budget and Finance

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

David E. Atkins, Finance Manager

Susan L. Peterson, CPA, Finance Manager

Robyn H. McKeever, Accountant

5937 Cove Road
Roanoke, Virginia 24018
www.rcs.k12.va.us



Roanoke County Public Schools

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Roanoke County Public Schools

5937 Cove Road
Roanoke, VA 24019

November 12, 2012

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Roanoke County Public Schools for the fiscal year ended June 30, 2012. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. Roanoke County Public Schools (School System) is a component unit of the County of Roanoke, Virginia (County), which is a general-purpose local government. This report has been prepared by the Department of Budget and Finance in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the Auditor of Public Accounts of the Commonwealth of Virginia (APA).

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

The auditing firm of KPMG LLP, a firm of independent certified public accountants, has issued unqualified opinions on Roanoke County Public Schools' basic financial statements as of and for the year ended June 30, 2012, contained in this report. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of the School System

Roanoke County Public Schools is the 17th largest of 132 school systems in the Commonwealth of Virginia. The County of Roanoke is located in the southwestern part of the State and is the suburban hub of the Roanoke Valley, with a provisional population of 92,687¹ and a Metropolitan Statistical Area (MSA) population of approximately 300,000. Located in the largest urban area west of Richmond, the School System is the largest employer in Roanoke County. The School Board consists of five members elected to four-year terms who serve the citizens of Roanoke County.

¹ Population source: VA Stats, Weldon Cooper Center, Charlottesville, VA

The School System provides a broad spectrum of general, special, gifted, career and technical education opportunities for 14,509 students (including pre-kindergarten) between the ages of 3 and 21 at sixteen elementary schools, five middle schools, five high schools, and one specialty center.

Roanoke County Public Schools had a strong year on State standardized tests in the 2011-12 school year. The division exceeded the State average on 33 of 34 state assessments. All 26 Roanoke County schools are fully accredited again this year. In a year in which Virginia implemented new mathematics standards that are the most rigorous in the country, Roanoke County's results on the new tests were above the 90th percentile in the state. We also anticipate that all of our schools will meet the new federal performance benchmarks in mathematics and reading.

In 2012, Dr. Lorraine Lange was named one of four finalists for the National Superintendent of the Year. Dr. Lange was selected as a finalist from among 49 State Superintendent's of the Year finalists and participated in an interview process by a national blue-ribbon selection panel of educators, businesspeople, and government officials. Candidates for this honor were evaluated based on leadership, communication, professionalism, and community involvement.

The School System was selected as one of the "Best 100 Communities for Music Education in America" by the NAMM Foundation and one of only six school districts in Virginia. This recognition demonstrates the School System's commitment to quality music education despite the financial pressures on fine arts programs throughout the country.

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

Local Economy

Fiscal year 2012 continued to pose economic challenges. Unemployment was 5.6%² as of June 30, 2012 down from 5.7% in 2011, and though it compares favorably with the State average of 6.0%, economic conditions continue at historic lows throughout the nation and many of the County's major revenue sources do not show significant signs of recovery from the recession.

We are fortunate that our economic indicators are more favorable compared to some of the neighboring localities and to the State but they remain formidable challenges for Roanoke County; not only in the delivery of local government services, but also in maintaining our traditionally high standard of living and quality of life.

Along with the local, State, and national economic struggles, the School System is also experiencing declining student enrollment which negatively impacts the level of State funding. For the past four years, the number of graduating seniors has exceeded the number of incoming kindergarten students by 171-222 students. Indications are that this trend may continue for the next several years and seems to reflect lower birth rates in the community. The enrollment trend decline results in reductions in State funding as the State aid for education formula is driven by K-12 enrollment. The enrollment projection for 2013 is

² Virginia Employment Commission statistics

13,835 (excluding pre-kindergarten) reflecting the anticipated variance in the graduating seniors and incoming kindergarten students.

From an infrastructure standpoint, the School System operates 27 school buildings with an average age of 48 years. The School Board has been diligently financing major renovations of the schools and completed the replacement of an elementary school in the Glenvar area of the county as well as the renovation of three middle schools and a high school. The replacement of a middle school in South County also opened in fall 2012. Despite the sluggish economic times, the School Board has made a financial commitment to address the infrastructure needs in a steady and methodical manner and, accordingly, has been able to take advantage of competitive construction bids in the past three years resulting in lower overall costs to the citizens.

Economists generally agree that the national recession started in December 2007 with some economists forecasting a double dip recession but there are differences of opinions on the duration expected. Considering that there is a traditional 18-24 month lag between changes in general economic conditions and local government revenue collections, County revenues will most likely not return to pre-recession levels for some time. While Roanoke County and the Roanoke Valley have a diverse economic base that has been historically insulated from extreme expansions and contractions of the national economy, the impacts of higher unemployment, decreased business investment and activity, declining consumer confidence, and the instability of the stock market have prolonged declines in the governmental revenue sources throughout the Roanoke region.

Long-Term Financial Planning

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

In addition to school building needs, the School System has been purposefully establishing and increasing dedicated funding streams for ongoing and growing capital needs for vehicles and technology. The school bus replacement schedule, based on age and condition of the bus fleet, necessitates the replacement of ten school buses per year. The annual budget includes \$775,000 earmarked specifically for this purpose which allows the School Board to pay cash for the bus purchases each year rather than borrowing funds and incurring the additional financing charges.

Additionally, the School Board implemented a laptop computer initiative nine years ago to provide a laptop computer to every student in grades 9 through 12. The School Board has provided the laptop program for nine years without incurring any debt. However, with the budget pressures at the national, State, and local levels in recent years, the program was scaled back for the 2010 and 2011 school years and then restored in 2012 with the allocation of federal stimulus funds, grant funds, and operating funds to fund the first year of a multiyear technology assessment plan. The ongoing significant investment in technology warrants the need for a replacement funding plan to ensure the sustainability of this important tool in instruction.

Relevant Financial Policies

The School Board has an adopted year-end balance policy that allocates the balance at the end of a fiscal year from excess revenues and/or unspent expenditures to capital projects. Most of the 27 school buildings in operation were built prior to 1970 and need capital improvements based on their age and the

growth in student population since the schools were originally built. In order to fund the School System commitment to upgrading the facilities, the policy allocates two-thirds of the year-end balance to Major capital projects listed on the School Capital Improvement Plan and one-third to Minor capital projects (other projects identified and prioritized with costs less than \$500,000). This policy was adopted in conjunction with the County of Roanoke and enables the School System to ensure continued funding for needed capital improvements.

In addition, the School Board and County Board of Supervisors adopted a revenue sharing agreement in 2010 that identifies the methodology for allocating revenues between the local government and the School System. New incremental revenues are combined from both entities and used to address salary and benefit increases for all employees, jointly funded programs (including the capital financing plan), and then split equally to fund remaining School System and County budgetary needs. The methodology has been used for many years but was formally adopted in 2010 in response to the significant revenue challenges facing the School Board. However, during the development of the 2012-13 school budget, the revenue sharing formula was temporarily abandoned by the local governing body in response to State and local economic pressures. It is expected that both boards will return to the funding formula with improvements in the economy.

Major Initiatives

Technology Initiative – The School System completed the ninth year of a technology initiative rollout providing a laptop computer to high school students in grades 9 through 12. The laptop computers allow flexible access to educational resources and online classes and are integrated into the daily classroom lessons while incorporating technology education into all subject areas. The School System has invested heavily in providing interactive white board technology throughout the School System. Each classroom has been equipped with an interactive white board at the four schools under renovation last year.

Standards of Learning – The General Assembly and the Board of Education of the Commonwealth of Virginia believe that the fundamental goal of the public schools must be to enable each student to develop the skills that are necessary for success in school and preparation for life in the years beyond. The current educational objectives are known as the Standards of Learning (SOL). Based on results from the Spring 2012 testing window, Roanoke County exceeded the State average on 33 of 34 SOL tests administered. All of our schools also met the State requirements for full state accreditation for the 2012-13 school year based on their 2011-12 SOL performance. We also anticipate that all schools and the division will meet all federal mathematics and reading benchmarks this year.

Capital Improvement Plan – The School Board and the County continue to place a major emphasis on the capital needs in the School System. The School Board has identified a priority list of capital projects, at a total cost of \$91 million, to be funded under the School Capital Improvement Plan. The funding will come from both the Major Capital Reserve created with the year-end balance policy adopted by the School Board in 2005 and bond proceeds issued by the County government. The School System completed major renovations at three elementary schools and one high school and the construction of a replacement elementary school this year. In addition, the replacement of a middle school is underway and expected to be completed in fall 2012.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Roanoke County Public Schools for its CAFR for the fiscal year ended June 30, 2011. This was the eleventh consecutive year that the School System has received this prestigious national award.

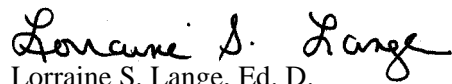
In addition, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School System for its CAFR for the fiscal year ended June 30, 2011. This certificate was also awarded for the eleventh consecutive year. The Certificate of Excellence program is similar to the GFOA Certificate of Achievement program and is an international award recognizing excellence in the preparation and issuance of school system financial reports.

In order to be awarded a Certificate of Achievement or a Certificate of Excellence, a school system must publish an easily readable and efficiently organized comprehensive annual financial report, whose content conforms to the standards of both programs. The CAFR must also satisfy the standards of both generally accepted accounting principles and applicable legal requirements.

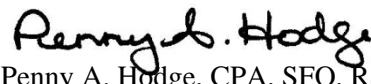
The GFOA Certificate of Achievement and the ASBO Certificate of Excellence are valid for a period of one year only. We believe our current report continues to meet the requirements of the GFOA Certificate of Achievement and ASBO Certificate of Excellence programs, and we are submitting it to both associations to determine its eligibility for another certificate.

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

Respectfully submitted,



Lorraine S. Lange, Ed. D.
Superintendent



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

Roanoke County Public Schools
Principal Officials
June 30, 2012

School Board Members



H. Odell Minnix
Chairman
Cave Spring District



Jerry L. Canada
Vice-Chairman
Hollins District



C. Drew Barrineau
Windsor Hills District



Michael W. Stovall
Vinton District



David M. Wymer
Catawba District

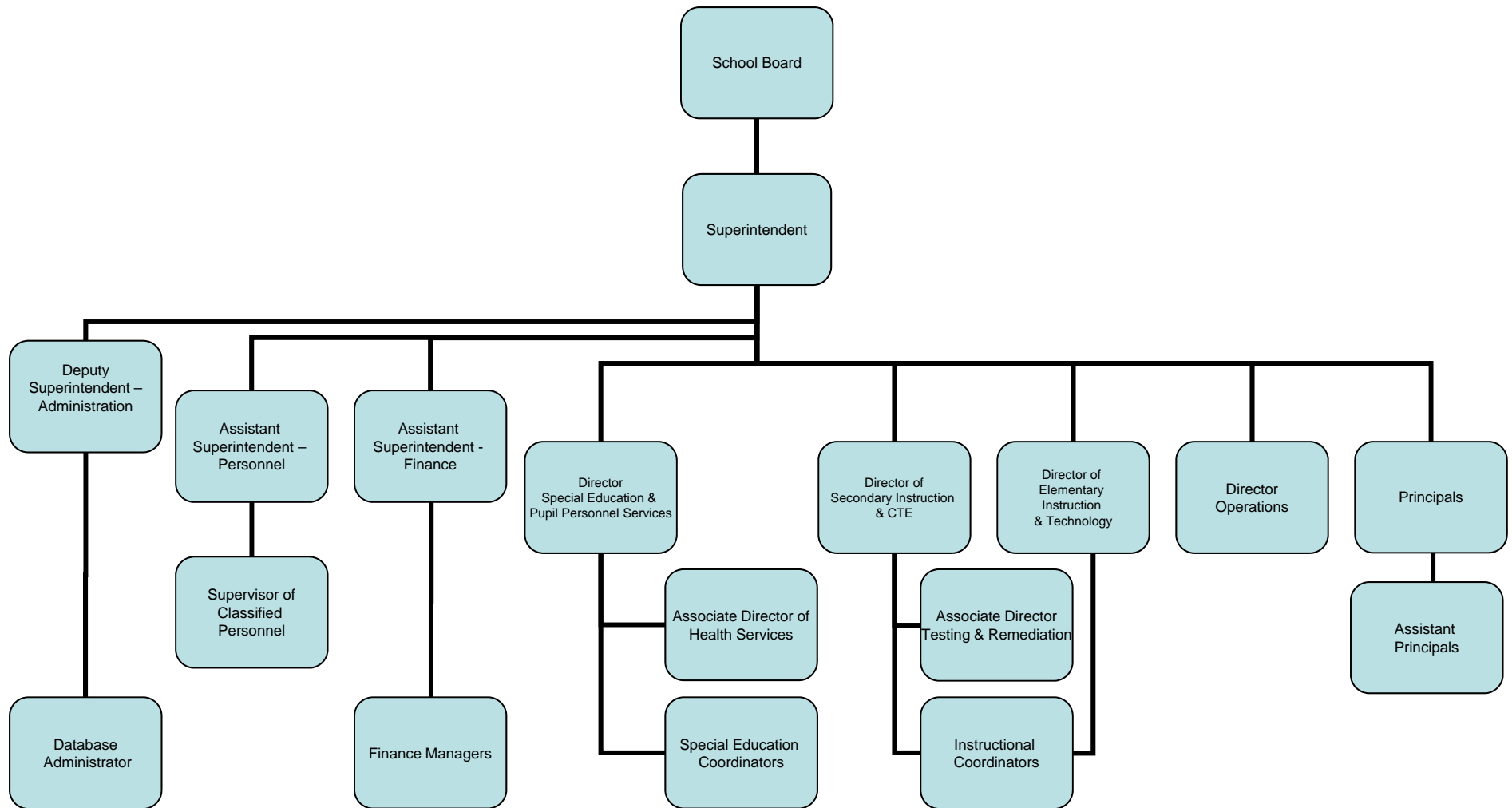
School Administration

Lorraine S. Lange, Superintendent of Schools

Deputy Superintendent of Administration	W. Allen Journell
Assistant Superintendent of Finance.....	Penny A. Hodge
Assistant Superintendent of Personnel	Carol E. Whitaker
Director of Elementary Instruction & Technology	Rebecca G. Eastwood
Director of Secondary Instruction, CTE & Technology	Cecil C. Snead
Director of Facilities and Operations	Martin W. Misicko
Director of Pupil Personnel & Special Education	Jessica M. McClung
Clerk to the Board	Brenda F. Chastain

Roanoke County Public Schools

Organizational Chart



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to
Roanoke County Public Schools
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2011

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



Linda C. Davidson
President

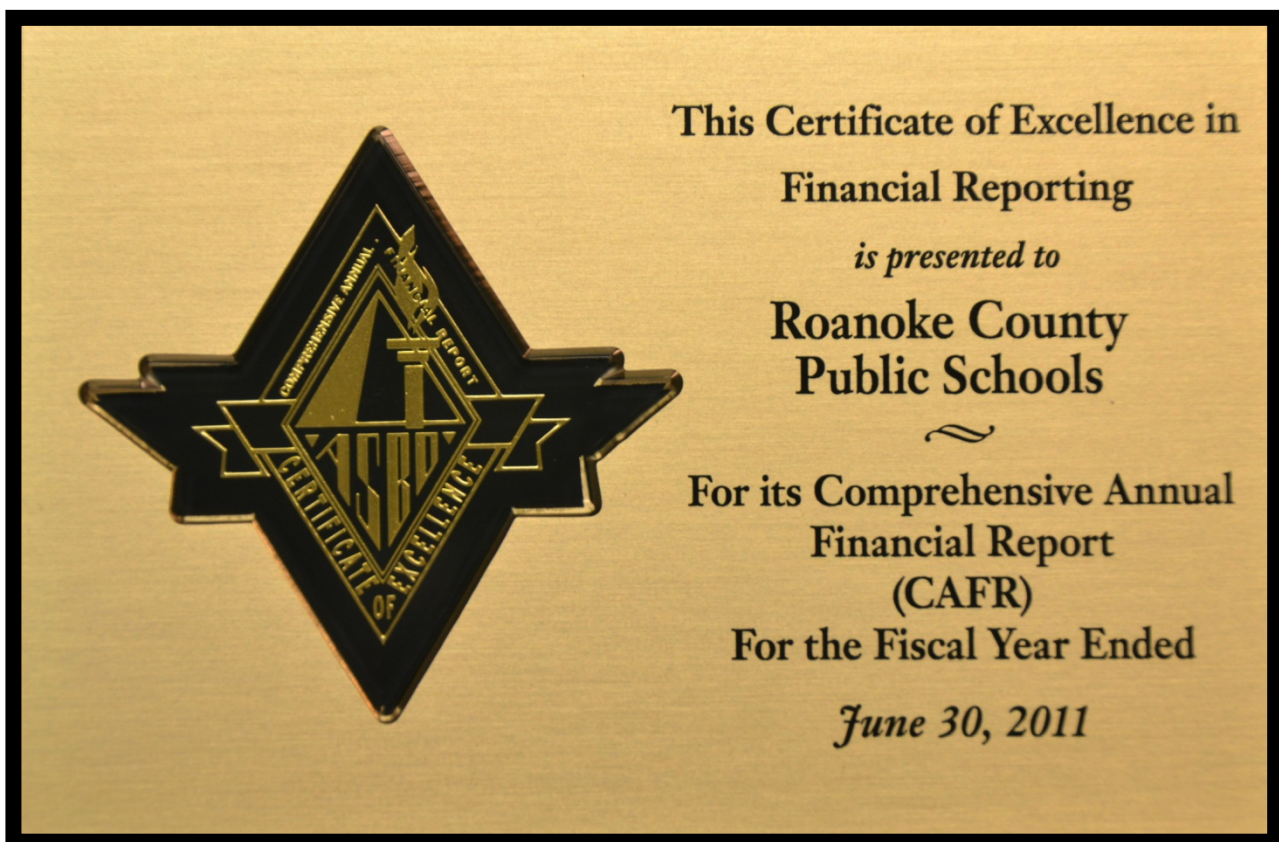
Jeffrey L. Esser
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Roanoke County Public Schools for its Comprehensive Annual Financial Report for the eleventh consecutive year ended June 30, 2011. The Certificate of Achievement for Excellence in Financial Reporting is a prestigious, national award, which recognizes conformance with the highest standards for preparation of State and local government CAFRs.

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

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS AWARD

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to Roanoke County Public Schools, for its CAFR for the eleventh consecutive year ended June 30, 2011. This nationally recognized program was established by ASBO to encourage school business officials to achieve a high standard of financial reporting. The award is the highest recognition for school division financial operations offered by ASBO, and it is only conferred upon school systems that have met or exceeded the standards of the program. Participation in the Certificate of Excellence in Financial Reporting program validates the School System's commitment to fiscal and financial integrity and enhances the credibility of the School System's operations with the School Board and the community. The program reviews the accounting practices and reporting procedures used by the School System in its CAFR based upon specific standards established by the Governmental Accounting Standards Board.







KPMG LLP
Suite 1010
10 S. Jefferson Street
Roanoke, VA 24011-1331

Independent Auditors' Report

The Honorable Members of the School Board
County of Roanoke, Virginia:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Roanoke County Public Schools (the School System), a component unit of the County of Roanoke, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the School System's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the School System's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School System as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2012 on our consideration of the School System's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 13 through 24, the Budgetary Comparison Schedule – General Fund, the Budgetary Comparison Schedule – Special Revenue Fund – Grant Fund, the Schedule of Funding Progress – Virginia Retirement System, the Schedule of Funding Progress – Other Postemployment Benefits Plan, and the Schedule of



Employer Contributions – Other Postemployment Benefit Plan on pages 55 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School System's basic financial statements. The accompanying combining and individual fund financial statements included in Schedules 1 through 7, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements included in Schedules 1 through 7 have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements included in Schedules 1 through 7 are fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory Section and the Statistical Section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

KPMG LLP

November 12, 2012

**Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

The management of Roanoke County Public Schools (the School System) presents the following discussion and analysis as an overview of the financial activities of the School System for the year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report, and the School System's basic financial statements and notes thereto, which immediately follow this section.

FINANCIAL HIGHLIGHTS

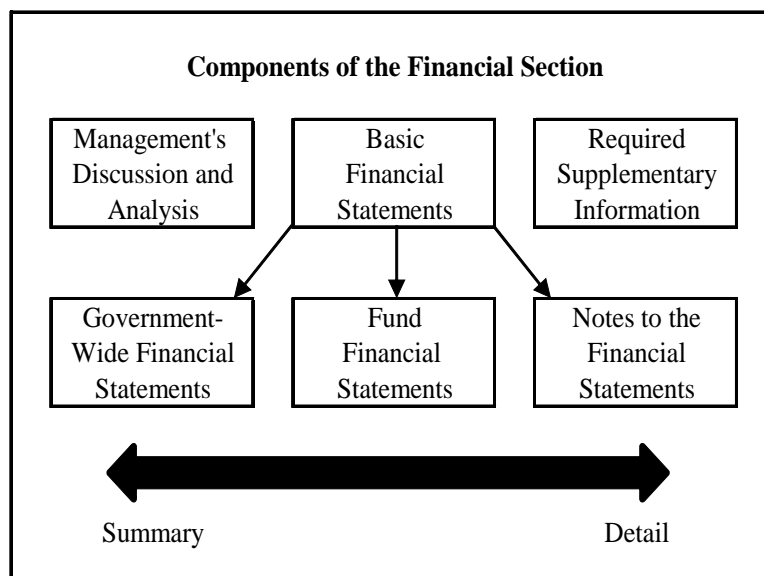
- The assets of the School System exceeded its liabilities as of June 30, 2012 by \$75.3 million (*net assets*). Of this amount, \$31.8 million (*unrestricted net assets*) may be used to meet the School System's future obligations to citizens and creditors (Exhibit A).
- On a government-wide basis for governmental activities, the School System had expenses, net of program revenues, of \$115.9 million, which were \$1.9 million less than general revenues of \$117.8 million (Exhibit B).
- At the end of the current fiscal year, committed fund balance for the general fund was \$4.0 million or 3.2% of total general fund expenditures for fiscal year 2012 (Exhibits C and D). Due to School Board policy, the fund balance in the general fund rolls over to the Capital Fund at year-end so there is no unassigned fund balance at year-end.
- The general fund, on a current financial resource basis, reported revenues less than expenditures and other financing sources (uses) by \$7.6 million for fiscal year 2012 (Exhibit D).

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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



Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Government-wide Financial Statements – The government-wide financial statements report information about the School System as a whole using accounting methods similar to those used by private-sector companies. The two statements – Statement of Net Assets and Statement of Activities, report the School System's net assets and how they have changed during the fiscal year. The amount of net assets, which is the difference between the School System's assets and liabilities, is one way to measure the overall financial position of the School System. Over time, increases or decreases in the School System's net assets are indicators of whether its financial position is improving or deteriorating. Other non-financial factors must also be considered, however, such as changes in the property tax base of the County of Roanoke, Virginia (the County) and the condition of school buildings and other facilities, to assess the overall financial position of the School System.

The School System does not have any business-type activities and reports only governmental activities. Governmental activities include the School System's basic services including instruction, administration, attendance and health, transportation, operations and maintenance, technology, facilities, and school nutrition. County appropriations and State aid finance the majority of these activities.

The government-wide financial statements can be found beginning on page 26 of this report.

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

- **Governmental funds:** Most of the School System's activities are reported in governmental funds, which focus on how resources flow into and out of these funds and the balances available at year-end to spend in future periods. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader to determine whether there are current financial resources that can be used in the near future to finance the School System's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation is provided immediately following the governmental funds statement that explains the relationship (or differences) between the statements.
- **Proprietary funds:** Services for which the School System charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The School System uses internal service funds to account for the financing of services provided by one department to other departments of the school system on a cost reimbursement basis. The School System uses internal service funds for health insurance, dental insurance, risk management and laptop insurance reserves.
- **Fiduciary funds:** Assets held either by a trustee or in an agency capacity are reported in fiduciary funds. These funds cannot be used to support the School System's activities and are reported in a separate statement of fiduciary assets and liabilities. They are not included in the government-wide financial statements. The School System reports an OPEB Trust, student activity funds and the Regional Alternative School as fiduciary funds.

The governmental fund financial statements can be found beginning on page 28 of this report.

Notes to the basic financial statements – The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 35 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the School System's budgetary comparisons for the general and grant funds and progress in funding its obligations to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 53 of this report.

Certain additional *supplementary information* is presented immediately following the required supplementary information. Supplementary information includes budgetary comparisons for the capital projects and non-major governmental funds and combining statements for internal service funds and fiduciary funds. Supplementary information can be found beginning on page 61 of this report.

Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM

Summary of Net Assets

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

Table 1 Summary of Net Assets As of June 30, 2012 and 2011			
	Governmental Activities 2012	2011	Percentage Change
Current and other assets	\$ 45,663,493	\$ 42,353,688	7.8%
Capital assets, net	43,486,037	44,139,908	(1.5)%
Total assets	89,149,530	86,493,596	3.1%
Current and other liabilities	9,303,946	8,281,163	12.4%
Long-term liabilities	4,553,039	4,812,480	(5.4)%
Total liabilities	13,856,985	13,093,643	5.8%
Invested in capital assets, net of related debt	41,371,652	41,651,583	(0.7)%
Restricted	2,075,677	2,157,951	(3.8)%
Unrestricted	31,845,216	29,590,419	7.6%
Total net assets	\$ 75,292,545	\$ 73,399,953	2.6%

In the case of the School System, assets exceed liabilities by \$75.3 million at the close of fiscal year 2012. Net assets increased \$1.9 million from the prior year. A detailed description of the changes in revenues and expenses that create the differences in net assets is discussed in the next section.

The largest portion of the School System's net assets (54.9%) reflects its *investment in capital assets* (i.e., land, buildings, furniture and equipment), *net of related debt*. The School System uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Commonwealth of Virginia requires counties to issue general obligation debt for all financially dependent component units. The County reports in its basic financial statements the majority of the debt related to the School System's capital assets. However, as of June 30, 2012 the School System is responsible for a \$2.1 million energy management project capital lease entered into during fiscal year 2007.

A significant portion of the *restricted net assets* includes the School System's \$2 million emergency contingency fund authorized by the County Board of Supervisors and restricted to use for unexpected revenue shortfalls or unanticipated expense increases. The remaining balance includes grant balances restricted by grant agencies for specified purposes.

The remaining balance of *unrestricted net assets* (\$31.8 million) may be used to meet the School System's future obligations to citizens and creditors. At the end of the current fiscal year, the School System is able to report positive balances in all categories of net assets. The same situation applied for the prior year.

Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Summary of Changes in Net Assets

The following table presents a condensed summary of changes in net assets for governmental activities:

Table 2 Summary of Changes in Net Assets For the Years Ended June 30, 2012 and 2011			
	Governmental Activities 2012	2011	Percentage Change
Program revenues:			
Charges for services	\$ 4,335,483	\$ 4,466,888	(2.9)%
Operating grants and contributions	23,680,280	32,456,049	(27.0)%
Capital grants and contributions	893,950	1,588,677	(43.7)%
General revenues:			
County appropriation	66,083,024	64,559,361	2.4%
State aid	51,265,516	50,182,318	2.2%
Miscellaneous	460,457	425,020	8.3%
Total revenues	146,718,710	153,678,313	(4.5)%
Instruction	104,117,764	104,091,890	0.0%
Administration	2,593,752	2,362,580	9.8%
Attendance and health	2,729,219	2,598,603	5.0%
Transportation	6,675,986	6,964,180	(4.1)%
Operations and maintenance	11,542,861	11,436,014	0.9%
Technology	4,946,469	6,121,084	(19.2)%
School nutrition	5,682,159	5,572,527	2.0%
Capital lease interest	87,563	187,855	(53.4)%
Debt Service	6,450,345	24,413,643	(73.6)%
Total expenses	144,826,118	163,748,376	(11.6)%
Excess (deficit) in net assets before capital contribution and special items	1,892,592	(10,070,063)	(118.8)%
Special item - capital contribution	-	1,077,603	(100.0)%
Change in net assets	1,892,592	(8,992,460)	(121.0)%
Net assets, beginning of year	73,399,953	82,392,413	(10.9)%
Net assets, end of year	<u>\$ 75,292,545</u>	<u>\$ 73,399,953</u>	<u>2.6%</u>

Governmental activities increased the School System's net assets by \$1.9 million. Revenues for governmental activities decreased \$7 million (4.5%) and total expenses decreased \$18.9 million (11.6%) when compared to the prior year.

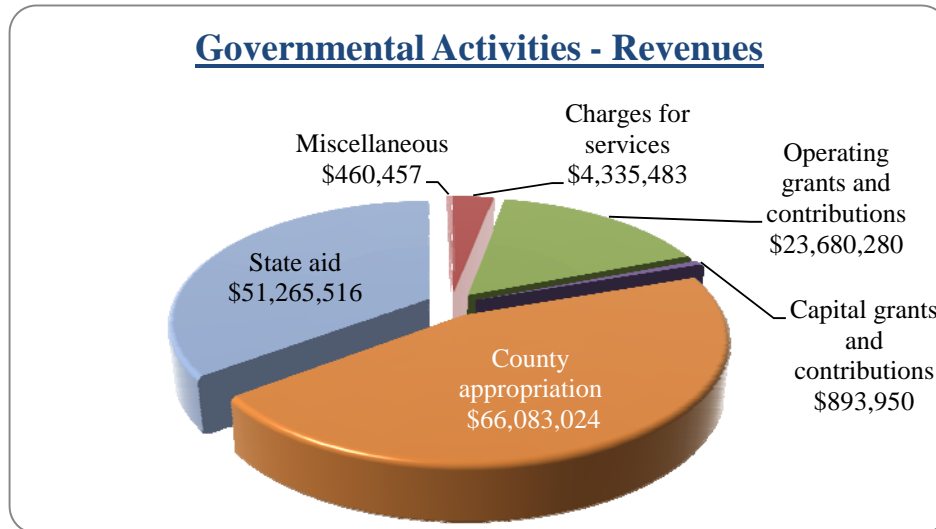
The County appropriation and general State aid accounted for most of the School System revenue, contributing 81¢ of every dollar of expenses. The remaining 19¢ of every dollar of expenses are funded with federal and State aid for specific programs, charges for services, and miscellaneous revenues.

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

**Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Governmental Activities – Revenues

Revenues of the governmental activities are shown by category below:



Charges for services, which were 3% of total government revenues, include school breakfast and lunch sales, tuition fees, Medicaid reimbursements, and other miscellaneous fees for services provided. These revenues decreased \$131,405 from prior year primarily due to a reduction of tuition receipts and food sales, offset by a slight rise in Medicaid reimbursements.

Operating grants and contributions, which were 16.1% of total government revenues, include 52.1% for non-Basic Aid Standards of Quality State grants, 22.7% for Individuals with Disabilities Education Act (IDEA) and Titles I, II and III federal grants, 9.5% for State and federal nutrition funding, and 5% for State supplemental support for operating costs. These revenues decreased \$8.8 million from prior year primarily due to the spend-down of funding from the American Recovery and Reinvestment Act (ARRA) authorized by Congress in 2009. The ARRA funds were allocated to School Systems to stimulate the economy by funding new jobs and/or preserving existing jobs that were otherwise likely to be eliminated due to severe economic conditions at the national, State, and local levels. Most federal grants were awarded for a period of slightly more than two years and therefore, the spending was spread across fiscal years. The large ARRA federal stimulus funding deficit was offset slightly by the additional State supplemental support for operating costs.

Capital grants and contributions, which were 0.6% of total government revenues, include State technology grants, federal ARRA grants, and a transfer from the County to fund capital purchases. These revenues decreased \$694,727 from prior year primarily due to the spend-down of ARRA federal stimulus funding and no transfer from the County in the current year.

County appropriations, which is the largest funding source at 45% of total government revenues, includes local County support which has been based on a revenue sharing formulary. These revenues increased \$1.5 million from prior year.

State aid, which was 34.9% of total government revenues, includes State sales tax and the Basic Aid Standards of Quality State grants. These revenues increased \$1.1 million from prior year primarily due a higher level of basic aid allocated to the School System by the General Assembly and an increase in sales taxes.

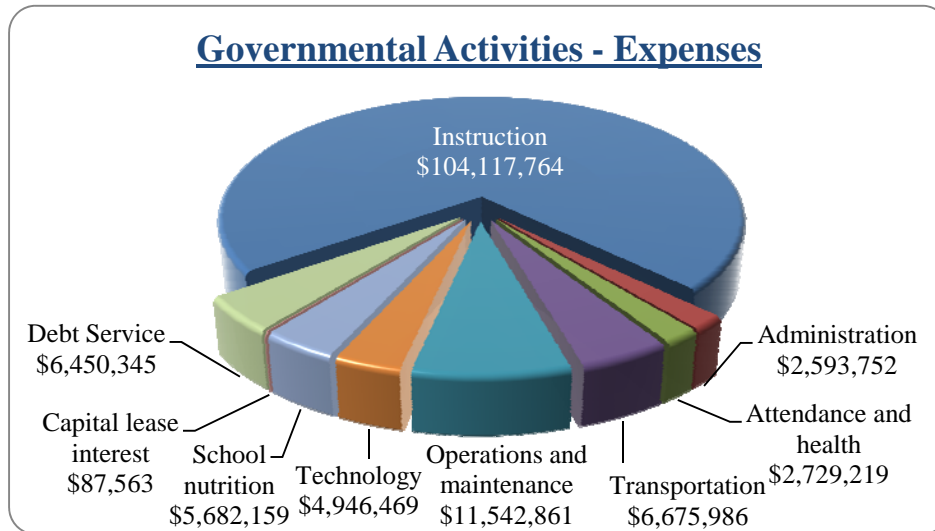
Miscellaneous, which was 0.4% of total government revenues, includes investment income, soft drink commissions, rebates and refunds, gain on sale of assets, and other miscellaneous items. These revenues increased \$35,437 from the net of (1) a receipt in cash from the final close out of the financial records for an alternative school closed in a previous year, (2) a reduction of investment income, and (3) a prior year insurance reimbursement not received in the current year.

Special item – capital contribution for the year ended June 30, 2011 was a transfer of \$1.1 million of tenancy in common assets, which were related to debt payoff in that year. There were no current year tenancy in common transfers from the County.

**Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Governmental Activities – Expenses

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



Instruction, which was 71.9% of total government expenses, includes activities and programs to prepare all students to be productive citizens in a democratic and diverse society while enabling them to meet established standards of achievement and foster life-long learning. These expenses increased \$25,874 from prior year primarily due to a temporary lift in the spending freeze, which was reinstituted within a few months and moving the technology initiative costs from the instruction function to the technology function.

Administration, which was 1.8% of total government expenses, includes Executive Administration, Personnel Services, Fiscal Services, Board Services, Reprographic Services, Planning Services, Information Services, and Purchasing Services. These expenses increased \$231,172 from prior year primarily due to personnel changes in the Executive Administration, Planning Services, Fiscal Services and Purchasing; increased miscellaneous costs in Board Services, Executive Administration and Personnel Services; and increased depreciation expense offset reductions in purchased services.

Attendance and health, which was 1.9% of total government expenses, includes Health, Psychological, and Attendance Services. These expenses increased \$130,616 from prior year primarily due to legal fees involving due process hearings.

Transportation, which was 4.6% of total government expenses, includes vehicle operation, monitoring and maintenance services. These expenses decreased \$288,194 from prior year primarily due to transferring operations management costs from the transportation function to the operations and maintenance function in the current year. This decrease was offset by an increase in gas and oil costs, facilities allocation, depreciation expense and recognition of change in the OPEB asset from the prior year.

Operations and maintenance, which was 8.0% of total government expenses, includes custodial, maintenance, utilities, and security services for buildings and grounds at all 27 schools, central office, maintenance building, garage, and warehouse. These expenses increased \$106,847 from prior year primarily due to transferring operations management costs from the transportation function to the operations and maintenance function in the current year. This increase was offset by prior year roofing maintenance costs not incurred in the current year.

Technology, which was 3.4% of total government expenses, includes non-capital equipment, software, operating and maintenance costs for all classrooms, administration, and attendance. These expenses decreased \$1.2 million from prior year primarily due to the lower cost of the Technology Assessment-Year 2 Plan and the related reduction in spending.

School nutrition, which was 3.9% of total government expenses, includes all costs associated with operating and maintaining school cafeterias. These expenses increased \$109,632 from prior year primarily due to rising food costs.

Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Capital lease interest, which was 0.1% of total government expenses, includes interest payments for energy management equipment and internet filtering equipment and software recorded as capital assets. These expenses decreased \$100,292 from prior year primarily due to the initial accrual of nine months of interest in the prior year.

Debt Service, which was 4.5% of total government expenses, includes a transfer for interest on County debt outstanding related to school assets, a transfer of major capital reserves to capital projects recorded on the local government books in conjunction with bonds issued to fund the full project costs, and funding of future debt related to the Capital Improvement Plan. These expenses decreased \$18 million from prior year.

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2012	2011		2012	2011	
Instruction	\$ 104,117,764	\$ 104,091,890	0.0%	\$ 81,087,542	\$ 72,205,631	12.3%
Administration	2,593,752	2,362,580	9.8%	2,593,628	2,362,283	9.8%
Attendance and health	2,729,219	2,598,603	5.0%	2,729,219	2,598,603	5.0%
Transportation	6,675,986	6,964,180	(4.1)%	6,675,986	6,964,180	(4.1)%
Operations and maintenance	11,542,861	11,436,014	0.9%	11,404,136	10,546,142	8.1%
Technology	4,946,469	6,121,084	(19.2)%	4,946,469	6,121,084	(19.2)%
School nutrition	5,682,159	5,572,527	2.0%	(58,483)	(162,659)	(64.0)%
Capital lease interest	87,563	187,855	(53.4)%	87,563	187,855	(53.4)%
Debt Service	6,450,345	24,413,643	(73.6)%	6,450,345	24,413,643	(73.6)%
Total expenses	\$ 144,826,118	\$ 163,748,376	(11.6)%	\$ 115,916,405	\$ 125,236,762	(7.4)%

Key elements of total and net cost of governmental activities during fiscal year 2012 were as follows:

- The cost of all governmental activities this year was \$144.8 million.
- Roanoke County citizens paid for these activities through local taxes in the amount of \$66.1 million.
- Some of the costs were paid by those who directly benefited from the programs (\$4.3 million), entitlements from State and federal aid (\$23.7 million), and miscellaneous payments (\$0.9 million).

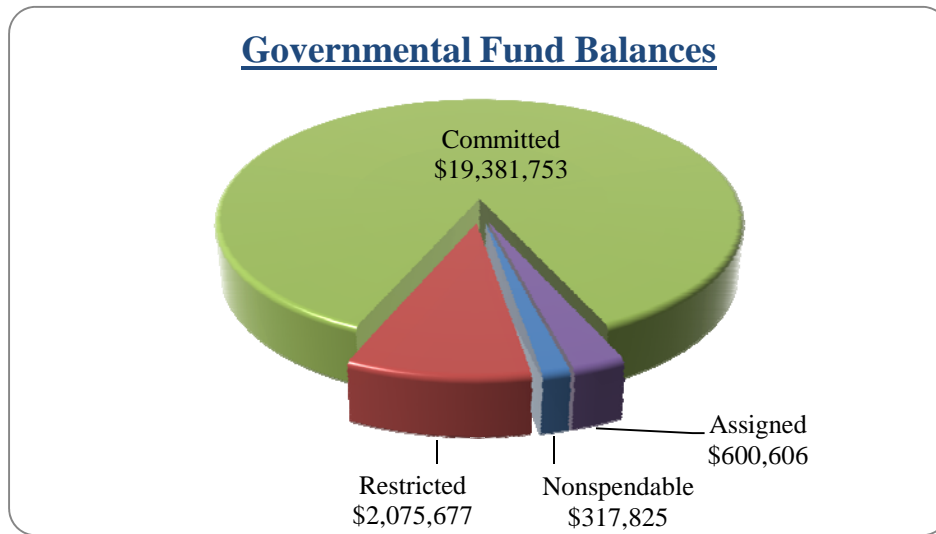


Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM'S FUNDS

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

In 2011, the School System implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which replaced the traditional fund balance components. The components of fund balance include nonspendable, restricted, committed, assigned, and unassigned. The School System has fund balances in all components at year-end except unassigned fund balance.



As of the end of the current fiscal year, the School System's governmental funds reported combined fund balances of \$22.4 million, an increase of \$1.7 million in comparison with fiscal year 2011. Of this amount, 1.4% constitutes *nonspendable fund balance* which reflects inventories that are in a non-liquid form and cannot be spent, 9.3% constitutes *restricted fund balance* which is externally restricted for an emergency contingency fund and grants, 86.6% constitutes *committed fund balance* which is designated for future capital projects in accordance with the adopted Use of Year-End Balance policy, and 2.7% constitutes *assigned fund balance* which is designated for outstanding encumbrances at year-end.

The General Fund is the primary operating fund used to account for all financial transactions and resources except those required to be accounted for in another fund. The fund balance in the General Fund decreased by \$7.6 million as a result of transferring balances to the capital projects fund.

The Grant Fund is used to account for federal, State, and local grants restricted for specified school purposes by the grantor. During fiscal year 2012, federal grant funding decreased by \$1.9 million related to the spend-down of ARRA federal stimulus funding discussed previously. At the end of the current fiscal year, the Grant Fund balance consisted of \$75,677 restricted for the purposes specified in the grant awards, including \$4,786 for outstanding encumbrances at year-end.

The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities. At the end of the current fiscal year, the Capital Projects Fund balance consisted of \$14.2 million committed for future school capital projects. The fund balance increased by \$9.5 million related to the allocation of prior year fund balance to the Capital Fund at year-end.

The Nonmajor Governmental Fund is used to account for the preparation and serving of student breakfasts and lunches. At the end of the fiscal year, the School Nutrition fund balance reflected \$74,255 in nonspendable fund balance for inventory and \$1.2 million in committed fund balance for school nutrition operations. The overall fund balance of the fund decreased by \$87,445 from the prior year and reflects increasing food costs.

Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Proprietary Funds – The School System's Internal Service Fund, a proprietary fund type, is presented on the same basis as the government-wide financial statements but is presented in more detail in the fund financial statements. Unrestricted net assets of the Health Insurance, Dental Insurance, Risk Management, and Laptop Insurance Reserve Funds at the end of the year amounted to \$13.2 million. The increase (decrease) in net assets for all four funds was \$569,107, \$(7,184), \$(59,213), and \$214,849, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The School System budget is prepared in accordance with the Code of Virginia. Table 4 presents a condensed version of the budgetary comparison of the original budget, final budget, and actual amounts for fiscal year 2012.

<p style="text-align: center;">Table 4 Budgetary Highlights - General Fund For the Year Ended June 30, 2012</p>			
	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental-Roanoke County	\$ 64,484,024	\$ 66,083,024	\$ 66,083,024
Intergovernmental-State and Federal	65,957,212	66,044,070	66,698,790
Other	732,063	774,764	680,454
Total	131,173,299	132,901,858	133,462,268
Expenditures	130,178,147	132,613,296	125,840,617
Other financing sources	-	-	29,089
Transfers out	995,152	14,751,941	15,275,383
Net change in fund balance	<u>\$ -</u>	<u>\$ (14,463,379)</u>	<u>\$ (7,624,643)</u>

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

- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2011 but not paid by that date.
- To reappropriate grants, donations and other revenues authorized in fiscal year 2011 or earlier, but not expended or encumbered as of June 30, 2011.
- To appropriate grants, donations, and other revenues accepted or adjusted in fiscal year 2012 when official notice of approval was received.
- To appropriate the designated general fund balance to capital projects.

The increase in the amended budget revenues of \$1.7 million is primarily related to transferring balances to the capital projects fund.

Actual revenues exceeded the final budget by \$560,410. The positive variances were primarily due to higher amounts received from State-wide sales tax collections allocated to public education than expected and larger Medicaid reimbursement amounts which are budgeted conservatively to cover the Medicare position only. These positive variances were offset by a negative variance due to a reduction in adult education classes offered and in the number of students enrolled in the LEAP preschool program.

Actual expenditures were less than the final budget by \$6.8 million. The positive variances were primarily related to the result of specific savings in health insurance participation, utilities, and continued reduction in personnel costs as a result of the hiring and spending freeze reinstituted during the school year, in addition to the \$2 million emergency reserve.

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

Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012

CAPITAL ASSETS AND LEASES

At the end of the fiscal year, the School System had land, buildings and improvements, furniture and equipment, and construction in progress in governmental activities with a total historical cost of \$104.4 million. Total accumulated depreciation on these assets was \$60.9 million. Table 5 shows capital asset balances (net of accumulated depreciation) for fiscal years 2012 and 2011. More detailed information about capital assets can be found in Note 5 to the basic financial statements.

Table 5			
Capital Assets			
(net of accumulated depreciation)			
As of June 30, 2012 and 2011			
	Governmental Activities 2012	2011	Percentage Change
Land	\$ 5,714,752	\$ 5,726,229	(0.2)%
Construction in progress	1,882,469	50,151	3653.6%
Buildings and improvements	24,788,314	27,706,828	(10.5)%
Furniture and equipment	11,100,502	10,656,700	4.2%
Totals	\$ 43,486,037	\$ 44,139,908	(1.5)%

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

- \$1.9 million spent for the commencement or continuation of construction in progress:
 - two school renovations
 - parking lot easement project
 - waterline installation
 - air conditioning units installed in gymnasiums
 - five electronic marquee signs
 - three field houses
 - one press box
- \$1.8 million spent on computer- and network-related equipment
- \$1.1 million spent on ten school buses and four support vehicles
- \$176,645 spent on other building improvements
- \$201,354 spent on cafeteria equipment, including renovations of service counters at three schools
- \$148,100 spent on classroom and playground equipment, bleachers and stage curtains
- \$41,438 spent for maintenance and transportation equipment
- \$(749,691) net transfer of the Bent Mountain School to the County

As of June 30, 2012, the School System is responsible for a \$2.1 million energy management project capital lease entered into during fiscal year 2007. More detailed information about the capital leases can be found in Note 9 to the basic financial statements.

CAPITAL ASSETS FINANCED THROUGH DEBT

According to the Code of Virginia, when a local government incurs a financial obligation payable over more than one fiscal year to fund an acquisition, construction or improvement of public school property, the local government acquires title to the school property as a tenant in common with the local school board for the term of the financial obligation. For financial reporting purposes, the local government may report the school property and related financial obligation. At the time the financial obligation is paid in full, the net value of the school property is transferred to the school board as program revenue and expense on the government-wide financial statements for the School System and County, respectively. As of June 30, 2012, the County's government-wide financial statements included school capital assets and related debt outstanding of \$186.6 million and \$113.1 million, respectively related to tenancy in common assets.

Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012

FACTORS INFLUENCING FUTURE BUDGETS

Key factors that are expected to impact future budgets include:

- Current financial market volatility and continued uncertainty of the economy
- Current and projected State budget reductions for public education
- Increasing federal requirements for student and school achievement related to the federal No Child Left Behind legislation
- Federal sequestration triggering across the board cuts in federal grant revenues
- Replacement of technology and the allocation of a sustainable revenue stream
- Declining student enrollments
- Projected increases in retirement contribution rates assessed by the Virginia Retirement System
- Volatile fuel and utility prices
- Funding for the Capital Improvement Program

In the last two years, the Commonwealth of Virginia (the Commonwealth) initiated certain responsive actions to the economic downturn that are expected to negatively affect the School System in future years. Through changes in certain actuarial assumptions for Virginia Retirement System (VRS) sponsored retirement plans, which were affected by legislation passed by the General Assembly, the Commonwealth was able to defer rate increases requested by the VRS Trustees, and an increase in the local employer share of these pension contributions was similarly deferred. The impact of these deferrals reduced pension related costs of the School System in fiscal year 2011. The legislation requires that this deferral of costs begin to be replenished starting in fiscal year 2012 and will continue until fully replenished in fiscal year 2021. Ultimately, it is expected that there will be significant increases in the local employer costs to be funded in order to meet the future payment obligations under the VRS plan. The 2012 expenditures reflect the reduced pension rates approved by the General Assembly. Accordingly, the 2013 budget required budgetary increases to phase in the expected repayment of the pension deferrals approved for fiscal years 2010 through 2012.

The School System implemented Statement No. 45 of the Governmental Accounting Standard Board - *Accounting for Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) in 2008. For the School System, other postemployment benefits (OPEB) include medical coverage extended to retirees. For government-wide reporting purposes, GASB 45 requires the School System to actuarially determine the value of these benefits and recognize the costs of OPEB as they are incurred. Also, the School System is required to disclose the extent to which these benefits have been funded.

The School System has conducted an actuarial valuation of its OPEB liability. The actuarial study reflects an actuarially accrued liability of \$14 million and an annual required contribution of \$1.5 million. During 2011, the biannual actuarial valuation was performed and included a change in actuarial methodologies. As such, an actuarial adjustment of \$448,852 is reflected in the current year calculation based on the July 1, 2011 actuarial valuation. During 2012, the School Board voted to participate in a joint trust arrangement with the local governing body for the purpose of accumulating and investing assets to fund other postemployment benefits other than pensions. More detailed information about the OPEB costs can be found in Note 12 to the basic financial statements.

ECONOMIC FACTORS

During fiscal year 2012, the State economy mirrored the slow-to-recover national economy. Sales tax collections, representing 11.6% of the schools budget, improved slightly over the preceding year reflecting negligible improvement in personal consumption. State aid, including sales taxes, represents 49.8% of the general fund revenues for fiscal year 2012 which is up from 47% in 2011. With the significant reliance on State funding, the ongoing State budget pressures occurring since 2009 are expected to impact the schools budget for the foreseeable future.

The County provided approximately 49.7% of the School System's operating budget needs in fiscal year 2012. State education funding reductions continue to place a burden on the local government to fund the existing educational programs and services and have a direct impact on the School System's ability to sustain the quality of education expected by our citizens. The County is experiencing flat revenue growth in the local tax base, further challenging the ability to maintain existing school and county services. The remainder of the general fund revenue was funded by federal and other revenue sources totaling 0.5% of general fund revenues.

Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2012

The spend-down of funding from the American Recovery and Reinvestment Act (ARRA) authorized by Congress in 2009 was minimal in this years' activity. The ARRA funds were allocated to School Systems to stimulate the economy by funding new jobs and/or preserving existing jobs that were otherwise likely to be eliminated due to severe economic conditions at the national, State, and local levels. Most federal grants were awarded for a period of slightly more than two years and therefore, the spending was spread across fiscal years, with the majority of funds spent in the previous years.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the School System's finances and to demonstrate the School System's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Assistant Superintendent of Finance, Roanoke County Public Schools, 5937 Cove Road, Roanoke, Virginia 24019, telephone (540) 562-3900, or visit the School System's web site at www.rcs.k12.va.us.



BASIC FINANCIAL STATEMENTS

Roanoke County Public Schools
Statement of Net Assets
June 30, 2012

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 28,884,083
Investments	12,448,177
Accounts receivable	381,426
Due from other governments	3,631,982
Inventory	317,825
<i>Capital assets:</i>	
Land and construction in progress	7,597,221
Other capital assets, net	35,888,816
Capital assets, net	<u>43,486,037</u>
Total assets	<u>89,149,530</u>
Liabilities	
Accounts payable	3,182,306
Accrued liabilities	1,646,596
Unearned revenue	1,645,151
<i>Long-term liabilities due or payable within one year:</i>	
Claims payable	1,801,272
Compensated absences	664,637
Capital lease obligations	363,984
<i>Long-term liabilities due or payable after one year:</i>	
Claims payable	601,374
Compensated absences	2,201,264
Capital lease obligations	1,750,401
Total liabilities	<u>13,856,985</u>
Net Assets	
Invested in capital assets, net of related debt	41,371,652
<i>Restricted for:</i>	
Instructional grants	75,677
Emergency contingency	2,000,000
Unrestricted	31,845,216
Total net assets	<u>\$ 75,292,545</u>

Roanoke County Public Schools
Statement of Activities
For the Year Ended June 30, 2012

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net Expense and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Instruction	\$ 104,117,764	\$ 832,118	\$ 21,420,104	\$ 778,000	\$ (81,087,542)
<i>Support services:</i>					
Administration	2,593,752	124	-	-	(2,593,628)
Attendance and health	2,729,219	-	-	-	(2,729,219)
Transportation	6,675,986	-	-	-	(6,675,986)
Operations and maintenance	11,542,861	22,775	-	115,950	(11,404,136)
Technology	4,946,469	-	-	-	(4,946,469)
School nutrition	5,682,159	3,480,466	2,260,176	-	58,483
Capital lease interest	87,563	-	-	-	(87,563)
Debt service	6,450,345	-	-	-	(6,450,345)
Total governmental activities	<u>\$ 144,826,118</u>	<u>\$ 4,335,483</u>	<u>\$ 23,680,280</u>	<u>\$ 893,950</u>	<u>(115,916,405)</u>
<i>General revenues:</i>					
Roanoke County					66,083,024
Non-categorical State aid					51,265,516
Gain on sale of assets					29,264
Miscellaneous					431,193
Total general revenues					<u>117,808,997</u>
Change in net assets					<u>1,892,592</u>
Net assets, beginning					<u>73,399,953</u>
Net assets, ending					<u>\$ 75,292,545</u>

Roanoke County Public Schools

Exhibit C

Balance Sheet

Governmental Funds

June 30, 2012

	General	Grant	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,431,349	\$ -	\$ 7,669,922	\$ 559,553	\$ 11,660,824
Investments	3,663,039	-	8,187,804	597,334	12,448,177
Accounts receivable	325,382	-	-	10,657	336,039
Due from other governments	2,372,866	1,240,338	-	18,778	3,631,982
Due from other funds	913,530	-	-	-	913,530
Inventory	243,570	-	-	74,255	317,825
Total assets	<u>\$ 10,949,736</u>	<u>\$ 1,240,338</u>	<u>\$ 15,857,726</u>	<u>\$ 1,260,577</u>	<u>\$ 29,308,377</u>
Liabilities					
Accounts payable	\$ 1,315,426	\$ 216,088	\$ 1,639,352	\$ 3,369	\$ 3,174,235
Accrued liabilities	1,553,512	15,950	2,180	11,954	1,583,596
Deferred revenue	1,242,062	19,093	-	-	1,261,155
Due to other funds	-	913,530	-	-	913,530
Total liabilities	<u>4,111,000</u>	<u>1,164,661</u>	<u>1,641,532</u>	<u>15,323</u>	<u>6,932,516</u>
Fund balances					
Nonspendable	243,570	-	-	74,255	317,825
Restricted	2,000,000	75,677	-	-	2,075,677
Committed	3,994,560	-	14,216,194	1,170,999	19,381,753
Assigned	600,606	-	-	-	600,606
Total fund balances	<u>6,838,736</u>	<u>75,677</u>	<u>14,216,194</u>	<u>1,245,254</u>	<u>22,375,861</u>
Total liabilities and fund balances	<u>\$ 10,949,736</u>	<u>\$ 1,240,338</u>	<u>\$ 15,857,726</u>	<u>\$ 1,260,577</u>	

Reconciliation to the Statement of Net Assets:

Internal service funds are used to charge the cost of health, dental, and worker's compensation insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (Exhibit F).	13,235,121
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds (Note 5).	43,486,037
Revenues earned but not considered available are not current financial resources and, therefore, are not reported in the governmental funds (Note 6).	1,238,812
Long-term assets or liabilities are not due and payable in the current period and, therefore, are not reported as assets or liabilities in the governmental funds:	
Accrued interest on capital lease obligations (Note 9)	(63,000)
Compensated absences (Note 7)	(2,865,901)
Capital lease obligations (Note 9)	(2,114,385)
Net assets of governmental activities	<u>\$ 75,292,545</u>

Roanoke County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

Exhibit D

	General	Grant	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
Revenues					
<i>Intergovernmental:</i>					
Roanoke County	\$ 66,083,024	\$ -	\$ 25,000	\$ -	\$ 66,108,024
Commonwealth of Virginia	66,119,254	885,039	778,000	97,205	67,879,498
Federal government	579,536	5,582,221	57,950	2,162,971	8,382,678
Charges for services	399,374	81,916	-	3,480,466	3,961,756
Investment income	89,874	-	-	3,544	93,418
Miscellaneous	191,206	-	85,124	32,862	309,192
Total revenues	<u>133,462,268</u>	<u>6,549,176</u>	<u>946,074</u>	<u>5,777,048</u>	<u>146,734,566</u>
Expenditures					
<i>Current:</i>					
Instruction	93,314,768	6,116,399	214,229	-	99,645,396
Administration	2,472,105	-	484	-	2,472,589
Attendance and health	2,181,587	535,749	-	-	2,717,336
Transportation	6,668,232	-	-	-	6,668,232
Operations and maintenance	11,335,888	-	307,966	-	11,643,854
Technology	2,944,589	302	3,731,022	-	6,675,913
School nutrition	-	-	-	5,864,493	5,864,493
<i>Capital lease debt service:</i>					
Principal	373,940	-	-	-	373,940
Interest	99,163	-	-	-	99,163
<i>Capital outlay:</i>					
Facilities	-	-	2,507,844	-	2,507,844
Debt Service	6,450,345	-	-	-	6,450,345
Total expenditures	<u>125,840,617</u>	<u>6,652,450</u>	<u>6,761,545</u>	<u>5,864,493</u>	<u>145,119,105</u>
Excess (deficiency) of revenues over (under) expenditures	7,621,651	(103,274)	(5,815,471)	(87,445)	1,615,461
Other financing sources (uses)					
Proceeds from sale of property	29,089	-	175	-	29,264
Transfers in	336,219	21,000	15,590,602	-	15,947,821
Transfers out	(15,611,602)	-	(257,375)	-	(15,868,977)
Total other financing sources (uses)	<u>(15,246,294)</u>	<u>21,000</u>	<u>15,333,402</u>	<u>-</u>	<u>108,108</u>
Net change in fund balances	(7,624,643)	(82,274)	9,517,931	(87,445)	1,723,569
Fund balances, beginning	14,463,379	157,951	4,698,263	1,332,699	20,652,292
Fund balances, ending	<u>\$ 6,838,736</u>	<u>\$ 75,677</u>	<u>\$ 14,216,194</u>	<u>\$ 1,245,254</u>	<u>\$ 22,375,861</u>

Roanoke County Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Exhibit E

Net change in fund balances - total governmental funds (Exhibit D) \$ 1,723,569

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

Internal service funds to charge the costs of health, dental, and worker's compensation insurance to individual funds. The change in net assets of internal service funds are reported with governmental activities (Exhibit G).

717,559

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate the cost of those assets over the life of the assets (Note 5).

Capital outlay	5,297,336
Capital donated	33,000
Depreciation expense	(5,225,233)
Loss on sale of assets	(758,974)

Revenues reported in the Statement of Activities, such as certain unearned revenues, are not considered available current financial resources and therefore are not reported as revenues in governmental funds. This is the amount by which the current year unearned amount exceeds the prior year available resources (Note 6).

(133,598)

Expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

Other postemployment benefit asset (Note 12)	(205,810)
Accrued interest on capital lease obligations (Note 9)	11,600
Compensated absences (Note 7)	(36,154)
Capital lease obligations (Note 9)	373,940
Pollution remediation obligation (Note 7)	95,357

Change in net assets of governmental activities (Exhibit B)

\$ 1,892,592

Roanoke County Public Schools
Statement of Net Assets
Proprietary Funds
June 30, 2012

Exhibit F

	<u>Internal Service Funds</u>
Assets	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 17,223,259
Accounts receivable	<u>45,387</u>
Total assets	<u>17,268,646</u>
Liabilities	
<i>Current liabilities:</i>	
Accounts payable	8,071
Unearned revenue	1,622,808
<i>Long-term liabilities due or payable within one year:</i>	
Claims payable	1,801,272
<i>Long-term liabilities due or payable after one year:</i>	
Claims payable	<u>601,374</u>
Total liabilities	<u>4,033,525</u>
Net Assets	
Unrestricted	<u>13,235,121</u>
Total net assets	<u><u>\$ 13,235,121</u></u>

Roanoke County Public Schools
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

Exhibit G

	<u>Internal Service Funds</u>
Operating revenues	
Charges for services	\$ 18,477,210
Other operating revenues	<u>133,120</u>
Total operating revenues	<u>18,610,330</u>
Operating expenses	
Claims	17,844,323
Administrative charges	<u>25,082</u>
Total operating expenses	<u>17,869,405</u>
Operating income	740,925
Nonoperating revenues	
Interest and dividend income	<u>55,478</u>
Total nonoperating revenues	<u>55,478</u>
Income before transfers	796,403
Transfers out	<u>(78,844)</u>
Change in net assets	717,559
Net assets, beginning	<u>12,517,562</u>
Net assets, ending	<u><u>\$ 13,235,121</u></u>

Roanoke County Public Schools
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

Exhibit H

	Internal Service Funds
Operating activities	
Cash received from interfund services provided	\$ 18,585,810
Payments to suppliers	(62,192)
Claims paid	(17,817,745)
Other receipts	152,726
Net cash provided by operating activities	<u>858,599</u>
Noncapital financing activities	
Transfers to other funds	(78,844)
Net cash used in noncapital financing activities	<u>(78,844)</u>
Investing activities	
Interest and dividends	55,478
Net cash provided by investing activities	<u>55,478</u>
Net increase in cash and cash equivalents	835,233
Cash and cash equivalents, beginning	16,388,026
Cash and cash equivalents, ending	<u><u>\$ 17,223,259</u></u>
<u>Reconciliation of operating income to net cash provided by operating activities</u>	
Operating income	\$ 740,925
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
<i>Decrease (increase) in assets:</i>	
Accounts receivable	108,600
<i>Increase (decrease) in liabilities:</i>	
Accounts payable	(37,110)
Unearned revenue	19,606
Claims payable	26,578
Net cash provided by operating activities	<u><u>\$ 858,599</u></u>

Roanoke County Public Schools
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

Exhibit I

	OPEB Trust	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 2,292,522
<i>Investments held by trustee, at fair value</i>		
Other pooled funds	287,526	-
Total assets	<u>\$ 287,526</u>	<u>\$ 2,292,522</u>
Liabilities		
Due to student groups	-	2,292,522
Total liabilities	<u>-</u>	<u>2,292,522</u>
Net Assets		
Net assets held in trust for other postemployment benefits	<u>\$ 287,526</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

Exhibit J

	OPEB Trust
Additions	
Employer contributions	\$ 276,250
<i>Investment income:</i>	
Increase in fair value of investments	11,678
Interest and dividends	19
Less investment expenses	(421)
Total additions	<u>287,526</u>
Net increase in plan net assets	287,526
Net assets held in trust for other postemployment benefits, beginning	-
Net assets held in trust for other postemployment benefits, ending	<u>\$ 287,526</u>

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Financial Reporting Entity – Roanoke County Public Schools (School System) is a corporate body operating under the constitution of Virginia and the Code of Virginia. The members of the School Board are elected by the citizens of the County of Roanoke, Virginia (County) to serve 4-year terms. The School Board is responsible for setting the educational policies of Roanoke County Public Schools and employs a superintendent to implement the School Board's policies. The mission of the School System is to provide quality programs to meet the educational needs of all students in the County in a safe learning environment.

The School System receives funding from property taxes collected and allocated by the County, tuition and fees, and State and federal aid. Virginia Public School Authority bonds, State literary loans, and general obligation bonds approved by the County Board of Supervisors and/or County voters fund school construction projects. The School System is considered to be a component unit of the County because the County Board of Supervisors approves the School System's budget, levies the necessary taxes to finance operations, and issues debt on behalf of the School System. The School System is fiscally dependent on the County, and its operations are funded significantly by transfers from the County's general fund.

The financial statements of the School System 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. The following is a summary of significant accounting policies and reporting practices of the School System.

GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis – for State and Local Governments, as amended, was implemented July 1, 2001. It established requirements and a reporting model for the annual financial reports of State and local governments. GASB Statement No. 34 (GASB 34) was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes the following:

Management's Discussion and Analysis – GASB 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis included in private-sector annual reports.

Government-wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities. Accrual accounting reports all of the revenues, not just those received in the current year or soon thereafter.

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the government. Governments report all capital assets, net of accumulated depreciation, in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of a government are presented in three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each government's functions. The expense of individual functions is compared to the revenues generated directly by that function.

Reconciliation of Government-wide and Fund Financial Statements – A summary reconciliation of the difference between total fund balances and total net assets for governmental activities is presented on the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

A summary reconciliation of the difference between the net change in governmental fund balances and change in net assets for governmental activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures and changes in fund balances. The revenue and expense elements which comprise the

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2012

reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

Budgetary Comparison Schedules – Demonstrating compliance with the legally adopted budget is an important component of a government's accountability to the public. The School System and many other governments revise their original budgets over the course of the year for a variety of reasons. The School System provides budgetary comparison information in its annual report, which includes a comparison of the original budget to both the final budget and actual results. The School System adopts annual budgets for the General, Grant Fund, Capital Projects Fund and School Nutrition Fund. Additional budgets for the Capital Projects Fund are approved by the School Board during the fiscal year as funding is identified and designated for school bus purchases and capital projects.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the School System as a whole, except for fiduciary funds. The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation, with brief explanations, to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program within the governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include adult education, school lunch sales, rental of facilities, and summer tuition. Program-specific operating grants and contributions revenues include the federal and State school lunch program and other grants and reimbursements. Revenues which are not classified as program revenues are presented as general revenues of the School System. In accordance with the Auditor of Public Accounts in the Commonwealth of Virginia (APA), revenues received from the local government for the overall educational program are non-categorical and therefore considered general revenue. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the School System.

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

Expenses are grouped in three broad categories: instruction, support services, and non-instructional services. Some functions classified under support services include expenses that are, in essence, indirect expenses of instructional functions. However, the School System does not allocate those indirect expenses to the instructional program.

Fund Financial Statements – The fund financial statements provide information about the School System's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The remaining governmental fund is reported as a nonmajor governmental fund.

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

Governmental Funds – These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School System considers all revenues reported in the governmental funds to be available if the revenues are collected as of June 30 or within 30 days thereafter. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The individual governmental funds are:

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2012

General Fund – This is the primary operating fund used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from State and federal aid and transfers from the County of Roanoke.

Grant Fund – This is a special revenue fund used to account for proceeds of specific grants that are restricted to expenditures for specific purposes. This fund includes transactions related to the federal, State, and private grants that are not specifically reported in another fund. The Grant Fund is considered a major fund for fund financial statement reporting purposes.

Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by the general fund. The Capital Projects Fund is considered a major fund for fund financial statement reporting purposes.

Nonmajor Governmental Fund – This is a special revenue fund used to account for revenues and expenditures for the School Nutrition Fund.

Proprietary Funds – Proprietary funds are used to account for operations that are financed in a manner similar to a private business enterprise. Proprietary fund statements are reported using the economic resources measurement focus and the determination of change in net assets, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services. All revenues and expenses not meeting these definitions, such as interest and dividend income, are reported as nonoperating revenues and expenses.

Internal Service Funds – These funds account for employee health, dental, risk management and laptop reserves coverage provided to other departments on a cost-reimbursement basis. The internal service funds derive their funding from charges assessed to employees and user departments. They are included in the governmental activities for government-wide reporting purposes. The effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund have been allocated to the appropriate functional activity.

Fiduciary Funds – Fiduciary funds are used to account for assets held either by a trustee or by the School System in an agency capacity. Fiduciary funds are not included in the government-wide financial statements.

OPEB Trust – This fund was created in fiscal year 2012 to account for assets held for and costs of other postemployment benefits.

Agency funds – This fund includes the student activity funds in each school and the financial resources of the Regional Alternative School. The Regional Alternative School closed on June 30, 2010 and remaining funds were liquidated in fiscal year 2012.

Basis of Accounting – Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School System considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. State aid, grant reimbursements, sales taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2012

Cash and Cash Equivalents – The School System’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. Agency fund cash and cash equivalents are maintained by school principals.

Deposits and Investments – All non-fiduciary monies of the School System are deposited with the County Treasurer in a pool of bank accounts and are used to purchase investments which are specifically allocated to the appropriate funds. Short-term investments are stated at cost (which approximates fair value). Each fund with monies deposited in the pooled accounts has an equity interest therein. Interest earned is allocated based on average monthly balance. Monies that are legally required to be maintained individually, such as trust balances and contractor escrows are deposited and maintained in individual segregated bank accounts. OPEB Trust other pooled funds represent cash and investments held by the Virginia Pooled OPEB Trust Fund sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACO).

Accounts Receivable – Accounts receivable consist of insurance refunds, tuition payments, substitute reimbursements, energy conservation savings, interest income, and utility refunds from individual schools.

Due from Other Governments and Other Funds – Local sales taxes and governmental accounts receivable are recorded in the School System’s accounts as due from other governments. 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.

Inventory – Inventories consist of various consumable supplies and are maintained on a perpetual basis with periodic verification based on physical count. All inventories are valued at cost using the first-in first-out method. The cost of the consumable supplies is recorded as expenditures when purchased. Reported inventories in the governmental funds are equally offset by nonspendable fund balance.

Capital Assets – Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent of the School System’s capitalization threshold. The capitalization criterion for reporting capital assets has been established at \$5,000 and an estimated useful life exceeding three years. Major additions, including those that significantly prolong a capital asset’s economic life or expand usefulness, are capitalized. Normal repairs that merely maintain the asset in its present condition are recorded as expenditures and are not capitalized. Depreciation expense for capital assets is identified with a function and is included as a direct expense.

All capital assets are capitalized at historical costs and updated for additions and retirements during the year. Donated capital assets are reported at estimated fair value at the time received. Upon sale or retirement of a capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

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

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2012

Compensated Absences – The liability for compensated absences reported in the government-wide statement consists of unpaid accumulated vacation and sick leave balances. The liability is based on the sick leave and the vacation leave accumulated at June 30. Limited vacation and sick leave may be accumulated until retirement or termination. Accumulated sick leave is paid at a fixed daily rate and accumulated vacation is paid at the employee's current wage upon retirement or termination. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements.

Pollution and Remediation – In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the School System is required to address pollution remediation activities associated with asbestos abatement during demolition or renovation of aged school buildings. As part of the planned demolitions, ceiling and floor tiles containing asbestos were removed and abated in accordance with federal regulations promulgated by the Environmental Protection Agency. The related obligation was recognized as a payable upon commencement of the demolition and the costs were recognized when incurred.

Pension Plan – The School System participates in an agent and cost-sharing multi-employer defined benefit pension plan administered by the Virginia Retirement System. Defined benefit pension plan contributions are actuarially determined and consist of current service costs and amortization of the unfunded accrued liability.

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

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

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation and related capital leases. Net assets are reported as restricted when there are external restrictions imposed by grantors or laws or regulations of other governments. The School System applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

Interfund Transactions – In the governmental fund financial statements, receivables and payables resulting from interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the government-wide Statement of Net Assets. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

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

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2012

New Accounting Pronouncements – The School System adopted GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plants. The adoption of GASB Statement No. 57 had no material affect on the School System’s financial statements.

The School System adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53*, which improves financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The adoption of GASB Statement No. 64 had no material affect on the School System’s financial statements.

(2) Deposits and Investments

The County of Roanoke maintains a cash and investment pool that is available for use by all County funds and by the School System. The School System’s portion of this pool is included on the balance sheet in “cash and cash equivalents” and “investments.”

The fair value and maturity of the School System’s share of deposits and investments as of June 30, 2012 is as follows:

	Original Investment Maturity		Fair Value	Credit Rating
	< 1 year	1-2 years		
Demand and time deposits	\$ 11,552,397	\$ -	\$ 11,552,397	N/A
Money market mutual funds	13,882,578	-	13,882,578	AAAm
Virginia LGIP	5,741,630	-	5,741,630	AAAm
Federal agency bonds and notes	876,650	11,571,527	12,448,177	AAA
Investment in other pooled funds	287,526	-	287,526	AAA-CAA
	<u>\$ 32,340,781</u>	<u>\$ 11,571,527</u>	<u>\$ 43,912,308</u>	

The carrying value of the School System’s share of deposits and investments as of June 30, 2012 is as follows:

	Cash and Cash Equivalents	Investments Held by Trustee	Investments	Total
Roanoke County Public Schools	\$ 28,884,083	\$ -	\$ 12,448,177	\$ 41,332,260
Agency Funds	2,292,522	287,526	-	2,580,048
	<u>\$ 31,176,605</u>	<u>\$ 287,526</u>	<u>\$ 12,448,177</u>	<u>\$ 43,912,308</u>

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

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

Investments – Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligation 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, Banker’s acceptances, and repurchase agreements.

Roanoke County Public Schools

Notes to Basic Financial Statements

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The Virginia Pooled OPEB Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plan assets for purposes of GASB Statement No. 45 are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with the terms of the plan.

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

The Policy establishes limitations on portfolio composition, both by investment type and by issuer, in order to control concentration of credit risk. The maximum percentage of the portfolio permitted in each eligible security with the limit to any one issuer is as follows:

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

As of June 30, 2012, the portion of the County and School System's portfolio, excluding the Virginia LGIP, Virginia State Non-Arbitrage Program (SNAP), and U.S. Government guaranteed obligations that exceed 5% of the total portfolio are as follows:

Issuer	% of Portfolio
Federal Home Loan Bank	15.02%
Federal Farm Credit Bank	14.34%
Federal Home Loan Mortgage Corporation	5.46%

Custodial Credit Risk – The Policy requires that all investment securities purchased by the County or held as collateral on deposits or investments shall be held by the County or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2012, all of the County's investments are held by the County or in a bank's trust department in the County's name.

Interest Rate Risk – The Policy requires maturity scheduling be timed to anticipated need and scheduled to coincide with projected cash flow needs. All funds shall be considered short-term except those reserved for capital projects and prepayment funds being held for debt retirement. As of June 30, 2012, the County had no investments with a maturity greater than 30 months.

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2012

(3) Due from Other Governments

Amounts due from other governments as of June 30, 2012 are as follows:

	Governmental Activities	General	Grant	Nonmajor Governmental Fund	Total Governmental Funds
Federal	\$ 1,250,400	\$ 5,032	\$ 1,226,590	\$ 18,778	\$ 1,250,400
Commonwealth of Virginia	2,381,582	2,367,834	13,748	-	2,381,582
	<u>\$ 3,631,982</u>	<u>\$ 2,372,866</u>	<u>\$ 1,240,338</u>	<u>\$ 18,778</u>	<u>\$ 3,631,982</u>

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

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

Amounts due to the Nonmajor Governmental Fund are attributable primarily to federal reimbursements for the school lunch program.

(4) Interfund Balances and Transfers

Interfund balances as of June 30, 2012 are as follows:

Due to other funds:	Due from other funds:	
	General	Total
Grant Fund	\$ 913,530	\$ 913,530
	<u>\$ 913,530</u>	<u>\$ 913,530</u>

The balance due to the general fund from the grant fund is for a temporary loan to cover a timing difference between grant reimbursement receipts and expenditures. The balance has subsequently been repaid.

Interfund transfers for the year ended June 30, 2012 were as follows:

Transfers to:	Transfers from:			
	General	Capital Projects	Internal Service Funds	Total
General Fund	\$ -	\$ 257,375	\$ 78,844	\$ 336,219
Grant Fund	21,000	-	-	21,000
Capital Projects Fund	15,590,602	-	-	15,590,602
	<u>\$ 15,611,602</u>	<u>\$ 257,375</u>	<u>\$ 78,844</u>	<u>\$ 15,947,821</u>

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

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2012

(5) Capital Assets

Components of the School System's capital assets, net, as of June 30, 2012 are as follows:

Land	\$ 5,714,752
Construction in progress	1,882,469
Buildings and improvements	66,562,968
Furniture and equipment	30,203,665
Subtotal	104,363,854
Accumulated depreciation	(60,877,817)
Capital assets, net	<u>\$ 43,486,037</u>

The School System's capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, nondepreciable:				
Land	\$ 5,726,229	\$ -	\$ (11,477)	\$ 5,714,752
Construction in progress	50,151	1,929,640	(97,322)	1,882,469
Capital assets, nondepreciable	<u>5,776,380</u>	<u>1,929,640</u>	<u>(108,799)</u>	<u>7,597,221</u>
Capital assets, depreciable:				
Buildings and improvements	67,472,837	342,640	(1,252,509)	66,562,968
Furniture and equipment	28,565,293	3,155,378	(1,517,006)	30,203,665
Capital assets, depreciable	<u>96,038,130</u>	<u>3,498,018</u>	<u>(2,769,515)</u>	<u>96,766,633</u>
Accumulated depreciation:				
Buildings and improvements	(39,766,009)	(2,555,089)	546,444	(41,774,654)
Furniture and equipment	(17,908,593)	(2,670,144)	1,475,574	(19,103,163)
Accumulated depreciation	<u>(57,674,602)</u>	<u>(5,225,233)</u>	<u>2,022,018</u>	<u>(60,877,817)</u>
Capital assets, depreciable, net	<u>38,363,528</u>	<u>(1,727,215)</u>	<u>(747,497)</u>	<u>35,888,816</u>
Capital assets, net	<u>\$ 44,139,908</u>	<u>\$ 202,425</u>	<u>\$ (856,296)</u>	<u>\$ 43,486,037</u>

Depreciation expense charged to function/program activities for the year ended June 30, 2012 was as follows:

Instruction	\$ 4,118,028
Administration	107,697
Transportation	948,151
Operations and maintenance	37,108
School nutrition	14,249
	<u>\$ 5,225,233</u>

As of June 30, 2012, the County's government-wide financial statements included school capital assets and related debt outstanding of \$186.6 million and \$113.1 million, respectively related to tenancy in common assets.

Roanoke County Public Schools**Notes to Basic Financial Statements****June 30, 2012****(6) Unearned and Deferred Revenue**

Unearned and deferred revenue as of June 30, 2012 is as follows:

	Governmental Activities	General	Grants	Total Governmental Funds	Internal Service Funds
Charges for services	\$ 1,622,808	\$ -	\$ -	\$ -	\$ 1,622,808
Sales tax	-	1,238,812	-	1,238,812	-
Other	22,343	3,250	19,093	22,343	-
	<u>\$ 1,645,151</u>	<u>\$ 1,242,062</u>	<u>\$ 19,093</u>	<u>\$ 1,261,155</u>	<u>\$ 1,622,808</u>

Unearned revenue in governmental activities includes premiums collected in June for July insurance coverage and revenues collected in June for programs conducted in July and August. Unearned revenue in the internal service funds includes premiums collected in June for July insurance coverage.

In the governmental funds, deferred unavailable revenue includes June sales taxes collected by the State in July and remitted to the School System in August. Deferred unearned revenue includes revenue collected in June for programs conducted in July and August.

(7) Long-Term Liabilities

The change in the School System's long-term liabilities for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
Claims payable	\$ 2,376,068	\$ 16,513,984	\$ (16,487,406)	\$ 2,402,646	\$ 1,801,272
Compensated absences	2,829,747	1,471,336	(1,435,182)	2,865,901	664,637
Capital lease obligations	2,488,325	-	(373,940)	2,114,385	363,984
Pollution remediation obligation	95,357	-	(95,357)	-	-
	<u>\$ 7,789,497</u>	<u>\$ 17,985,320</u>	<u>\$ (18,391,885)</u>	<u>\$ 7,382,932</u>	<u>\$ 2,829,893</u>

The School System completed the asbestos abatement projects in progress as of the prior year-end and had no asbestos abatement projects in progress as of June 30, 2012. As such, there is no pollution remediation obligation as of June 30, 2012.

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

(8) Risk Management

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

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

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Notes to Basic Financial Statements

June 30, 2012

insurance policy covers each individual's pooled claims in excess of \$200,000. As of June 30, 2012, incurred but not yet reported claims for the School System are estimated to be \$1,515,646.

Risk Management – The School System established a self-insured workers' compensation program on July 1, 1990. Premiums are paid into the Internal Service Fund by the General Fund and are available to pay claims, claims reserves, and administrative costs of the programs. Interfund premiums are based upon the insured funds' claims experience and are reported as interfund services provided and used. An excess coverage insurance policy covers each accident in excess of \$400,000, with statutory limits. As of June 30, 2012, the School System has accrued liabilities for workers' compensation of \$887,000, based upon an estimate by a qualified actuary. At June 30, 2012, the School System had cash reserves of \$1,037,876 for workers' compensation to cover school employees.

Laptop Insurance Reserve – The School System established a self-insured program for loss or damage of student laptop computers on July 1, 2003. Student computer use fees and computer warranty reimbursements are paid into the Internal Service Fund and are available to pay claims, claims reserves, and administrative costs of the program. At June 30, 2012, the School System had cash reserves of \$1,008,473.

Unpaid claims are included as claims payable on the statement of net assets. Changes in the balances of claims payable liability during the past two years were as follows:

	Health Insurance	Risk Management	Laptop Insurance Reserve	Total
Unpaid claims, June 30, 2010	\$ 1,199,074	\$ 697,000	\$ -	\$ 1,896,074
Incurred claims (including IBNR and changes in estimates)	15,486,948	738,765	275,928	16,501,641
Claim payments	(15,196,954)	(548,765)	(275,928)	(16,021,647)
Unpaid claims, June 30, 2011	1,489,068	887,000	-	2,376,068
Incurred claims (including IBNR and changes in estimates)	15,910,917	461,679	141,388	16,513,984
Claim payments	(15,884,339)	(461,679)	(141,388)	(16,487,406)
Unpaid claims, June 30, 2012	<u>\$ 1,515,646</u>	<u>\$ 887,000</u>	<u>\$ -</u>	<u>\$ 2,402,646</u>

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

(9) Capital Lease Obligations

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

During fiscal year 2009, the School System entered into a lease agreement as lessee for financing the acquisition and installation of internet filtering equipment and software. Under the lease agreement, the School System pays annual principal and interest in the amount of \$38,173 over the lease term of four years. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Amortization of the leased equipment is included as part of depreciation expense over four years.

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June 30, 2012

The assets recorded in connection with the capital leases are as follows:

	<u>Governmental Activities</u>
Furniture and equipment	<u>\$ 3,686,574</u>

The future minimum lease payments under the capital leases as of June 30, 2012 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>
2013	\$ 447,978
2014	461,418
2015	475,260
2016	489,517
2017	<u>504,203</u>
Total minimum lease payments	2,378,376
Less: Amount representing interest	<u>(263,991)</u>
Present value of minimum lease payments	<u>\$ 2,114,385</u>

(10) Fund Balances

In the governmental fund financial statements, fund balances of governmental funds have been classified to reflect the limitations and restrictions placed on the respective funds in accordance with the provisions of GASB Statement No. 54 as follows:

- **Nonspendable Fund Balance** – This amount cannot be spent because it is either not in spendable form or it is legally or contractually required to be maintained intact. The School System has inventory balances at year-end that are nonspendable.
- **Restricted Fund Balance** – This amount is subject to externally imposed regulations on the spending for a specific purpose including an emergency contingency authorized by the County Board of Supervisors and grant balances restricted by the grant agencies for specified purposes.
- **Committed Fund Balance** – This amount can only be used for specific purposes as imposed by formal action of the government's highest level of decision-making authority. The School Board has adopted board policies on the use of year-end balances for capital in the General Fund and the unspent balances at year-end in the Capital Projects Fund.
- **Assigned Fund Balance** – This amount is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. The School System has assigned fund balance to liquidate outstanding encumbrances at year-end. As part of the annual budget appropriation, the School Board authorizes the assignment of year-end balance to outstanding encumbrances. The School Board has not authorized any officer to make assignments of fund balance.
- **Unassigned Fund Balance** – This amount has no spending restrictions under any of the preceding four classifications. The School System has no unassigned fund balance at year-end.

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

Roanoke County Public Schools
Notes to Basic Financial Statements
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Fund balances by classification as of June 30, 2012 are as follows:

	General	Grant	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
Nonspendable:					
Inventory	\$ 243,570	\$ -	\$ -	\$ 74,255	\$ 317,825
	<u>243,570</u>	<u>-</u>	<u>-</u>	<u>74,255</u>	<u>317,825</u>
Restricted for:					
School grants	-	75,677	-	-	75,677
Emergency contingency	2,000,000	-	-	-	2,000,000
	<u>2,000,000</u>	<u>75,677</u>	<u>-</u>	<u>-</u>	<u>2,075,677</u>
Committed to:					
School capital projects	3,019,286	-	14,216,194	-	17,235,480
School vehicles	927,634	-	-	-	927,634
School textbooks	47,640	-	-	-	47,640
School nutrition	-	-	-	1,170,999	1,170,999
	<u>3,994,560</u>	<u>-</u>	<u>14,216,194</u>	<u>1,170,999</u>	<u>19,381,753</u>
Assigned to:					
Instruction	2,753	-	-	-	2,753
Transportation	549,205	-	-	-	549,205
Operations and maintenance	15,027	-	-	-	15,027
Technology	33,621	-	-	-	33,621
	<u>600,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,606</u>
Total fund balances	<u>\$ 6,838,736</u>	<u>\$ 75,677</u>	<u>\$ 14,216,194</u>	<u>\$ 1,245,254</u>	<u>\$ 22,375,861</u>

(11) Defined Benefit Pension Plan

Plan Description – The School System contributes to the Virginia Retirement System (VRS), a mixed agent and cost-sharing, multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). Professional employees participate in a VRS State-wide teacher cost-sharing pool and non-professional employees participate as a separate group in the agent multiple-employer retirement system.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous

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duty members is 1.70%. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The 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 Web site at <http://www.varetire.org/Pdf/Publications/2011-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 of the 5.00% member contribution has been assumed by the School System. In addition, the School System 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 System's contribution rate for non-professional employees was 8.29% of annual covered payroll (including the employee share of 5.00% paid by the employer). The contribution requirements for the School System were equal to the actual contributions for 2012 for both the non-professional and professional employees.

For the three fiscal years ended June 30, 2012, 2011, and 2010, total contributions made to the VRS State-wide teacher cost-sharing pool for professional employees by the School System were \$7,796,375, \$6,046,360 and \$8,065,421 respectively, and represented 13.81% for July 2009 to April 2010 and 5.00% for March to June 2010 due to a VRS holiday, 8.93%, and 11.33% of covered payroll, respectively. The contributions included the employee share of the 5.00% paid by the employer. Total annual covered payroll for fiscal years ended June 30, 2012, 2011, and 2010 was \$68,678,251, \$67,652,004 and \$71,434,718, respectively.

Annual Pension Cost – For fiscal year ended June 30, 2012, the School System's non-professional employee's annual pension cost of \$183,818 was equal to the required and actual contributions.

Three-Year Trend Information for Non-Professional Employees

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2010	266,811	100%
June 30, 2011	197,060	100%
June 30, 2012	183,818	100%

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the School System's assets 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 System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

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Funded Status and Funding Progress – As of June 30, 2011, the most recent actuarial valuation date, the plan was 94.49% funded. The actuarial accrued liability for benefits was \$30,073,433, and the actuarial value of assets was \$28,416,669, resulting in an unfunded actuarial liability (UAAL) of \$1,656,764. The covered payroll (annual payroll of active employees covered by the plan) was \$6,158,584, and the ratio of the UAAL to the covered payroll was 26.90%.

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

(12) **Other Postemployment Benefit Plan**

From an accrual accounting perspective, the cost of other postemployment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2008, the School System recognizes the cost of other postemployment benefits in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the School System's future cash flows. Recognition of the liability accumulated from prior years is being phased in over 30 years, commencing with the 2008 liability.

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

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

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

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

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

Funding Policy – The Retiree Medical Plan is funded through member and employer contributions. Plan members receiving benefits contribute monthly premiums towards the cost of the health insurance depending on the coverage selected (single, single plus dependent, single plus spouse, or family). For the fiscal year ended June 30, 2012, 299 retired plan members contributed \$446,713 through monthly health insurance premium payments.

Based on the July 1, 2011 actuarial valuation, the School System contributed \$1,431,747 to the Retiree Medical Plan for the fiscal year ended June 30, 2012. Included in this amount is a current year contribution of \$276,250 to the Virginia Pooled OPEB Trust. It is the School System's intent to fully fund the annual required contribution (ARC) each year.

Annual OPEB Cost and Net OPEB Obligation – The School System's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance 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 costs each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years.

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2012

The following table presents the OPEB cost, amount contributed, and changes in the OPEB Plan for the fiscal year ended June 30, 2012:

Annual required contribution	\$ 1,460,922
Interest on net OPEB obligation	19,443
Adjustment to annual required contribution	(15,410)
Change in plan assumptions	448,852
Annual OPEB cost	<u>1,913,807</u>
Contributions made	<u>1,707,997</u>
Increase in net OPEB obligation	205,810
Net OPEB asset beginning of year	(205,810)
Net OPEB obligation, end of year	<u>\$ -</u>

The School System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2012 and the preceding two years are as follows:

Fiscal Year Ended	Beginning Net OPEB Obligation (Asset)	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Ending Net OPEB Obligation (Asset)
June 30, 2010	60,000	1,726,490	1,814,200	105.08%	(27,710)
June 30, 2011	(27,710)	1,760,600	1,938,700	110.12%	(205,810)
June 30, 2012	(205,810)	1,913,807	1,707,997	89.25%	-

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$13,980,418 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,980,418. The covered payroll (annual payroll of active employees covered by the plan) was \$73,695,601 and the ratio of the UAAL to the covered payroll was (18.97%).

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

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The July 1, 2011 actuarial valuation was based on the following actuarial methods:

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

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2012

The July 1, 2011 actuarial valuation used the following actuarial assumptions:

Investment rate of return:	An 8.0% investment rate of return. Because the School System participates in the Virginia Pooled OPEB Trust Fund and expects to fully fund the annual required contribution, a higher investment rate of return was used in this actuarial valuation.
Projected annual payroll growth:	3.00%
Healthcare cost trend rates:	10.0% reduced by 0.5% to 1.0% each year to arrive at an ultimate health care cost trend rate of 5.0%.

(13) Commitments, Contingencies and Other Information

Construction Commitments – The School System has active construction projects being financed with Virginia Public School Authority bonds (issued by the local government) and school capital reserves. As of June 30, 2012, the School System's commitments with construction contractors are as follows:

	Spent to Date	Remaining Contract
Cave Spring Elementary Building Renovations	\$ 7,194,251	\$ 15,000
Green Valley Elementary Building Renovations	6,783,497	20,000
Mount Pleasant Elementary Building Renovations	7,003,251	54,000
William Byrd High Building Renovations	11,143,977	57,000
Mason's Cove Elementary Building Construction	8,646,820	7,182
Cave Spring Middle Building Construction	3,701,921	3,341,213
Burlington Elementary Building Renovations	965,840	646,298
Glenvar High Building Renovations	97,475	2,525
Field Houses	18,107	67,393
Electronic Marquee Sign	10,300	17,850
	<u>\$ 45,565,439</u>	<u>\$ 4,228,461</u>

Grant Funds – The School System receives grant funds, principally from the federal government, for various educational programs. Certain expenditures of these funds are subject to audit by the grantor. The School System is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the School System management, no material refunds will be required as a result of expenditures disallowed, if any, by the grantors.

Encumbrances - The School System had outstanding encumbrances under the general, capital projects, and nonmajor governmental funds of \$600,606, \$6,865,186, and \$4,786, respectively.

Litigation – The School System may be contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. At June 30, 2012, management believes that the amount of loss, if any, is not material to the School System's financial position.

(14) Related Parties

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



REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

In accordance with the Governmental Accounting Standards Board (GASB) Statements No. 34, No. 45, and No. 50, the following information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

GENERAL FUND

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

Roanoke County Public Schools
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

Exhibit K
Unaudited

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
<i>Intergovernmental:</i>				
Roanoke County	\$ 64,484,024	\$ 66,083,024	\$ 66,083,024	\$ -
Commonwealth of Virginia	65,722,347	65,781,583	66,119,254	337,671
Federal government	234,865	262,487	579,536	317,049
Charges for services	470,182	511,882	399,374	(112,508)
Investment income	100,000	100,000	89,874	(10,126)
Miscellaneous	161,881	162,882	191,206	28,324
Total revenues	<u>131,173,299</u>	<u>132,901,858</u>	<u>133,462,268</u>	<u>560,410</u>
Expenditures				
<i>Current:</i>				
Instruction	96,809,356	97,506,475	93,314,768	4,191,707
Administration	3,592,851	2,841,689	2,472,105	369,584
Attendance and health	2,065,775	2,201,633	2,181,587	20,046
Transportation	6,276,661	8,363,294	6,668,232	1,695,062
Operations and maintenance	11,685,339	11,818,319	11,335,888	482,431
Technology	2,862,890	2,958,438	2,944,589	13,849
<i>Capital lease debt service:</i>				
Principal	337,528	373,940	373,940	-
Interest	97,402	99,163	99,163	-
<i>Capital outlay:</i>				
Debt Service	<u>6,450,345</u>	<u>6,450,345</u>	<u>6,450,345</u>	<u>-</u>
Total expenditures	<u>130,178,147</u>	<u>132,613,296</u>	<u>125,840,617</u>	<u>6,772,679</u>
Excess of revenues over expenditures	995,152	288,562	7,621,651	7,333,089
Other financing sources (uses)				
Proceeds from sale of property	-	-	29,089	29,089
<i>Transfers:</i>				
Transfers from capital projects fund	-	257,375	257,375	-
Transfers from internal service fund	588,302	602,286	78,844	(523,442)
Transfers to grant fund	-	(21,000)	(21,000)	-
Transfers to capital projects fund	<u>(1,583,454)</u>	<u>(15,590,602)</u>	<u>(15,590,602)</u>	<u>-</u>
Total other financing uses	<u>(995,152)</u>	<u>(14,751,941)</u>	<u>(15,246,294)</u>	<u>(494,353)</u>
Net change in fund balances	-	(14,463,379)	(7,624,643)	6,838,736
Fund balances, beginning	-	14,463,379	14,463,379	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,838,736</u>	<u>\$ 6,838,736</u>

GRANT FUND

Special Revenue Fund

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

The **Grant Fund** is used to account for proceeds of specific grants that are restricted to expenditures for specific purposes. This fund includes transactions related to the federal, State, and private grants that are not specifically reported in another fund.

Roanoke County Public Schools
Budgetary Comparison Schedule
Special Revenue Fund - Grant Fund
For the Year Ended June 30, 2012

Exhibit L
Unaudited

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
<i>Intergovernmental:</i>				
Commonwealth of Virginia	\$ 836,189	\$ 926,385	\$ 885,039	\$ (41,346)
Federal government	6,025,982	6,399,491	5,582,221	(817,270)
Charges for services	24,158	109,106	81,916	(27,190)
Total revenues	6,886,329	7,434,982	6,549,176	(885,806)
Expenditures				
<i>Current:</i>				
Instruction	6,419,925	6,989,578	6,116,399	873,179
Attendance and health	572,402	572,402	535,749	36,653
Technology	302	302	302	-
Total expenditures	6,992,629	7,562,282	6,652,450	909,832
Deficiency of revenues under expenditures	(106,300)	(127,300)	(103,274)	24,026
Other financing sources				
<i>Transfers:</i>				
Transfers from general fund	-	21,000	21,000	-
Total other financing sources	-	21,000	21,000	-
Net change in fund balances	(106,300)	(106,300)	(82,274)	24,026
Fund balances, beginning	106,300	106,300	157,951	51,651
Fund balances, ending	\$ -	\$ -	\$ 75,677	\$ 75,677

Roanoke County Public Schools
Schedule of Funding Progress
Virginia Retirement System
For the Year Ended June 30, 2012

Exhibit M
Unaudited

Roanoke County Public Schools Non-Professional Employees

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$ 28,670,508	\$ 27,075,002	\$ (1,595,506)	105.89%	\$ 6,735,037	(23.69)%
June 30, 2010	28,402,620	29,133,145	730,525	97.49%	6,323,621	11.55%
June 30, 2011	28,416,669	30,073,433	1,656,764	94.49%	6,158,584	26.90%

Roanoke County Public Schools
Schedule of Funding Progress
Other Postemployment Benefits Plan
For the Year Ended June 30, 2012

Exhibit N
Unaudited

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2006	\$ -	\$ 19,460,000	\$ 19,460,000	0.00%	\$ 85,547,858	(22.75)%
July 1, 2009	-	20,262,618	20,262,618	0.00%	89,186,099	(22.72)%
July 1, 2011	-	13,980,418	13,980,418	0.00%	73,695,601	(18.97)%

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

Roanoke County Public Schools
Schedule of Employer Contributions
Other Postemployment Benefits Plan
For the Year Ended June 30, 2012

Exhibit O
Unaudited

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
June 30, 2010	1,726,490	1,814,200	105.08%
June 30, 2011	1,760,600	1,938,700	110.12%
June 30, 2012	1,460,922	1,707,997	116.91%

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

(1) Summary of Significant Accounting Policies

Annual Budget Adoption – Annual budgets are legally adopted for the General Fund, Grant Fund, and Capital Projects Fund, and School Nutrition Fund. Supplemental capital budgets are approved by the School Board during the fiscal year as funding is identified and designated for capital projects. Budgetary Comparison Schedules for General and Major Special Revenue Funds, as required by GASB Statement No. 34, are presented as required supplementary information. All appropriations are legally controlled at the fund level. The Code of Virginia requires adoption of a balanced budget by June 30 of each year. The School Board formally adopted the fiscal year 2011-12 budget appropriation on March 24, 2011. The County Board of Supervisors adopted the original school budget on April 12, 2011. Budget revisions were approved throughout fiscal year 2012.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the final amended budget. All budgets are presented using the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules for the General and Major Special Revenue Funds present actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

(2) Material Violations

There were no material violations of the annual appropriated budget for the General and Grant Funds for the fiscal year ended June 30, 2012. In addition, there were no excesses of budgetary expenditures for the period.

SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

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

Roanoke County Public Schools
Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended June 30, 2012

Schedule 1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
<i>Intergovernmental:</i>				
Roanoke County	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Commonwealth of Virginia	726,000	778,000	778,000	-
Federal government	-	57,950	57,950	-
Charges for services	48,000	48,000	-	(48,000)
Miscellaneous	80,000	85,000	85,124	124
Total revenues	<u>879,000</u>	<u>993,950</u>	<u>946,074</u>	<u>(47,876)</u>
Expenditures				
<i>Current:</i>				
Instruction	-	275,913	214,229	61,684
Administration	-	13,124	484	12,640
Operations and maintenance	48,000	427,784	307,966	119,818
Technology	2,284,454	4,377,075	3,731,022	646,053
<i>Capital outlay:</i>				
Facilities	130,000	15,931,544	2,507,844	13,423,700
Total expenditures	<u>2,462,454</u>	<u>21,025,440</u>	<u>6,761,545</u>	<u>14,263,895</u>
Deficiency of revenues under expenditures	(1,583,454)	(20,031,490)	(5,815,471)	14,216,019
Other financing sources (uses)				
Proceeds from sale of property	-	-	175	175
<i>Transfers:</i>				
Transfers from general fund	1,583,454	15,590,602	15,590,602	-
Transfers to general fund	-	(257,375)	(257,375)	-
Total other financing sources	<u>1,583,454</u>	<u>15,333,227</u>	<u>15,333,402</u>	<u>175</u>
Net change in fund balances	-	(4,698,263)	9,517,931	14,216,194
Fund balances, beginning	-	4,698,263	4,698,263	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,216,194</u>	<u>\$ 14,216,194</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

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

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

Roanoke County Public Schools
Budgetary Comparison Schedule
Special Revenue Fund - School Nutrition Fund
For the Year Ended June 30, 2012

Schedule 2

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
<i>Intergovernmental:</i>				
Commonwealth of Virginia	\$ 80,000	\$ 80,000	\$ 97,205	\$ 17,205
Federal government	1,900,000	2,238,652	2,162,971	(75,681)
Charges for services	3,700,000	3,700,000	3,480,466	(219,534)
Investment income	4,000	4,000	3,544	(456)
Miscellaneous	20,000	20,000	32,862	12,862
Total revenues	<u>5,704,000</u>	<u>6,042,652</u>	<u>5,777,048</u>	<u>(265,604)</u>
Expenditures				
<i>Current:</i>				
School nutrition	5,704,000	7,375,351	5,864,493	1,510,858
Total expenditures	<u>5,704,000</u>	<u>7,375,351</u>	<u>5,864,493</u>	<u>1,510,858</u>
Net change in fund balances	-	(1,332,699)	(87,445)	1,245,254
Fund balances, beginning	-	1,332,699	1,332,699	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,245,254</u>	<u>\$ 1,245,254</u>

INTERNAL SERVICE FUNDS

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

The **Health Insurance Fund** is a self-insured fund used to account for health care costs for employees electing the Anthem group program.

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

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

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

Roanoke County Public Schools
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

Schedule 3

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total Internal Service Funds
Assets					
<i>Current assets:</i>					
Cash and cash equivalents	\$ 14,272,294	\$ 54,273	\$ 1,924,724	\$ 971,968	\$ 17,223,259
Accounts receivable	547	112	6,669	38,059	45,387
Total assets	<u>14,272,841</u>	<u>54,385</u>	<u>1,931,393</u>	<u>1,010,027</u>	<u>17,268,646</u>
Liabilities					
<i>Current liabilities:</i>					
Accounts payable	-	-	6,517	1,554	8,071
Unearned revenue	1,608,786	14,022	-	-	1,622,808
<i>Long-term liabilities due or payable within one year:</i>					
Claims payable	1,515,646	-	285,626	-	1,801,272
<i>Long-term liabilities due or payable after one year:</i>					
Claims payable	-	-	601,374	-	601,374
Total liabilities	<u>3,124,432</u>	<u>14,022</u>	<u>893,517</u>	<u>1,554</u>	<u>4,033,525</u>
Net Assets					
Unrestricted	11,148,409	40,363	1,037,876	1,008,473	13,235,121
Total net assets	<u>\$ 11,148,409</u>	<u>\$ 40,363</u>	<u>\$ 1,037,876</u>	<u>\$ 1,008,473</u>	<u>\$ 13,235,121</u>

Roanoke County Public Schools
Schedule 4
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total Internal Service Funds
Operating revenues					
Charges for services	\$ 16,569,966	\$ 1,337,127	\$ 350,000	\$ 220,117	\$ 18,477,210
Other operating revenues	-	-	-	133,120	133,120
Total operating revenues	<u>16,569,966</u>	<u>1,337,127</u>	<u>350,000</u>	<u>353,237</u>	<u>18,610,330</u>
Operating expenses					
Claims	15,910,917	1,330,339	461,679	141,388	17,844,323
Administrative charges	25,082	-	-	-	25,082
Total operating expenses	<u>15,935,999</u>	<u>1,330,339</u>	<u>461,679</u>	<u>141,388</u>	<u>17,869,405</u>
Operating income (loss)	633,967	6,788	(111,679)	211,849	740,925
Nonoperating revenues					
Interest and dividend income	-	12	52,466	3,000	55,478
Total nonoperating revenues	<u>-</u>	<u>12</u>	<u>52,466</u>	<u>3,000</u>	<u>55,478</u>
Income (loss) before transfers	633,967	6,800	(59,213)	214,849	796,403
Transfers out	<u>(64,860)</u>	<u>(13,984)</u>	<u>-</u>	<u>-</u>	<u>(78,844)</u>
Change in net assets	569,107	(7,184)	(59,213)	214,849	717,559
Net assets, beginning	10,579,302	47,547	1,097,089	793,624	12,517,562
Net assets, ending	<u>\$ 11,148,409</u>	<u>\$ 40,363</u>	<u>\$ 1,037,876</u>	<u>\$ 1,008,473</u>	<u>\$ 13,235,121</u>

Roanoke County Public Schools
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

Schedule 5

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total Internal Service Funds
Operating activities					
Cash received from interfund services provided	\$ 16,572,503	\$ 1,337,231	\$ 355,550	\$ 320,526	\$ 18,585,810
Payments to suppliers	(25,082)	-	(6,366)	(30,744)	(62,192)
Claims paid	(15,884,339)	(1,330,339)	(461,679)	(141,388)	(17,817,745)
Other receipts	22,684	(3,078)	-	133,120	152,726
Net cash provided by (used in) operating activities	685,766	3,814	(112,495)	281,514	858,599
Noncapital financing activities					
Transfers to other funds	(64,860)	(13,984)	-	-	(78,844)
Net cash used in noncapital financing activities	(64,860)	(13,984)	-	-	(78,844)
Investing activities					
Interest and dividends	-	12	52,466	3,000	55,478
Net cash provided by investing activities	-	12	52,466	3,000	55,478
Net increase (decrease) in cash and cash equivalents	620,906	(10,158)	(60,029)	284,514	835,233
Cash and cash equivalents, beginning	13,651,388	64,431	1,984,753	687,454	16,388,026
Cash and cash equivalents, ending	\$ 14,272,294	\$ 54,273	\$ 1,924,724	\$ 971,968	\$ 17,223,259

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

Operating income (loss)	\$ 633,967	\$ 6,788	\$ (111,679)	\$ 211,849	\$ 740,925
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>					
<i>Decrease (increase) in assets:</i>					
Accounts receivable	2,537	104	5,550	100,409	108,600
<i>Increase (decrease) in liabilities:</i>					
Accounts payable	-	-	(6,366)	(30,744)	(37,110)
Unearned revenue	22,684	(3,078)	-	-	19,606
Claims payable	26,578	-	-	-	26,578
Net cash provided by (used in) operating activities	\$ 685,766	\$ 3,814	\$ (112,495)	\$ 281,514	\$ 858,599

FIDUCIARY FUNDS

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

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

The **Regional Alternative School Fund** was used to account for the financial resources held by Roanoke County for the regionally operated alternative school program. The Regional Alternative School closed on June 30, 2010 and remaining funds were liquidated in fiscal year 2012.

Roanoke County Public Schools
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Schedule 6

	Student Activity Fund	Regional Alternative School	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 2,292,522	\$ -	\$ 2,292,522
Total assets	<u>\$ 2,292,522</u>	<u>\$ -</u>	<u>\$ 2,292,522</u>
Liabilities			
Due to student groups	\$ 2,292,522	\$ -	\$ 2,292,522
Total liabilities	<u>\$ 2,292,522</u>	<u>\$ -</u>	<u>\$ 2,292,522</u>

See accompanying independent auditors' report.

Roanoke County Public Schools
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

Schedule 7

	Student Activity Fund	Regional Alternative School	Total Agency Funds
Assets			
Balance, beginning	\$ 2,332,612	\$ 115,082	\$ 2,447,694
Additions	7,428,783	-	7,428,783
Deductions	(7,468,873)	(115,082)	(7,583,955)
Balance, ending	<u>\$ 2,292,522</u>	<u>\$ -</u>	<u>\$ 2,292,522</u>
Liabilities			
Balance, beginning	\$ 2,332,612	\$ 115,082	\$ 2,447,694
Additions	7,428,783	-	7,428,783
Deductions	(7,468,873)	(115,082)	(7,583,955)
Balance, ending	<u>\$ 2,292,522</u>	<u>\$ -</u>	<u>\$ 2,292,522</u>

See accompanying independent auditors' report.



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

Financial Trends

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

74-77

Revenue Capacity

These schedules contain information to help the reader assess the School System's most significant local revenue source.

78-82

Debt Capacity

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

83-85

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School System's financial activities take place.

86-87

Operating Information

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

88-100

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

Table 1
Unaudited

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities										
Invested in capital assets, net of related debt	\$ 31,226,875	\$ 31,267,460	\$ 32,586,897	\$ 34,511,703	\$ 36,132,848	\$ 41,002,752	\$ 44,965,789	\$ 41,830,203	\$ 41,651,583	\$ 41,371,652
<i>Restricted for:</i>										
Instructional grants	-	-	-	-	-	-	-	-	157,951	75,677
Emergency contingency	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Unrestricted	<u>13,859,789</u>	<u>14,873,530</u>	<u>18,327,328</u>	<u>23,826,070</u>	<u>27,743,240</u>	<u>26,680,447</u>	<u>33,748,565</u>	<u>40,562,210</u>	<u>29,590,419</u>	<u>31,845,216</u>
Total net assets	<u>\$ 45,086,664</u>	<u>\$ 46,140,990</u>	<u>\$ 50,914,225</u>	<u>\$ 58,337,773</u>	<u>\$ 63,876,088</u>	<u>\$ 67,683,199</u>	<u>\$ 78,714,354</u>	<u>\$ 82,392,413</u>	<u>\$ 73,399,953</u>	<u>\$ 75,292,545</u>

Source: Statement of Net Assets (Exhibit A)

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

Table 2
Unaudited

Governmental Activities	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Instruction	\$ 84,323,408	\$ 87,066,880	\$ 92,136,561	\$ 95,561,863	\$ 102,574,458	\$ 107,156,982	\$ 113,413,226	\$ 104,853,420	\$ 104,091,890	\$ 104,117,764
Administration	2,980,386	2,768,346	3,057,970	3,653,131	3,302,541	3,248,300	3,037,138	2,878,527	2,362,580	2,593,752
Attendance and health	2,995,779	2,618,104	3,018,482	2,255,095	2,624,041	2,960,709	2,915,739	2,910,184	2,598,603	2,729,219
Transportation	4,303,445	4,558,167	5,037,459	5,499,181	5,717,561	6,007,152	6,119,667	5,833,078	6,964,180	6,675,986
Operations and maintenance	9,865,178	10,255,449	10,177,817	10,685,364	11,958,229	10,970,831	12,138,884	12,378,003	11,436,014	11,542,861
Technology	1,240,912	2,974,664	3,475,534	3,631,136	4,693,570	5,527,484	5,754,612	4,511,121	6,121,084	4,946,469
School nutrition	3,969,333	4,027,007	4,356,509	4,708,752	5,198,160	5,376,635	5,894,703	5,622,545	5,572,527	5,682,159
Capital lease interest	-	-	-	-	-	141,582	132,312	122,565	187,855	87,563
Payment of interest and other charges for County capital	2,585,596	2,445,471	2,304,369	2,604,368	2,904,369	3,429,369	4,729,369	10,871,639	24,413,643	6,450,345
Facilities	865,423	275,548	282,315	675,571	982,443	3,559,558	-	-	-	-
Total expenses	<u>113,129,460</u>	<u>116,989,636</u>	<u>123,847,016</u>	<u>129,274,461</u>	<u>139,955,372</u>	<u>148,378,602</u>	<u>154,135,650</u>	<u>149,981,082</u>	<u>163,748,376</u>	<u>144,826,118</u>
Program revenues										
<i>Charges for services:</i>										
Instruction	432,255	686,934	639,639	670,240	908,028	796,490	853,738	806,398	877,818	832,118
Administration	-	144	-	4,149	-	210	2,728	3,775	297	124
Attendance and health	1,176	-	-	-	-	-	-	-	-	-
Operations and maintenance	127,927	126,970	50,385	7,366	6,835	10,860	4,490	174,589	53,225	22,775
School nutrition	2,932,555	3,103,672	3,365,149	3,630,443	3,788,710	3,664,463	3,790,895	3,613,046	3,535,548	3,480,466
Operating grants and contributions	15,159,116	16,140,335	18,697,499	20,061,079	21,893,206	24,665,232	24,465,320	28,973,555	32,456,049	23,680,280
Capital grants and contributions	1,104,616	1,105,548	1,086,315	2,095,930	1,056,544	1,131,195	1,318,410	1,512,936	1,588,677	893,950
Total revenues	<u>19,757,645</u>	<u>21,163,603</u>	<u>23,838,987</u>	<u>26,469,207</u>	<u>27,653,323</u>	<u>30,268,450</u>	<u>30,435,581</u>	<u>35,084,299</u>	<u>38,511,614</u>	<u>28,909,713</u>
Net expense	<u>(93,371,815)</u>	<u>(95,826,033)</u>	<u>(100,008,029)</u>	<u>(102,805,254)</u>	<u>(112,302,049)</u>	<u>(118,110,152)</u>	<u>(123,700,069)</u>	<u>(114,896,783)</u>	<u>(125,236,762)</u>	<u>(115,916,405)</u>
General revenues and other changes in net assets										
Payments from										
Roanoke County	55,881,964	56,539,339	56,675,543	58,925,214	60,747,935	64,717,113	64,267,132	63,597,776	64,559,361	66,083,024
Non-categorical state aid	38,426,184	40,070,792	47,659,550	49,684,913	56,191,094	55,861,280	64,632,296	53,945,620	50,182,318	51,265,516
Gain on sale of capital assets	24,153	-	-	-	-	57,318	5,163	674,143	27,134	29,264
Miscellaneous	347,322	270,228	446,171	1,618,675	1,278,643	1,173,552	655,397	357,303	397,886	431,193
Capital donated to (from) Schools	-	-	-	-	(377,308)	108,000	5,171,236	-	1,077,603	-
Total general revenues and other changes in net assets	<u>94,679,623</u>	<u>96,880,359</u>	<u>104,781,264</u>	<u>110,228,802</u>	<u>117,840,364</u>	<u>121,917,263</u>	<u>134,731,224</u>	<u>118,574,842</u>	<u>116,244,302</u>	<u>117,808,997</u>
Change in net assets	<u>\$ 1,307,808</u>	<u>\$ 1,054,326</u>	<u>\$ 4,773,235</u>	<u>\$ 7,423,548</u>	<u>\$ 5,538,315</u>	<u>\$ 3,807,111</u>	<u>\$ 11,031,155</u>	<u>\$ 3,678,059</u>	<u>\$ (8,992,460)</u>	<u>\$ 1,892,592</u>

Source: Statement of Activities (Exhibit B)

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

Table 3
Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
									(1)	(1)
General fund										
Reserved	\$ 71,305	\$ 100,770	\$ 156,181	\$ 289,423	\$ 339,662	\$ 471,515	\$ 179,035	\$ 273,752		
Unreserved, designated	-	-	5,229,506	7,293,555	6,653,171	4,816,548	4,472,007	6,675,386		
Unreserved, undesignated	4,118,851	3,569,754	-	-	1,300,000	2,000,000	1,000,000	2,671,290		
Nonspendable									\$ 146,447	\$ 243,570
Restricted									2,000,000	2,000,000
Committed									11,842,982	3,994,560
Assigned									473,950	600,606
Unassigned									-	-
Total fund balance	<u>\$ 4,190,156</u>	<u>\$ 3,670,524</u>	<u>\$ 5,385,687</u>	<u>\$ 7,582,978</u>	<u>\$ 8,292,833</u>	<u>\$ 7,288,063</u>	<u>\$ 5,651,042</u>	<u>\$ 9,620,428</u>	<u>\$ 14,463,379</u>	<u>\$ 6,838,736</u>
All other governmental funds										
Reserved	\$ 189,814	\$ 652,884	\$ 221,056	\$ 871,824	\$ 2,498,765	\$ 569,989	\$ 207,206	\$ 257,908		
Unreserved, designated:										
Special Revenue Fund	1,537,095	2,171,039	1,491,624	1,737,157	1,822,817	1,934,391	2,483,733	3,171,196		
Capital Projects Fund	4,847,825	6,048,474	7,111,075	8,706,786	8,062,159	7,680,942	14,731,538	16,273,830		
Nonspendable									\$ 102,327	\$ 74,255
Restricted									157,951	75,677
Committed									5,733,083	15,387,193
Assigned									195,552	-
Total fund balance	<u>\$ 6,574,734</u>	<u>\$ 8,872,397</u>	<u>\$ 8,823,755</u>	<u>\$ 11,315,767</u>	<u>\$ 12,383,741</u>	<u>\$ 10,185,322</u>	<u>\$ 17,422,477</u>	<u>\$ 19,702,934</u>	<u>\$ 6,188,913</u>	<u>\$ 15,537,125</u>
Total fund balances - all governmental funds	<u>\$ 10,764,890</u>	<u>\$ 12,542,921</u>	<u>\$ 14,209,442</u>	<u>\$ 18,898,745</u>	<u>\$ 20,676,574</u>	<u>\$ 17,473,385</u>	<u>\$ 23,073,519</u>	<u>\$ 29,323,362</u>	<u>\$ 20,652,292</u>	<u>\$ 22,375,861</u>

Source: Balance Sheet - Governmental Funds (Exhibit C)

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

⁽¹⁾ Prior year amounts have not been restated for the implementation of GASB Statement 54. The school textbooks and school bus special revenue funds were moved to the General Fund in fiscal year 2011.

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

Table 4
Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Roanoke County	\$ 55,881,963	\$ 56,539,339	\$ 56,675,543	\$ 59,582,458	\$ 60,747,935	\$ 64,717,113	\$ 64,292,132	\$ 63,622,776	\$ 64,951,268	\$ 66,108,024
Commonwealth of Virginia	50,076,198	51,942,418	61,360,969	64,902,941	72,785,446	74,870,079	83,349,243	71,309,332	65,885,715	67,879,498
Federal government	4,647,782	5,376,225	6,072,924	6,342,076	6,601,781	6,946,602	7,025,549	13,154,962	18,279,497	8,382,678
Charges for services	3,585,862	3,906,730	3,927,784	4,367,122	4,470,075	4,257,357	4,368,022	4,408,785	4,166,423	3,961,756
Other	137,680	112,357	318,083	496,781	667,732	600,683	490,488	257,273	340,243	402,610
Total revenue	<u>114,329,485</u>	<u>117,877,069</u>	<u>128,355,303</u>	<u>135,691,378</u>	<u>145,272,969</u>	<u>151,391,834</u>	<u>159,525,434</u>	<u>152,753,128</u>	<u>153,623,146</u>	<u>146,734,566</u>
Expenditures										
<i>Current:</i>										
Instruction	84,508,505	85,511,866	92,545,814	95,378,317	102,085,681	106,716,335	111,649,978	103,447,341	101,375,153	99,645,396
Administration	3,003,169	2,651,756	3,066,908	3,637,621	3,306,631	3,262,037	3,000,153	2,854,789	2,269,955	2,472,589
Attendance and health	3,039,483	2,592,377	3,058,951	2,262,051	2,647,551	2,987,391	2,918,544	2,946,828	2,592,637	2,717,336
Transportation	4,670,245	4,498,137	5,598,274	5,203,567	5,652,308	6,025,437	5,608,857	5,997,771	7,054,463	6,668,232
Operations and maintenance	10,057,434	10,141,257	10,305,382	10,705,207	12,055,177	11,071,884	12,125,394	12,507,630	11,370,452	11,643,854
Technology	1,240,912	2,952,265	3,503,144	3,639,226	4,723,754	5,567,218	5,766,371	4,556,074	6,108,595	6,675,913
School nutrition	3,961,100	4,024,520	4,352,589	4,704,297	5,191,962	5,367,882	5,885,913	5,615,301	5,563,659	5,864,493
<i>Capital lease debt service:</i>										
Principal	-	-	-	-	-	244,848	280,650	325,571	347,180	373,940
Interest	-	-	-	-	-	141,582	132,312	122,565	113,255	99,163
<i>Capital outlay:</i>										
Facilities	1,873,724	1,125,516	1,944,560	3,429,743	8,113,735	9,563,489	2,138,689	649,418	1,112,358	2,507,844
<i>Intergovernmental:</i>										
Roanoke County	2,585,596	2,445,471	2,304,369	2,604,368	2,904,369	3,429,369	4,729,369	10,696,615	24,413,643	6,450,345
Total expenditures	<u>114,940,168</u>	<u>115,943,165</u>	<u>126,679,991</u>	<u>131,564,397</u>	<u>146,681,168</u>	<u>154,377,472</u>	<u>154,236,230</u>	<u>149,719,903</u>	<u>162,321,350</u>	<u>145,119,105</u>
Excess (deficiency) of revenues over (under)	(610,683)	1,933,904	1,675,312	4,126,981	(1,408,199)	(2,985,638)	5,289,204	3,033,225	(8,698,204)	1,615,461
Other financing sources (uses)										
Transfers, net	(313,465)	(159,024)	(37,618)	(40,865)	(425,355)	(290,845)	183,250	1,205,142	-	78,844
Issuance of debt	-	-	-	-	3,564,057	-	122,517	-	-	-
Proceeds from refunding savings	-	-	-	581,774	-	-	-	-	-	-
Proceeds from sale of property	24,153	3,151	28,827	21,413	47,326	73,294	5,163	2,011,476	27,134	29,264
Total other financing sources (uses)	<u>(289,312)</u>	<u>(155,873)</u>	<u>(8,791)</u>	<u>562,322</u>	<u>3,186,028</u>	<u>(217,551)</u>	<u>310,930</u>	<u>3,216,618</u>	<u>27,134</u>	<u>108,108</u>
Change in fund balances	<u>\$ (899,995)</u>	<u>\$ 1,778,031</u>	<u>\$ 1,666,521</u>	<u>\$ 4,689,303</u>	<u>\$ 1,777,829</u>	<u>\$ (3,203,189)</u>	<u>\$ 5,600,134</u>	<u>\$ 6,249,843</u>	<u>\$ (8,671,070)</u>	<u>\$ 1,723,569</u>
Debt service as a percentage of non-capital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.26%	0.27%	0.30%	0.29%	0.34%

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

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

Table 5
Unaudited

Fiscal Year	County of Roanoke			State Aid		
	Annual Appropriation	Increase (Decrease)	Percent Change	Annual Appropriation	Increase (Decrease)	Percent Change
2003	\$ 55,778,534	\$ 3,015,023	5.71%	\$ 47,774,574	\$ 2,360,428	5.20%
2004	56,539,339	760,805	1.36%	49,673,995	1,899,421	3.98%
2005	56,675,543	136,204	0.24%	59,182,836	9,508,841	19.14%
2006	58,925,214	2,249,671	3.97%	62,285,520	3,102,684	5.24%
2007	60,747,935	1,822,721	3.09%	70,197,695	7,912,175	12.70%
2008	64,717,113	3,969,178	6.53%	72,106,483	1,908,788	2.72%
2009	64,267,132	(449,981)	(0.70)%	80,195,499	8,089,016	11.22%
2010	63,597,776	(669,356)	(1.04)%	69,502,612	(10,692,887)	(13.33)%
2011	64,559,361	961,585	1.51%	64,103,729	(5,398,883)	(7.77)%
2012	66,083,024	1,523,663	2.36%	66,119,254	2,015,525	3.14%

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

County of Roanoke, Virginia**Assessed Value and Estimated Actual Value of Taxable Property****Last Ten Fiscal Years****Table 6****Unaudited**

Fiscal Year	Real Property	Personal Property	Public Service Corporation	Total Taxable Assessed Value	Real Property Total Direct Tax Rate	Personal Property		Estimated Actual Taxable Value
						Tangible Tax Rate	Machinery & Tools Tax Rate	
2003	5,219,760,400	685,832,531	209,248,724	6,114,841,655	\$1.12	\$3.50	\$3.00	\$7,367,279,102
2004	5,563,983,100	663,297,004	218,702,303	6,445,982,407	1.12	3.50	3.00	7,766,243,864
2005	5,969,476,500	725,053,654	207,774,445	6,902,304,599	1.12	3.50	3.00	8,316,029,637
2006	6,441,496,100	768,161,943	207,613,114	7,417,271,157	1.11	3.50	3.00	8,936,471,273
2007	7,052,990,600	778,899,217	202,045,580	8,033,935,397	1.09	3.50	3.00	9,679,440,237
2008	7,630,455,000	830,364,367	223,884,755	8,684,704,122	1.09	3.50	3.00	10,217,298,967
2009	7,929,158,898	766,339,671	224,653,310	8,920,151,879	1.09	3.50	3.00	10,494,293,975
2010	8,020,716,300	780,689,905	233,127,850	9,034,534,055	1.09	3.50	3.00	10,151,161,860
2011	8,053,281,600	782,346,945	223,646,000	9,059,274,545	1.09	3.50	3.00	9,847,037,549
2012	7,968,030,200	814,156,400	233,411,860	9,015,598,460	1.09	3.50	3.00	9,391,248,396

Source: Roanoke County Real Estate Office

Note: All tax rates per \$100 of assessed value.

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

Table 7
Unaudited

Fiscal Year	Direct Rates ⁽¹⁾					Overlapping Rates ⁽¹⁾	
	County of Roanoke					Town of Vinton	
	Real Property			Personal Property		Real Property	Personal Property ⁽²⁾
	First Half	Second Half	Total	Tangible	Machinery & Tools		
2003	\$0.560	\$0.560	\$1.12	\$3.50	\$3.00	\$0.03	\$1.00
2004	0.560	0.560	1.12	3.50	3.00	0.03	1.00
2005	0.560	0.560	1.12	3.50	3.00	0.03	1.00
2006	0.555	0.555	1.11	3.50	3.00	0.03	1.00
2007	0.545	0.545	1.09	3.50	3.00	0.03	1.00
2008	0.545	0.545	1.09	3.50	3.00	0.03	1.00
2009	0.545	0.545	1.09	3.50	3.00	0.03	1.00
2010	0.545	0.545	1.09	3.50	3.00	0.03	1.00
2011	0.545	0.545	1.09	3.50	3.00	0.03	1.00
2012	0.545	0.545	1.09	3.50	3.00	0.03	1.00

Source: Roanoke County Real Estate Office

Notes: The County's tax rates are determined each year by the Roanoke County Board of Supervisors. Overlapping rates are those of the Town of Vinton, which is located in the County of Roanoke. Only those residents living in Vinton are subject to both the Town of Vinton's rate and the County of Roanoke's rate.

⁽¹⁾ All tax rates per \$100 of assessed value.

⁽²⁾ Applies to tangible personal property, machinery and tools.

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

Table 8
Unaudited

Taxpayer	2012			2003		
	Taxable Assessed Value (Millions)	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value (Millions)	Rank	Percentage of Total County Taxable Assessed Value
Appalachian Power Company	125	1	1.39%	95	1	1.80%
Kroger Mid-Atlantic (formerly The Kroger Company)	39	2	0.43%	16	4	0.30%
Roanoke Tanglewood LLC	32	3	0.35%	37	3	0.70%
Verizon Virginia, Inc.	32	4	0.35%	50	2	0.90%
Wal-Mart Real Estate Business	29	5	0.32%	-	-	-
Cellco Partnership	21	6	0.23%	-	-	-
Integrity Windows, Inc.	19	7	0.21%	-	-	-
Roanoke Gas Company	19	8	0.21%	11	10	0.20%
First States Investors 3300 LLC	18	9	0.20%	-	-	-
Lowes Home Centers Inc.	17	10	0.19%	-	-	-
Pebble Creek, LLC	-	-	-	13	5	0.30%
Hanover Realty	-	-	-	13	6	0.20%
RR Donnelley & Sons Company	-	-	-	13	7	0.20%
DFC Roanoke LLC	-	-	-	12	8	0.20%
Roanoke Valleypointe LLC	-	-	-	12	9	0.20%
Total	351		3.88%	272		5.00%

Source: Roanoke County Real Estate Office

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

Table 9
Unaudited

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 86,171,722	\$ 81,994,546	95.15%	\$ 2,519,925	\$ 84,514,471	98.08%
2004	88,901,356	84,798,976	95.39%	2,203,423	87,002,399	97.86%
2005	94,381,504	90,113,624	95.48%	2,694,257	92,807,881	98.33%
2006	100,713,477	95,857,523	95.18%	3,083,744	98,941,267	98.24%
2007	106,526,759	101,614,506	95.39%	3,101,270	104,715,776	98.30%
2008	113,379,407	107,449,039	94.77%	3,637,481	111,086,520	97.98%
2009	116,316,521	111,054,250	95.48%	2,799,899	113,854,149	97.88%
2010	116,489,107	111,980,936	96.13%	3,078,808	115,059,744	98.77%
2011	118,335,928	113,612,208	96.01%	2,363,565	115,975,773	98.01%
2012	118,634,364	113,978,854	96.08%	-	113,978,854	96.08%

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

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

Table 10
Unaudited

Fiscal Year	Governmental Activities					Business-Type ⁽¹⁾		Total Primary Government	Component Unit
	General Obligation Debt	Lease Revenue Bonds	VPSA School Bonds	State Literary Bonds	Capital Leases	General Obligation Debt	Revenue Bonds		School Board Capital Leases
2003	\$ 25,538,398	\$ 4,899,194	\$ 56,144,053	\$ 9,506,626	\$ 932,495	\$ 2,188,857	\$ 66,965,385	\$ 166,175,008	\$ -
2004	25,716,449	26,703,265	74,499,309	8,622,594	372,109	1,835,031	65,928,087	203,676,844	-
2005	23,287,203	26,281,871	69,708,272	7,738,562	-	-	-	127,015,908	-
2006	21,185,562	25,517,803	65,053,722	6,888,530	-	-	-	118,645,617	-
2007	19,040,454	24,724,570	60,490,721	6,038,498	-	-	-	110,294,243	3,564,057
2008	16,825,346	82,989,144	78,376,947	5,211,866	-	-	-	183,403,303	3,319,209
2009	14,560,238	80,954,308	120,748,501	4,524,181	-	-	-	220,787,228	3,161,076
2010	12,645,130	78,700,454	115,035,423	4,064,860	-	-	-	210,445,867	2,835,505
2011	10,655,022	76,376,966	107,150,919	3,617,043	1,148,037	-	-	198,947,987	2,488,325
2012	8,584,914	73,969,030	109,290,686	3,169,225	1,052,372	-	-	196,066,227	2,114,385

Fiscal Year	School Board Long-term Debt	School System	
		Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
2007	\$ 3,564,057	0.08%	\$39.21
2008	3,319,209	0.07%	\$36.71
2009	3,161,076	0.07%	\$34.79
2010	2,835,505	0.06%	\$31.16
2011	2,488,325	0.05%	\$26.94
2012	2,114,385	0.05%	\$22.81

Source: Roanoke County Finance Office

Notes:

⁽¹⁾ Effective July 1, 2004, the debt payable for the enterprise revenues was transferred to the Western Virginia Water Authority.

⁽²⁾ Per capita personal income and personal income from Table 13 Demographic Statistics

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

Table 11
Unaudited

Fiscal Year	General Bonded Debt Outstanding - County Government					Percentage of Actual Value of Taxable Property ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Debt	Lease Revenue Bonds	VPSA School Bonds	State Literary Bonds	Total		
2003	\$ 25,538,398	\$ 4,899,194	\$ 56,144,053	\$ 9,506,626	\$ 96,088,271	1.57%	\$1,098
2004	25,716,449	26,703,265	74,499,309	8,622,594	135,541,617	2.10%	1,530
2005	23,287,203	26,281,871	69,708,272	7,738,562	127,015,908	1.84%	1,420
2006	21,185,562	25,517,803	65,053,722	6,888,530	118,645,617	1.60%	1,311
2007	19,040,454	24,724,570	60,490,721	6,038,498	110,294,243	1.37%	1,213
2008	16,825,346	82,989,144	78,376,947	5,211,866	183,403,303	2.11%	2,028
2009	14,560,238	80,954,308	120,748,501	4,524,181	220,787,228	2.48%	2,430
2010	12,645,130	78,700,454	115,035,423	4,064,860	210,445,867	2.33%	2,312
2011	10,655,022	76,376,966	107,150,919	3,617,043	197,799,950	2.18%	2,141
2012	8,584,914	73,969,030	109,290,686	3,169,225	195,013,855	2.16%	2,104

Source: Roanoke County Finance Office

Notes:

⁽¹⁾ Total Taxable Property Assessed Value from Table 6 Assessed Value and Estimated Actual Value of Taxable Property

⁽²⁾ Per capita personal income and personal income from Table 13 Demographic Statistics

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

Table 12
Unaudited

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General bonded debt outstanding										
General Obligation Bonds	\$ 25,538,398	\$ 25,716,449	\$ 23,287,203	\$ 21,185,562	\$ 19,040,454	\$ 16,825,346	\$ 14,560,238	\$ 12,645,130	\$ 10,655,022	\$ 8,584,914
Lease Revenue Bonds	4,899,194	26,703,265	26,281,871	25,517,803	24,724,570	82,989,144	80,954,308	78,700,454	76,376,966	73,969,030
VPSA School Bonds	56,144,053	74,499,309	69,708,272	65,053,722	60,490,721	78,376,947	120,748,501	115,035,423	107,150,919	109,290,686
State Literary Bonds	9,506,626	8,622,594	7,738,562	6,888,530	6,038,498	5,211,866	4,524,181	4,064,860	3,617,043	3,169,225
Total net debt										
applicable to debt limits	<u>\$ 96,088,271</u>	<u>\$135,541,617</u>	<u>\$127,015,908</u>	<u>\$118,645,617</u>	<u>\$110,294,243</u>	<u>\$183,403,303</u>	<u>\$220,787,228</u>	<u>\$210,445,867</u>	<u>\$197,799,950</u>	<u>\$195,013,855</u>
Ratio of net debt to assessed taxable property value										
Actual	1.57%	2.10%	1.84%	1.60%	1.37%	2.11%	2.48%	2.33%	2.18%	2.16%
Debt limit per policy	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Ratio of net debt per capita										
Actual	\$1,098	\$1,530	\$1,420	\$1,311	\$1,213	\$2,028	\$2,430	\$2,312	\$2,141	\$2,104
Debt limit per policy	\$1,500	\$1,500	\$1,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Ratio of net debt to general fund governmental expenditures										
Actual	5.24%	5.63%	6.63%	6.13%	5.48%	5.05%	7.30%	7.79%	8.51%	8.29%
Debt limit per policy	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

Source: Roanoke County Finance Office

County of Roanoke, Virginia
Demographic Statistics
Last Ten Fiscal Years

Table 13
Unaudited

Fiscal Year	Population⁽¹⁾	Personal Income⁽²⁾ (Thousands)	Per Capita Personal Income⁽²⁾	School Enrollment⁽³⁾	Unemployment Rate⁽⁴⁾
2003	87,500	\$3,669,268	\$32,860	14,127	2.5%
2004	88,600	3,844,855	34,296	14,279	2.7%
2005	89,469	3,955,970	34,823	14,365	3.1%
2006	90,482	4,128,137	35,978	14,728	2.8%
2007	90,902	4,303,761	37,324	14,777	2.6%
2008	90,420	4,750,916	41,019	14,802	2.8%
2009	90,867	4,561,791	39,315	14,650	4.6%
2010	91,011	4,672,291	39,315	14,474	6.3%
2011	92,376	4,672,291	39,315	14,259	5.7%
2012	92,687	4,672,291	39,866	14,081	5.6%

Sources:

- ⁽¹⁾ From VaStat, a service of the Weldon Cooper Center for Public Service.
- ⁽²⁾ Per Capita Personal Income from the Bureau of Economic Analysis. The latest information available is for 2010; subsequent years have not been updated.
- ⁽³⁾ Average daily membership as of March 31 (Roanoke County Public Schools Office of Pupil Assignment).
- ⁽⁴⁾ Virginia Employment Commission and the U. S. Bureau of Labor Statistics.

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

Table 14
Unaudited

Employer	2012				2003			
	Rank	Ownership	Number of Employees ⁽¹⁾	Percentage of Total Employment	Rank	Ownership	Number of Employees ⁽¹⁾	Percentage of Total Employment
Roanoke County Public Schools	1	Local Govt.	1,000+	12.51 - 16.67%	2	Local Govt.	1,000+	10.00 - 13.33%
Wells Fargo Bank, N.A.	2	Private	1,000+	12.51 - 16.67%	-	-	-	-
County of Roanoke	3	Local Govt.	1,000+	12.51 - 16.67%	7	Local Govt.	1,000+	10.00 - 13.33%
Allstate Insurance Company	4	Private	1,000+	12.51 - 16.67%	6	Private	1,000+	10.00 - 13.33%
ITT Exelis	5	Private	500-999	8.32 - 12.50%	10	Private	500-999	6.67 - 10.00%
Kroger	6	Private	500-999	8.32 - 12.50%	4	Private	1000+	10.00 - 13.33%
Friendship Manor, Inc.	7	Private	500-999	8.32 - 12.50%	-	-	-	-
Hollins University	8	Private	250-499	4.17 - 6.24%	-	-	-	-
Berkshire Health Care Center	9	Private	250-499	4.17 - 6.24%	-	-	-	-
Richfield Retirement Community	10	Private	250-499	4.17 - 6.24%	-	-	-	-
Carillion Health System	-	-	-	-	1	Private	1,000+	10.00 - 13.33%
Wachovia	-	-	-	-	3	Private	1,000+	10.00 - 13.33%
Home Shopping Network	-	-	-	-	5	Private	1,000+	10.00 - 13.33%
Manpower International	-	-	-	-	8	Private	500-999	6.67 - 10.00%
Food Lion Stores, Inc.	-	-	-	-	9	Private	500-999	6.67 - 10.00%

Source: Virginia Employment Commission

Note:

⁽¹⁾ Per current VEC guidelines, actual number of employees for each employer are no longer available for publication.

Roanoke County Public Schools
Student Enrollment
Last Ten Fiscal Years

Table 15
Unaudited

Fiscal Year	Average Daily Membership ⁽¹⁾	Special Education Enrollment ⁽²⁾	English as a Second Language Enrollment ⁽³⁾	Per Pupil Cost ⁽⁴⁾
2003	14,127	2,352	168	7,669
2004	14,279	2,369	179	7,778
2005	14,365	2,329	220	8,242
2006	14,728	2,202	270	8,343
2007	14,777	2,222	323	9,034
2008	14,802	2,218	327	9,487
2009	14,650	2,223	336	9,882
2010	14,474	2,192	401	9,348
2011	14,259	2,152	407	10,056
2012	14,081	2,164	397	10,349

Sources:

⁽¹⁾ Roanoke County Public Schools Office of Pupil Assignment

⁽²⁾ Roanoke County Public Schools Special Education Office

⁽³⁾ Roanoke County Public Schools Instruction Office

⁽⁴⁾ Superintendent's Annual Report Table 15; current year information estimated due to state reporting deadlines each year.

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

Table 16
Unaudited

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

Source: Roanoke County Public Schools Personnel Office

Notes: Only six years of data presented due to accessibility of comparative data.

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

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

Table 17
Unaudited

Level Course	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA
Elementary SOL's:																				
Grade 3 English RLR	75	72	75	71	78	77	88	84	89	80	90	84	90	86	87	83	94	83	95	86
Grade 3 Mathematics	87	83	92	87	89	88	91	90	95	89	94	89	94	89	96	92	96	91	73	64
Grade 3 History	85	82	88	87	90	89	92	91	94	92	95	93	95	93	97	93	91	90	90	87
Grade 3 Science	88	82	90	86	92	89	92	90	93	88	91	88	92	89	95	91	96	85	94	90
VA Studies	85	79	90	86	86	85	89	85	85	83	88	83	94	88	92	87	94	87	95	89
Grade 4 Reading (new in 2006)	-	-	-	-	-	-	91	86	91	87	93	88	91	89	94	88	93	89	94	88
Grade 4 Mathematics (new in 2006)	-	-	-	-	-	-	83	77	83	81	92	84	92	86	93	88	93	87	83	70
Grade 5 English RLR	88	82	90	85	90	85	91	87	91	87	92	89	91	92	93	90	94	89	93	89
Grade 5 English Writing	88	85	89	88	94	91	92	89	91	89	88	87	96	86	90	88	90	87	92	87
Grade 5 Mathematics	80	74	82	78	86	81	88	83	90	87	93	88	97	90	95	90	95	89	80	67
Grade 5 Science	89	79	89	84	90	81	91	85	92	88	92	88	95	88	95	88	93	87	95	88
Grade 6 Reading (new in 2006)	-	-	-	-	-	-	93	83	88	84	89	85	91	86	93	88	94	87	95	89
Grade 6 Mathematics (new in 2006)	-	-	-	-	-	-	66	51	64	60	74	68	72	73	77	77	85	73	89	74
Grade 6 U S History to 1865	-	-	-	-	-	-	-	-	-	-	77	74	81	74	83	78	91	81	89	81
Grade 7 Reading (new in 2006)	-	-	-	-	-	-	90	81	90	82	92	86	94	88	91	90	94	89	94	88
Grade 7 Mathematics (new in 2006)	-	-	-	-	-	-	68	44	70	55	79	65	78	71	81	75	89	77	86	58
Grade 7 U S History 1965 to present	-	-	-	-	-	-	-	-	-	-	94	92	94	92	91	91	89	85	88	84
Grade 8 English RLR	74	67	79	72	82	76	86	78	83	79	92	83	92	87	93	90	94	90	95	89
Grade 8 English Writing	85	74	82	77	81	74	93	91	90	86	91	87	92	89	92	91	90	88	92	88
Grade 8 Mathematics	77	72	86	78	90	81	92	76	86	77	92	83	93	85	93	87	89	82	74	60
Grade 8 History	83	80	n/a	83	n/a	82	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 8 Civics	-	-	-	-	-	-	-	-	-	-	92	84	92	84	92	86	91	89	91	84
Grade 8 Science	91	84	95	88	95	87	95	87	94	89	95	90	94	90	96	92	95	92	97	92
Secondary SOL's:																				
End of Course English RLR	97	93	94	89	93	85	95	90	96	94	95	94	97	95	95	94	96	94	95	94
End of Course English Writing	94	91	92	87	93	88	96	88	96	92	96	92	98	92	95	92	97	93	96	93
Algebra I	83	78	82	80	90	84	97	88	95	92	92	93	97	94	98	94	97	94	86	73
Algebra II	83	81	84	86	89	87	87	85	85	88	90	90	94	91	96	91	97	91	68	69
Geometry	86	79	86	87	92	81	91	83	92	86	89	87	95	87	92	88	92	87	83	74
Earth Science	85	73	86	71	86	75	90	82	91	84	88	86	94	87	94	88	94	89	94	90
Biology	91	82	89	80	91	79	91	83	93	87	92	88	92	88	94	89	93	90	96	92
Chemistry	90	84	91	86	91	86	95	87	91	91	88	92	95	93	95	93	97	93	96	93
World History to 1500	93	86	90	83	94	82	91	85	97	89	96	91	92	93	98	93	94	81	98	84
World History from 1500	92	82	90	83	97	86	96	89	96	92	94	92	98	93	95	92	85	82	88	85
World Geography	86	76	84	71	85	70	90	77	86	83	n/a	n/a	91	86	87	86	n/a	n/a	n/a	n/a
US History	86	75	90	87	94	88	96	92	95	93	95	94	97	95	96	95	92	83	88	85

Source: Roanoke County School Office of Testing and Remediation

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

Table 18
Unaudited

Fiscal Year	Participation Rate	Roanoke County Schools				Virginia	National
		Verbal	Math	Writing	Combined		
2003	56%	532	531	-	1,063	1,024	1,016
2004	50%	530	533	-	1,063	1,024	1,024
2005	49%	527	528	-	1,055	1,030	1,028
2006	46%	524	530	519	1,573	1,561	1,520
2007	48%	524	526	507	1,557	1,516	1,511
2008	47%	514	522	507	1,543	1,517	1,523
2009	60%	515	517	504	1,536	1,521	1,509
2010	50%	515	525	507	1,547	1,521	1,509
2011	44%	518	523	516	1,557	1,521	1,509
2012	42%	522	525	505	1,552	1,510	1,477

Source: Roanoke County School Counseling Services Office

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

Table 19
Unaudited

Positions	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
School Board Member	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Assistant Superintendent	2.0	2.0	2.0	2.0	2.7	2.7	3.0	2.7	2.7	2.7
Administrator	27.3	28.0	30.5	29.7	30.9	29.7	31.3	20.5	16.8	19.2
Principal	28.8	28.8	29.0	29.0	29.0	29.0	29.0	29.0	27.0	27.0
Assistant Principal	28.0	30.0	33.0	32.0	27.1	27.5	28.5	28.0	26.9	26.0
Teacher	1,079.6	1,116.9	1,144.3	1,176.5	1,188.5	1,193.5	1,201.7	1,153.6	1,096.9	1,113.0
Guidance Counselor	55.7	55.6	54.1	54.4	57.9	57.6	59.9	43.4	42.9	47.0
Librarian	25.5	29.0	28.2	26.0	26.0	25.9	25.0	26.3	28.0	26.0
Social Worker	3.0	3.0	3.0	3.0	3.0	3.2	4.0	4.0	4.0	4.0
Instructional Assistant	239.2	232.0	262.2	307.6	291.9	309.9	310.8	288.5	299.4	293.7
Secretary	62.0	71.4	75.3	75.5	74.7	74.7	75.5	75.5	69.9	71.4
Print Shop	3.0	3.0	3.0	2.9	-	-	-	-	-	-
School Nurse	15.8	17.3	24.0	24.3	24.7	27.9	27.8	26.0	25.9	23.0
School Psychologist	9.0	7.0	9.0	8.6	9.0	9.0	9.0	9.0	9.0	9.0
Other Attendance & Health	42.7	29.5	15.0	17.5	19.0	19.2	19.5	18.9	6.3	9.7
Bus Driver	156.5	157.5	157.9	161.0	162.4	168.5	176.5	170.9	170.8	175.7
Other Transportation	16.1	16.2	17.4	18.2	18.8	18.0	18.3	18.2	16.6	16.1
Custodian	119.0	124.2	118.3	118.0	118.0	121.3	118.3	127.1	114.1	113.3
Tradesman	31.9	32.7	32.8	33.1	34.0	33.0	35.5	31.8	30.2	29.7
Other Maintenance	7.0	6.0	7.0	7.0	6.0	6.5	6.9	5.3	4.0	4.0
Construction	2.6	2.0	3.5	3.9	4.0	6.0	6.4	5.2	4.0	4.4
Technology	23.0	37.0	37.5	48.5	49.0	50.5	50.0	47.0	40.9	37.6
School Nutrition	135.4	135.6	134.1	130.6	135.5	142.4	145.2	136.8	128.7	126.0
Total	2,119.1	2,170.7	2,227.1	2,315.3	2,318.1	2,361.9	2,388.1	2,273.6	2,170.9	2,184.5

Source: Annual School Report filed with Department of Education.

Roanoke County Public Schools
Teacher Salary Information
Last Ten Fiscal Years

Table 20
Unaudited

Degree	Level	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bachelors	Min	\$30,500	\$31,000	\$32,100	\$33,000	\$34,000	\$34,500	\$35,000	\$35,000	\$35,700	\$36,000
	Max	44,895	45,500	48,600	50,301	52,565	54,404	57,125	57,125	58,268	63,366
Bachelors + 12 hrs	Min	30,805	31,310	32,421	33,321	34,321	34,821	35,321	35,321	36,021	36,321
	Max	45,344	45,955	49,055	50,756	53,020	54,859	57,580	57,580	58,723	63,821
Bachelors + 24 hrs	Min	30,958	31,465	32,582	33,482	34,482	34,982	35,482	35,482	36,182	36,482
	Max	45,568	46,183	49,283	50,984	53,248	55,087	57,808	57,808	58,951	64,049
Masters	Min	32,025	32,550	33,705	34,605	35,605	36,105	36,605	36,605	37,305	37,605
	Max	47,140	47,775	50,875	52,576	54,840	56,679	59,400	59,400	60,543	65,641
Masters + 12 hrs	Min	32,178	32,705	33,866	34,766	35,766	36,266	36,766	36,766	37,466	37,766
	Max	47,364	48,003	51,103	52,804	55,068	56,907	59,628	59,628	60,771	65,869
Masters + 24 hrs	Min	32,330	32,860	34,026	34,926	35,926	36,426	36,926	36,926	37,626	37,926
	Max	47,589	48,230	51,330	53,031	55,295	57,134	59,855	59,855	60,998	66,096
Doctorate	Min	33,550	34,100	35,310	36,210	37,210	37,710	38,210	38,210	38,910	39,210
	Max	49,384	50,050	53,150	54,851	57,115	58,954	61,675	61,675	62,818	67,916
Annual salary increase approved by School Board		Avg. 3.5%	Avg. 2.0%	Avg. 2.5%	Avg. 4.0%	4.5%	3.5%	5.0%	0.0%	0.0%	8.75%
Roanoke County Schools Average Salary		\$44,139	\$44,792	\$45,957	\$45,891	\$46,734	\$47,698	\$49,221	\$48,656	\$48,712	\$48,267
Virginia Average Salary		\$42,677	\$43,936	\$45,377	\$47,248	\$49,152	\$50,511	\$52,309	\$52,149	\$51,903	\$52,003

Source: Annual Budget and Salary Scales publication.

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

Table 21
Unaudited

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction	\$ 77,996,983 78.4%	\$ 79,981,449 77.8%	\$ 85,510,916 77.5%	\$ 88,864,911 77.6%	\$ 94,875,331 77.1%	\$ 99,117,153 76.6%	\$ 103,689,529 76.1%	\$ 94,148,008 75.5%	\$ 92,094,364 74.2%	\$ 93,314,768 74.2%
Administration	3,003,169 3.0%	2,651,756 2.6%	3,050,670 2.8%	3,310,389 2.9%	3,304,531 2.7%	3,261,460 2.5%	3,000,153 2.2%	2,852,598 2.3%	2,269,955 1.8%	2,472,105 2.0%
Attendance and health	2,174,067 2.2%	2,367,095 2.3%	2,939,374 2.7%	2,262,051 2.0%	2,435,385 2.0%	2,751,056 2.1%	2,670,042 2.0%	2,716,220 2.2%	2,207,280 1.8%	2,181,587 1.7%
Transportation	3,699,267 3.7%	3,716,512 3.6%	4,280,768 3.9%	4,475,495 3.9%	4,830,524 3.9%	5,233,994 4.0%	5,300,869 3.9%	5,314,350 4.3%	7,054,463 5.7%	6,668,232 5.3%
Operations and maintenance	9,972,752 10.0%	9,531,658 9.3%	10,053,066 9.1%	10,224,875 8.9%	11,279,126 9.2%	11,192,791 8.7%	12,125,394 8.9%	11,591,085 9.3%	10,868,321 8.8%	11,335,888 9.0%
Technology	- 0.0%	2,060,804 2.0%	2,005,413 1.8%	2,630,820 2.3%	3,126,761 2.5%	4,020,246 3.1%	4,012,055 2.9%	3,359,628 2.7%	3,059,017 2.5%	2,944,589 2.3%
Capital lease debt service	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	246,264 0.2%	412,506 0.3%	448,136 0.4%	460,435 0.4%	473,103 0.4%
Facilities	97,080 0.1%	111,602 0.1%	179,357 0.2%	201,675 0.2%	225,099 0.2%	322,763 0.2%	340,810 0.3%	292,422 0.2%	- 0.0%	- 0.0%
Debt service	2,585,596 2.7%	2,445,471 2.4%	2,304,369 2.2%	2,604,368 2.4%	2,904,369 2.6%	3,429,369 2.8%	4,729,369 3.7%	4,029,369 3.3%	6,125,345 4.8%	6,450,345 5.1%
Total expenditures	<u>\$ 99,528,914</u>	<u>\$ 102,866,347</u>	<u>\$ 110,323,933</u>	<u>\$ 114,574,584</u>	<u>\$ 122,981,126</u>	<u>\$ 129,328,832</u>	<u>\$ 136,280,727</u>	<u>\$ 124,751,816</u>	<u>\$ 124,139,180</u>	<u>\$ 125,840,617</u>
March 31 ADM	14,127	14,279	14,365	14,728	14,777	14,802	14,650	14,474	14,259	14,081
Average expenditures per pupil	\$ 7,045	\$ 7,204	\$ 7,680	\$ 7,779	\$ 8,322	\$ 8,737	\$ 9,302	\$ 8,619	\$ 8,706	\$ 8,937

Sources: Expenditures derive from the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit D);
March 31 ADM derives from Student Enrollment (Table 15)

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

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

Table 22
Unaudited

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction	\$ 5,521 78.4%	\$ 5,601 77.7%	\$ 5,953 77.5%	\$ 6,034 77.5%	\$ 6,420 77.1%	\$ 6,696 76.6%	\$ 7,078 76.3%	\$ 6,505 75.7%	\$ 6,459 74.2%	\$ 6,627 74.1%
Administration	213 3.0%	186 2.6%	212 2.8%	225 2.9%	224 2.7%	220 2.5%	205 2.2%	197 2.3%	159 1.8%	176 2.0%
Attendance & health	154 2.2%	166 2.3%	205 2.7%	154 2.0%	165 2.0%	186 2.1%	182 2.0%	188 2.2%	155 1.8%	155 1.7%
Transportation	262 3.7%	260 3.6%	298 3.9%	304 3.9%	327 3.9%	354 4.1%	362 3.9%	367 4.3%	495 5.7%	474 5.3%
Operations & maintenance	706 10.0%	668 9.3%	700 9.1%	694 8.9%	763 9.2%	756 8.7%	828 8.9%	801 9.3%	762 8.8%	805 9.0%
Technology	- 0.0%	144 2.0%	140 1.8%	179 2.3%	212 2.5%	272 3.1%	274 3.0%	232 2.7%	215 2.5%	209 2.3%
Capital lease debt service	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	17 0.2%	28 0.3%	31 0.4%	32 0.4%	34 0.4%
Facilities	7 0.1%	8 0.1%	12 0.2%	14 0.2%	15 0.2%	22 0.3%	23 0.2%	20 0.2%	- 0.0%	- 0.0%
Debt service	183 2.7%	171 2.5%	160 2.2%	177 2.5%	197 2.6%	232 2.7%	323 3.4%	278 3.1%	430 4.8%	458 5.2%
Total expenditures	<u>\$ 7,046</u>	<u>\$ 7,204</u>	<u>\$ 7,680</u>	<u>\$ 7,781</u>	<u>\$ 8,323</u>	<u>\$ 8,738</u>	<u>\$ 9,275</u>	<u>\$ 8,588</u>	<u>\$ 8,707</u>	<u>\$ 8,938</u>
March 31 ADM	14,127	14,279	14,365	14,728	14,777	14,802	14,650	14,474	14,259	14,081

Sources: Expenditures derive from the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit D);
March 31 ADM derives from Student Enrollment (Table 15)

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

Roanoke County Public Schools
School Nutrition Program
Last Ten Fiscal Years

Table 23
Unaudited

Fiscal Year	Lunch				Breakfast			Free and Reduced Eligibility
	Number Served Daily	Student Lunch Price			Number Served Daily	Student Breakfast Price	Number Breakfast Sites	
		Elementary School	Middle School	High School				
2003	6,865	1.50	1.75	1.75	466	0.75	8	13.5%
2004	6,924	1.60	1.75	1.75	524	0.85	13	15.1%
2005	7,162	1.60	1.75	1.75	772	0.85	13	16.3%
2006	7,351	1.75	1.75	1.75	893	0.85	13	16.0%
2007	7,520	1.75	1.75	1.75	1,023	0.85	17	17.0%
2008	7,516	1.75	1.75	1.75	1,107	0.85	17	18.5%
2009	7,449	2.00	2.00	2.00	1,106	1.00	17	20.0%
2010	7,517	2.00	2.00	2.00	1,229	1.00	19	21.0%
2011	7,477	2.00	2.00	2.00	1,367	1.00	19	23.8%
2012	7,086	2.05	2.05	2.05	1,592	1.00	22	25.2%

Source: Roanoke County Public Schools Nutrition Office

Roanoke County Public Schools
Capital Asset Statistics
Last Seven Fiscal Years

Table 24
Unaudited

School / Statistic	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012
Back Creek Elementary (1937)							
Square feet	48,316	48,316	48,316	48,316	48,316	48,316	48,316
Capacity (student)	386	386	386	386	386	386	386
Enrollment	352	331	311	285	298	318	303
Bonsack Elementary (1998)							
Square feet	57,649	70,514	70,514	70,514	70,514	57,649	57,649
Capacity (student)	446	572	572	572	572	572	572
Enrollment	479	469	463	440	447	447	418
Burlington Elementary (1939)							
Square feet	62,225	62,225	62,225	62,225	62,225	62,225	62,225
Capacity (student)	473	473	473	473	473	473	473
Enrollment	460	453	437	445	459	445	422
Cave Spring Elementary (1961)							
Square feet	49,164	49,164	49,164	49,164	49,164	65,245	65,245
Capacity (student)	537	537	537	537	537	600	600
Enrollment	526	506	496	441	445	435	472
Clearbrook Elementary (1938)							
Square feet	42,385	42,385	42,385	42,385	42,385	47,833	47,833
Capacity (student)	294	294	294	294	294	294	294
Enrollment	197	208	237	246	230	232	272
Fort Lewis Elementary (1928)							
Square feet	33,754	33,754	33,754	33,754	33,754	33,754	33,754
Capacity (student)	235	235	235	235	235	235	235
Enrollment	207	215	205	233	234	233	223
Glen Cove Elementary (1971)							
Square feet	65,630	65,630	65,630	65,630	65,630	65,630	65,630
Capacity (student)	516	516	516	516	516	516	516
Enrollment	465	446	433	443	443	434	423
Glenvar Elementary (1959)							
Square feet	65,521	65,521	65,521	65,521	65,521	61,418	61,418
Capacity (student)	446	446	446	446	446	446	446
Enrollment	367	352	366	358	354	355	365

(Continued)

Roanoke County Public Schools
Capital Asset Statistics
Last Seven Fiscal Years

Table 24
Unaudited
(Continued)

School / Statistic	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012
Green Valley Elementary (1964)							
Square feet	51,469	51,469	51,469	51,469	51,469	69,629	69,629
Capacity (student)	387	387	387	387	387	600	600
Enrollment	391	365	350	370	359	347	383
Herman L. Horn Elementary (1961)							
Square feet	53,299	53,299	53,299	53,299	53,299	65,847	65,847
Capacity (student)	552	552	552	552	552	552	552
Enrollment	444	431	406	413	413	400	396
Mason's Cove Elementary (2012)							
Square feet	40,258	40,258	40,258	40,258	40,258	40,258	51,678
Capacity (student)	279	279	279	279	279	279	350
Enrollment	190	198	190	186	192	190	197
Mount Pleasant Elementary (1934)							
Square feet	52,361	52,361	52,361	52,361	52,361	64,836	64,836
Capacity (student)	403	403	403	403	403	403	403
Enrollment	279	288	306	317	317	317	330
Mountain View Elementary (1959)							
Square feet	50,968	50,968	50,968	50,968	50,968	71,255	71,255
Capacity (student)	584	584	584	584	584	584	584
Enrollment	450	467	446	451	449	462	444
Oak Grove Elementary (1959)							
Square feet	48,658	48,658	48,658	48,658	48,658	55,355	55,355
Capacity (student)	564	564	564	564	564	564	564
Enrollment	484	491	539	538	536	540	479
Penn Forest Elementary (1972)							
Square feet	70,387	70,387	70,387	70,387	70,387	64,206	64,206
Capacity (student)	516	516	516	516	516	516	516
Enrollment	543	557	580	564	567	544	472
W.E. Cundiff Elementary (1972)							
Square feet	62,133	62,133	62,133	62,133	62,133	62,133	62,133
Capacity (student)	512	512	512	512	512	512	512
Enrollment	507	535	524	472	479	484	456

(Continued)

Roanoke County Public Schools
Capital Asset Statistics
Last Seven Fiscal Years

Table 24
Unaudited
(Continued)

School / Statistic	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012
Cave Spring Middle (1956)							
Square feet	74,511	74,511	74,511	74,511	74,511	77,527	77,527
Capacity (student)	675	675	675	675	675	675	675
Enrollment	626	638	614	607	603	631	671
Glenvar Middle (1996)							
Square feet	101,595	101,595	101,595	101,595	101,595	101,595	101,595
Capacity (student)	606	606	606	606	606	606	606
Enrollment	465	492	474	405	414	428	409
Hidden Valley Middle (1972)							
Square feet	123,537	123,537	123,537	123,537	123,537	122,462	122,462
Capacity (student)	938	938	938	938	938	938	938
Enrollment	830	823	801	758	762	769	768
Northside Middle (1970)							
Square feet	161,824	161,824	161,824	161,824	161,824	161,824	161,824
Capacity (student)	806	806	806	806	806	806	806
Enrollment	750	757	797	688	696	694	719
William Byrd Middle (1988)							
Square feet	167,026	167,026	167,026	167,026	167,026	153,412	153,412
Capacity (student)	887	887	887	887	887	887	887
Enrollment	924	894	905	910	908	883	922
Cave Spring High (1968)							
Square feet	150,618	150,618	150,618	150,618	150,618	150,240	150,240
Capacity (student)	1,015	1,015	1,015	1,015	1,015	1,015	1,015
Enrollment	875	875	863	863	837	823	856
Glenvar High (1964)							
Square feet	120,914	120,914	120,914	120,914	120,914	120,914	120,914
Capacity (student)	675	675	675	675	675	675	675
Enrollment	601	598	613	659	661	610	592
Hidden Valley High (2002)							
Square feet	201,808	201,808	201,808	201,808	201,808	171,435	171,435
Capacity (student)	975	975	975	972	972	972	972
Enrollment	1,090	1,161	1,202	1,164	1,154	1,095	1,060

(Continued)

Roanoke County Public Schools
Capital Asset Statistics
Last Seven Fiscal Years

Table 24
Unaudited
(Continued)

School / Statistic	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012
Northside High (1961)							
Square feet	132,263	132,263	147,263	147,263	147,263	153,217	153,217
Capacity (student)	968	968	1,100	1,100	1,100	1,100	1,100
Enrollment	992	1,008	970	1,016	1,019	991	989
William Byrd High (1969)							
Square feet	169,720	169,720	169,720	169,720	169,720	183,169	183,169
Capacity (student)	950	950	950	950	950	1,400	1,400
Enrollment	1,145	1,235	1,207	1,177	1,158	1,157	1,100
Burton Center for Arts and Technology (1962)							
Square feet	84,232	84,232	84,232	84,232	84,232	96,148	96,148
Roanoke County Central Middle School (1932)							
Square feet	63,569	63,569	63,569	63,569	63,569	63,569	63,569
Roland E. Cook Alternative School (1915)							
Square feet	20,729	20,729	20,729	20,729	20,729	21,757	21,757
Administration Building (1972)							
Square feet	52,773	52,773	52,773	52,773	52,773	58,917	58,917
Warehouse (2006)							
Square feet	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Maintenance (1967)							
Square feet	15,808	15,808	15,808	15,808	15,808	18,308	18,308
Bus Garage (1946)							
Square feet	16,134	16,134	16,134	16,134	16,134	17,074	17,074

Source: School System insurance records, Operations Office, and Office of Pupil Assignment.

Notes: Only seven years of data presented due to accessibility of comparative data.

The year of original construction is shown in parentheses. Increases in square footage and capacity are the result of renovations and additions.

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

⁽¹⁾ Square footage updated with independent facility study conducted by Chas. Lunsford.

OTHER REPORT OF INDEPENDENT AUDITORS



KPMG LLP
Suite 1010
10 S. Jefferson Street
Roanoke, VA 24011-1331

**Independent Auditors' 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***

The Honorable Members of the School Board
County of Roanoke, Virginia:

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the Roanoke County Public Schools (the School System), a component unit of the County of Roanoke, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the School System's basic financial statements, and have issued our report thereon dated November 12, 2012. 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.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School System'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*.



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

KPMG LLP

November 12, 2012



Roanoke County Public Schools
Budget and Finance Office
5937 Cove Road
Roanoke, Virginia 24018

www.rcs.k12.va.us

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