

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

For the Fiscal Year Ended June 30, 2012



**A Component Unit of the City of Roanoke, Virginia
Prepared by the Department of Fiscal Services**

PHOTO CREDITS

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

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

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

Roanoke City School Board

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

Dr. Rita D. Bishop, Superintendent

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INTRODUCTORY SECTION



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October 31, 2012

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

The Comprehensive Annual Financial Report (CAFR) for the School Board of the City of Roanoke, Virginia (School Board), a Component Unit of the City of Roanoke, Virginia, for the fiscal year ended June 30, 2012, is herein submitted. Please note that the School Board is more commonly known as "Roanoke City Public Schools" or "RCPS."

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

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

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

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

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

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

Profile of the School District

Roanoke City Public Schools is a progressive urban school district nestled in the heart of the Blue Ridge Mountains in the City of Roanoke, Virginia. Roanoke, the largest city in the Commonwealth of Virginia (Commonwealth) west of Richmond, is located at the southern end of the Shenandoah Valley, approximately 170 miles west of Richmond and 235 miles southwest of Washington, DC. Roanoke's 2012 estimated population as per the US Census Bureau of 96,714 accounts for just under 31% of the population in its metropolitan statistical area (MSA), which includes the neighboring city of Salem, Town of Vinton and the Counties of Roanoke, Botetourt, Craig and Franklin.

During the 2011-12 school years, RCPS provided a comprehensive program of study for 13,006 students in grades Kindergarten through 12 annually. In 2011-12, there were seventeen elementary schools, five middle schools, two high schools, the Roanoke Valley Governor's School for Science and Technology, a vocational school, two alternative education facilities, adult education programs, and preschool programs for low income families.

Roanoke's student population represents a diversity of cultures and ethnic groups. Approximately 43% of students are black, 41% are white, and 15.6% are Hispanic or other.

In 2011-12, 70.05% of RCPS students qualified for free or reduced price school lunch, where eligibility is determined based on poverty level. At fourteen of Roanoke's twenty-six instructional sights, over 75% of the student populations qualified for free or reduced price school lunch; at twenty-four schools, over 50% of students were eligible for the program.

Eighty four percent (84%) of students passed their English SOL test in 2012, up from 62% just six years ago. Sixty-five percent (65%) of RCPS students passed the Math SOL test in 2012 as compared to 79% the previous year. An increased number of students passed the writing SOL test in 2012 at 83% versus 82% in FY 2011.

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

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

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

“Strong Students. Strong Schools. Strong City.” The School Board established the following priorities for the 2012-13 school years:

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

Narrowing the Achievement Gap. Roanoke City Public Schools is working to help all students achieve and improve with a special focus on closing achievement gaps between subgroups of students. In total, 19 of 24 schools met Federal Accountability and 23 of 24 are fully accredited. To achieve Federal Accountability under No Child Left Behind, a school must meet 37 objectives for student achievement. State accreditation is determined by the overall percentage of student who pass SOL tests in four core subject areas: English, Mathematics, History and Science. Schools making Federal Accountability and/or achieving state accreditation based on 2011-12 student achievement data are listed on the following chart.

**Roanoke City Public Schools
Accreditation and Federal Accountability Status for 2012-13
Based on 2011-12 Student Achievement**

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

SAT Results 2012
Roanoke City Public Schools

Three hundred twelve (312) Roanoke city students took the SAT Reasoning Test. The division's mean (average) verbal score, now called Critical Reading, was four hundred seventy-five (475), the mean mathematics score was four hundred sixty-five (465) and the mean writing score was four hundred fifty-eight (458). Compared to 2011 results, the mean scores for Roanoke City students have improved in all three areas – critical reading +6, mathematics +1 and writing +8. Roanoke City's total mean score has increased fifteen points (+15), compared to Virginia's increase (+1) and a national change of (-2).

Comparison of Roanoke City with Virginia and United States on SAT—2012

The proportion of students by ethnic group who took the SAT in 2012:

	<u>Roanoke</u>	<u>Virginia</u>	<u>U.S.</u>
White	39%	58%	53%
African American	49%	21%	13%
Other Ethnicities	11%	21%	36%

Mean (average) scores of all students tested (and change from 2011):

	Roanoke		Virginia		U.S.	
	Mean 2011/2012	Change from 2011	Mean 2011/2012	Change from 2011	Mean 2011/2012	Change from 2010
Critical Reading	469/475	+6	512/510	-2	497/496	-1
Mathematics	464/465	+1	509/512	+3	514/514	0
Writing	450/458	+8	495/495	0	489/488	-1
Total Score	1383/1398	+15	1516/1517	+1	1500/1498	-2

Mean (average) scores of tested students by ethnicity (and change from 2011):

	Roanoke				Virginia				U.S.			
	Black	White	Black	White	Black	White	Black	White	Black	White	Black	White
	Mean	Change	Mean	Change	Mean	Change	Mean	Change	Mean	Change	Mean	Change
Critical Reading	409	0	554	-13	433	-1	538	-1	428	0	527	-1
Mathematics	399	+1	545	+8	427	0	535	+4	428	+1	536	+1
Writing	396	+5	533	+18	418	-1	520	0	417	0	515	-1
Total Score	1204	+6	1632	+23	1278	-2	1593	+3	1273	+1	1578	-1

Mean (average) scores of students tested by high school (and change from 2011):

	Patrick Henry		William Fleming	
	Mean	Change	Mean	Change
Critical Reading	499	+10	438	+8
Mathematics	488	0	430	+15
Writing	482	+16	422	+5
Total Score	1469	+26	1290	+28

**SAT I: Reasoning Test Scores for Graduating Seniors
Roanoke City Public Schools 1994-2012**

Table I. Mean Scores on SAT

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Mean (average) Verbal SAT Score	396	400	477	483	484	507	493	500	502	487	507	512	481*	485*	474*	484*	480*	469*~	475
Mean (average) Mathematics SAT Score	440	437	472	477	477	487	482	487	482	482	496	500	473	475	464	472	472	464~	465
Writing													475	469	464	460	461	450~	458
Total	836	837	949	960	961	994	975	987	984	969	1003	1012	1429	1429	1402	1416	1413	1383	1398
														*Verbal is now Critical Reading					

Average performance of Roanoke City students as a group on SAT has increased over time from 1994 to 2012. There was a statistical “recentering of scores” in 1996 that had a partial impact on the sizeable gain that year. A third component (writing) was added to the SAT in 2006. ~SAT data historically has included students who took the SAT at any point in high school through March of their senior year. Starting with 2011 the SAT data includes all students who tested through June of their senior year.

Table II. Mean Scores on SAT by Ethnic Group

			Black													White											
	01	02	03	04	05	06	07	08	09	10	11	12	01	02	03	04	05	06	07	08	09	10	11	12			
Mean (average) Verbal SAT Score	448	406	406	420	434	416*	414*	411*	416	423	409~	409	537	557	528	536	540	532*	548*	541*	548*	545*	541*~	554			
Mean (average) Mathematics SAT Score	430	395	402	408	424	404	404	405	403	407	398~	399	523	530	519	528	532	520	534	527	534	536	537~	545			
Writing						405	395	405	396	401	391~	396						531	536	529	521	523	515~	533			
Total	878	801	808	828	858	1225	1213	1221	1212	1231	1198	1204	1060	1087	1047	1064	1072	1583	1618	1597	1603	1604	1593	1632			
						*Verbal is now Critical Reading												*Verbal is now Critical Reading									

**2012 ACT Results
Roanoke City Public Schools**

Participation in ACT testing among Roanoke City Public School graduates increased slightly. During 2012 one hundred twenty seven (127) seniors took the ACT compared with one hundred twenty five (125) in 2011. The percentage of students at Patrick Henry meeting college readiness benchmarks was greater than the national percentage in all categories. The percentage of students at William Fleming meeting college readiness benchmarks increased over last year's percentage in all categories, with the most significant increase in reading.

Total participants: 127

Patrick Henry High School: 71

William Fleming High School: 56

Percentage of Students Meeting College Readiness Benchmarks 2012 (2011)

	Patrick Henry 2012 (2011)	William Fleming 2012 (2011)	District 2012 (2011)	State 2012 (2011)	National 2012 (2011)
English Composition	69 (72)	43 (40)	57 (60)	76(76)	67 (66)
College Algebra	48 (48)	16 (14)	34 (36)	56 (55)	46 (45)
Reading	61 (67)	32 (19)	48 (50)	63 (61)	52 (52)
Science	41 (42)	9 (5)	27 (29)	38 (36)	31 (30)
Composite	31 (38)	7 (2)	20 (26)	25 (25)	25 (25)

Benchmarks: English=18; Math=22; Reading=21; Science=24

Comparison of Average ACT Scores

	English		Mathematics		Reading		Science		Composite	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
PH	22.0	21.3	22.1	21.8	23.2	22.2	22.2	22.0	22.5	21.9
Fleming	18.0	16.2	17.9	17.2	18.8	17.6	18.6	17.5	18.4	17.3
RCPS	20.2	19.4	20.2	20.2	21.3	20.5	20.6	20.4	20.7	20.2
Virginia	22.1	22.1	22.3	22.2	22.7	22.7	21.9	21.8	22.4	22.3
National	20.5	20.6	21.1	21.1	21.3	21.3	20.9	20.9	21.1	21.1

Patrick Henry score averages were higher than the national averages in all categories. William Fleming's score averages increased over last year's score averages in all categories.

Factors Affecting Financial Condition

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

Economic Condition and Outlook

The District's ability to fund adequately its major educational initiatives is significantly affected by the City's economic outlook. For fiscal year 2012, the City and the District a new funding formula agreement was implemented, replacing an agreement that had been in place for at least twenty-years. Under the prior agreement – the first such agreement initiated in the Commonwealth of Virginia – the Schools received 36.42% of property and other identified local taxes levied by the City of Roanoke. This amount was supplemented by additional amounts allocated annually at the discretion of the City Council. Under the new formula between the City and Schools, (a) the Schools receive 40% of an expanded “basket” of property and other local tax receipts levied by the City of Roanoke and (b) the schools pay 100% of the debt service associated with school projects (up from approximately 50%). This simplified arrangement has the effect of increasing both revenues and expenses for the Schools, with the net financial effect being approximately neutral.

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

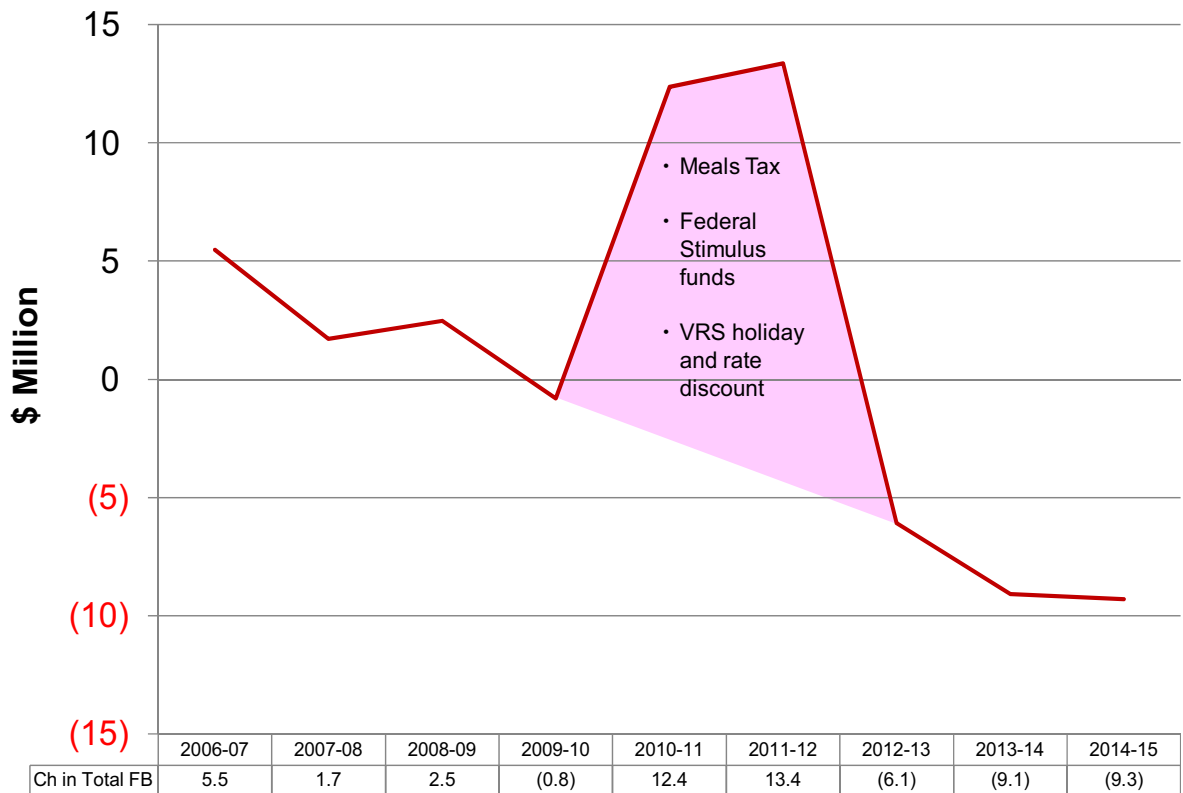
State revenues other than state sales tax remain well below fiscal year 2009 levels. Although a modest increase in state revenues is anticipated in fiscal year 2013, this increase is more than offset by increases in the employer contribution rate to the Virginia Retirement System. The District does not expect any significant improvement in State funding during the current biennium.

At the Federal level, Sequestration, if implemented, would cause reductions in the District's funding for certain grant programs. The General Fund would be unaffected.

In light of the above – and in order to continue providing instruction at the level necessary to sustain the improvements achieved over the past several years – the Schools expect to be in a deficit spending position during fiscal years 2013, 2014, and 2015 if current trends continue. The following chart illustrates the projected impact of this deficit spending on total fund balance:

Roanoke City Public Schools

Projected Change in Total Fund Balance



Accounting System and Budgetary Controls

The School Board has established a comprehensive internal control framework designed to both safeguard the district's assets against loss from unauthorized use or theft and to properly record and adequately document transactions in order to compile information for the presentation of the School Board's financial statements in conformity with GAAP. The School Board's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

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

General Operations

Management's Discussion and Analysis, which is contained in the financial section of this report, provides a discussion of financial results for fiscal years 2011 and 2012 as well as summaries of the government-wide financial statements.

Auditing

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

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

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Awards and Acknowledgments

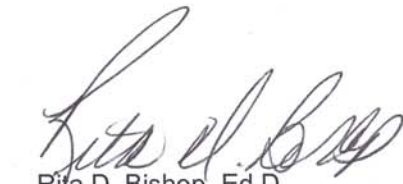
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board of the City of Roanoke, Virginia, for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In addition, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School Board of the City of Roanoke, Virginia, for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Excellence program is similar to the GFOA Certificate of Achievement program and is an international award recognizing excellence in the preparation and issuance of school system financial reports.


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

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

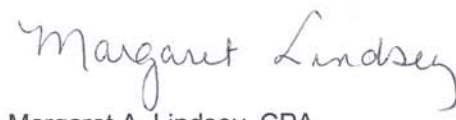
Sincerely,



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



Curtis D. Baker
Deputy Superintendent of Operations

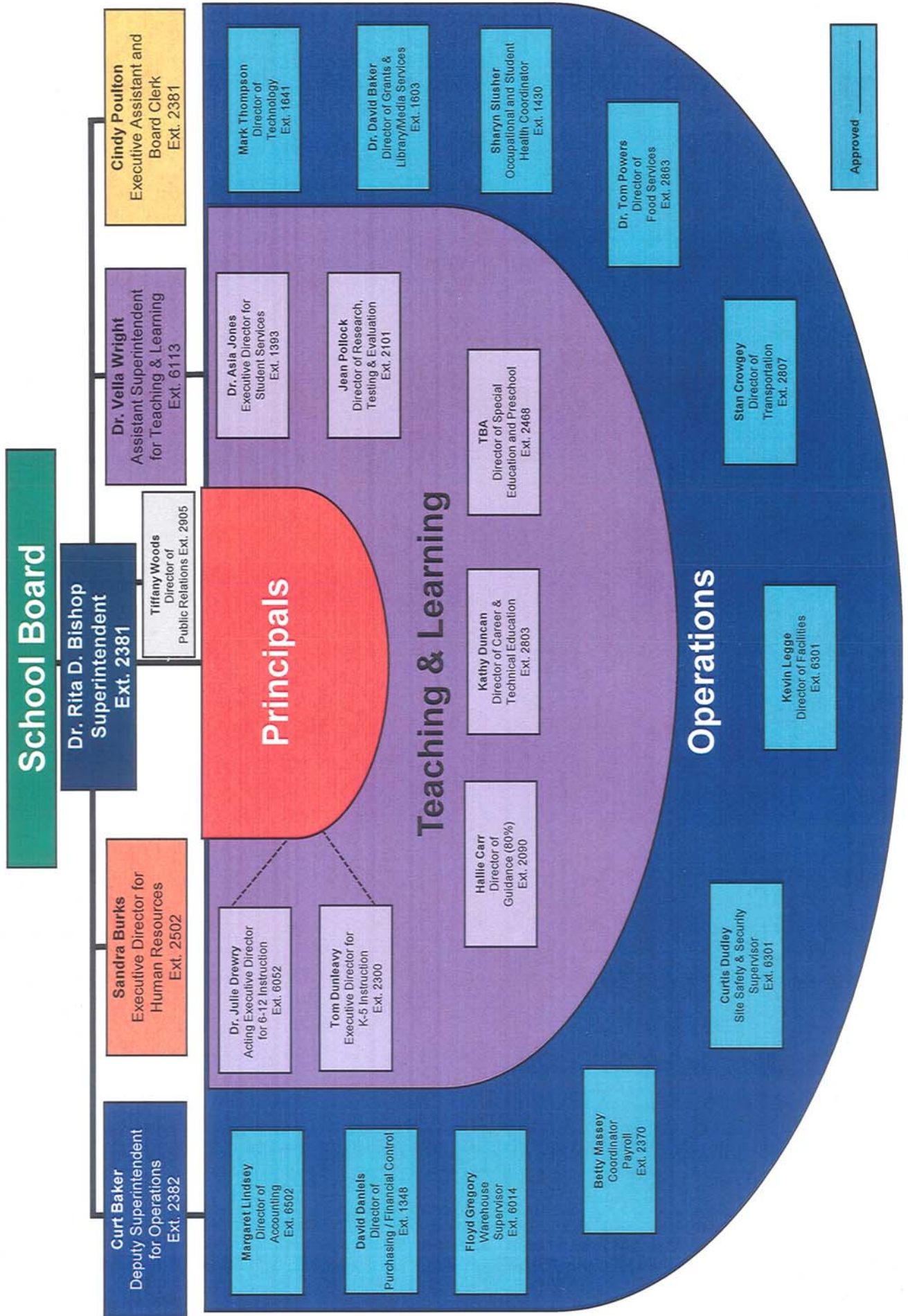


Margaret A. Lindsey, CPA
Director of Accounting



Roanoke City Public Schools

2011-12 Chart of Organization



Certificate of Achievement for Excellence in Financial Reporting

Presented to

School Board of the City
of Roanoke, Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 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. Sandison

President

Jeffrey R. Enen

Executive Director

Association of School Business Officials International



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

School Board of the City of Roanoke, Virginia

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

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



A handwritten signature in black ink, reading 'Brian L. Mee', positioned above a horizontal line.

Brian L. Mee, SFO, RSBA
President

A handwritten signature in black ink, reading 'John D. Musso', positioned above a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

**Roanoke City Public Schools
Officers and Principal Administrators
(As of June 30, 2012)**

Roanoke City School Board

David B. Carson	Chairman
Todd A. Putney	Vice Chairman
Mae G. Huff	Member
Annette Lewis	Member
Suzanne P. Moore	Member
Lori E. Vaught	Member
Richard Willis	Member
Cynthia H. Poulton	Clerk of the Board

Superintendent of Schools

Rita D. Bishop, Ed.D.	Superintendent
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Executive Staff

Curtis D. Baker	Deputy Superintendent for Operations
Vella S. Wright, Ed.D.	Assistant Superintendent for Teaching and Learning
Asia R. Jones, Ed.D.	Executive Director, Student Services
Tom Dunleavy	Executive Director, K-8 Instruction
Sandra Burks	Executive Director, Human Resources
Jean Pollock	Director of Research, Testing, and Evaluation

Roanoke City Public Schools
40 Douglass Ave
Roanoke, Virginia 24012
Telephone: (540) 853-2502

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the School Board
City 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 School Board of the City of Roanoke, Virginia (the "School Board"), a component unit of the City of Roanoke, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the School Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Board'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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Board, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 Board's financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 31, 2012

The School Board of the City of Roanoke, Virginia
A Component Unit of the City of Roanoke, Virginia
Management's Discussion and Analysis
For the Year Ended June 30, 2012

As management of the School Board of the City of Roanoke, Virginia (School Board), we offer readers of the financial statements this narrative overview and analysis for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- Assets exceeded liabilities at the close of the most recent fiscal year by \$35,665,464 (net assets). Of this amount, \$2,787,940 was invested in capital assets, leaving unrestricted net assets totaling \$32,877,524. Unrestricted net assets are normally used to meet the School Board's ongoing obligations to citizens and creditors.
- Net assets increased by \$13,247,098, a 59.1% increase from the prior fiscal year-end balance. Total assets increased by \$12,778,322. Total liabilities decreased by \$468,773. The change in total assets was due to an increase in cash and cash equivalents of \$18,955,851, an increase in Due from City of Roanoke of \$375,949, an increase in prepaid expenditures of \$205,458, a decrease in accounts receivable of \$185,391, a decrease in notes receivable of \$495,000, a decrease in Due from Other Governments of \$5,998,110 which was driven primarily by the expiration of federal stimulus funds, a decrease in Due from Other Sources of \$69,049, and a decrease in net book value of capital assets of \$11,386. The change in total liabilities was due to an increase in accounts payable and accrued expenses of \$8,842; a decrease in unearned revenue of \$290,723, an increase in the claims payable of \$184,241, an increase in long-term liabilities specifically for workman's compensation of \$280,475, a decrease in long term liabilities due within one year of \$25,659 and a decrease in compensated absences payable of \$69,733. Also contributing to the decrease in total liabilities is a decrease of \$534,085 in Other Postemployment Benefits (OPEB) liability. The general fund experienced a net operating increase of \$12,266,207 due in part to an increase in funding from the City of Roanoke and targeted cost containment measures. The food service fund experienced a net operating increase of \$161,335 primarily through food and food supply cost savings.
- Overall revenues were approximately \$184.7 million, \$13.4 million more than expenditures. The excess of revenues greater than expenditures was primarily the result of constrained spending with a look towards much leaner years that are expected beginning in FY 12-13. An anticipation of reduced funding with the conclusion of the extra meals tax at the local level and specific increases in certain costs compared to FY 12 is projected at this time.
- The total cost of basic programs was approximately \$170.9 million. Since a portion of those costs were paid with charges, fees and intergovernmental aid, the net cost to the School Board to operate basic programs was \$115.5 million.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$22.8 million, or 16.6% of total general fund expenditures. Restrictions of fund balance are placed by sources external to RCPS while the School Board may make commitments of fund balance.
- As required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which the Schools adopted as of July 1, 2007, the Schools actuarially determined the liability associated with other postemployment benefits (OPEB) for retirees. The Schools have committed a portion of its fund balance for the annual required contribution of \$4,039,491 as of the end of fiscal year 2012.

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

	June 30,	
	2012	2011
Current and other assets	\$ 47,481,325	\$ 34,691,617
Capital Assets, net	2,787,940	2,799,326
Total assets	50,269,265	37,490,943
Current and other liabilities	8,868,559	9,013,992
Long-term liabilities	5,735,242	6,058,585
Total liabilities	14,603,801	15,072,577
Invested in capital assets	2,787,940	2,799,326
Unrestricted	32,877,524	19,619,040
Total net assets	\$ 35,665,464	\$ 22,418,366

Net assets may serve, over time, as a useful indicator of a district's financial position. In the case of the School Board, assets exceeded liabilities by \$35,665,464 at the close of the most recent fiscal year.

Current and other assets increased during the fiscal year by \$12,789,708. The increase was primarily comprised of increases of \$18,955,851 in cash and cash equivalents as offset by decreases of \$5,998,110 in due from other governments along with a decrease in notes receivable of \$495,000. The note receivable results from the sale of school buses to the transportation contractor in FY 09.

The School Board's investment in capital assets, machinery and equipment net of accumulated depreciation, in the amount of \$2,787,940 represents 7.8% of net assets. The School Board uses these capital assets to provide services to students; consequently, these assets are not available for future spending. It should be noted that these assets reflect outlays made during the current fiscal year and previous years. No debt service exists for the reported capital assets.

Current and other liabilities decreased by \$145,433. The net decrease for this category was primarily comprised of a decrease of \$290,723 in unearned revenue and an decrease of \$25,659 in the current portion of long-term liabilities. This was offset by an increase in claims payable of \$184,241.

Long-term liabilities decreased by \$323,347. The net decrease for this category was comprised of a decrease of \$534,085 in the liability for other postemployment benefits and was offset by an increase of \$280,475 in the liability for workers' compensation benefits.

The School Board's unrestricted net assets, in the amount of \$32,877,524 (92.2% of net assets) represent resources that are available to be used to meet the School Board's ongoing obligations to students, staff, and creditors. The increase of unrestricted net assets from the prior year in the amount of \$13,258,484 consisted primarily of an excess of revenues over expenses.

Governmental Activities. Governmental activities resulted in an increase in the School Board's net assets of \$13,258,484 during the current fiscal year. Key elements of the change in net assets are as follows:

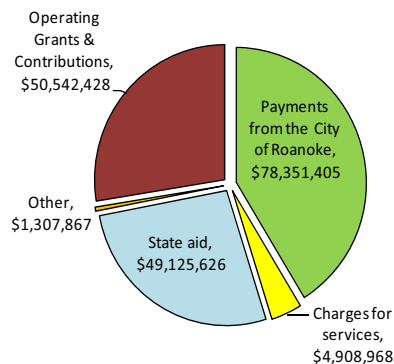
- Expenses for total governmental activities exceeded program revenues by \$115.5 million. The division's expenses by program have been netted against revenues that directly fund that program, resulting in the net cost of the program activity. The net cost of instructional activities, \$60.5 million, comprises 52.4% of total governmental activities. The net cost of operations, maintenance, and facilities was \$12.8 million, or 11.1% of total governmental activities. The net costs of other functional activities were: athletics \$1.4 million or 1.2%; transportation, \$9.9 million or 8.6%, payments to the primary government for debt service, \$16.3 million or 14.2%, support services, \$14.7 million or 12.7%. Food services finished the year with a slight operating gain in net assets of \$154,426 or -.1% of the government-wide net cost. Expenses for FY 2012 increased \$12.9 million in total compared to the prior year, with a \$2.7 million increase in the cost of instructional programs and a \$6.6 million increase in the cost of debt payments to the primary government, the City of Roanoke; these increases are reflective in part of the winding down of federal stimulus funds from prior years coupled with the desire to continue the programs these funds made possible, and the assumption of all debt service for debt issues that were used to build or improve school properties.
- General revenues not identifiable to specific functions or programs totaled \$128.8 million or \$13.2 million more than the net cost of the division's programs. Revenues for FY 2012 increased \$13.5 million from the prior year. Program revenues increased by \$2.0 million or 3.7% and general revenue collections increased by \$11.5 million or 6.7%. The change in general revenue collection consisted of an increase in state aid not restricted to specific programs of \$3.2 million or 7.0%, and an increase in payments from the City of Roanoke of \$8.1 from the prior year.

The acquisitions of capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown as capital assets in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. Net capital assets, accordingly, decreased by \$11,386, the amount by which depreciation expense exceeded capital asset purchases in the current period and the net book value of capital assets disposed. Net capital asset decreases of \$161,143 (equipment additions of \$654,810 less retirements of \$815,953) were offset by a net decrease in accumulated depreciation for the year of \$149,757.

- Decrease in compensated absences liability which affects expenditures amounted to \$95,392.

Revenues and Expenses Summaries – Governmental Activities:

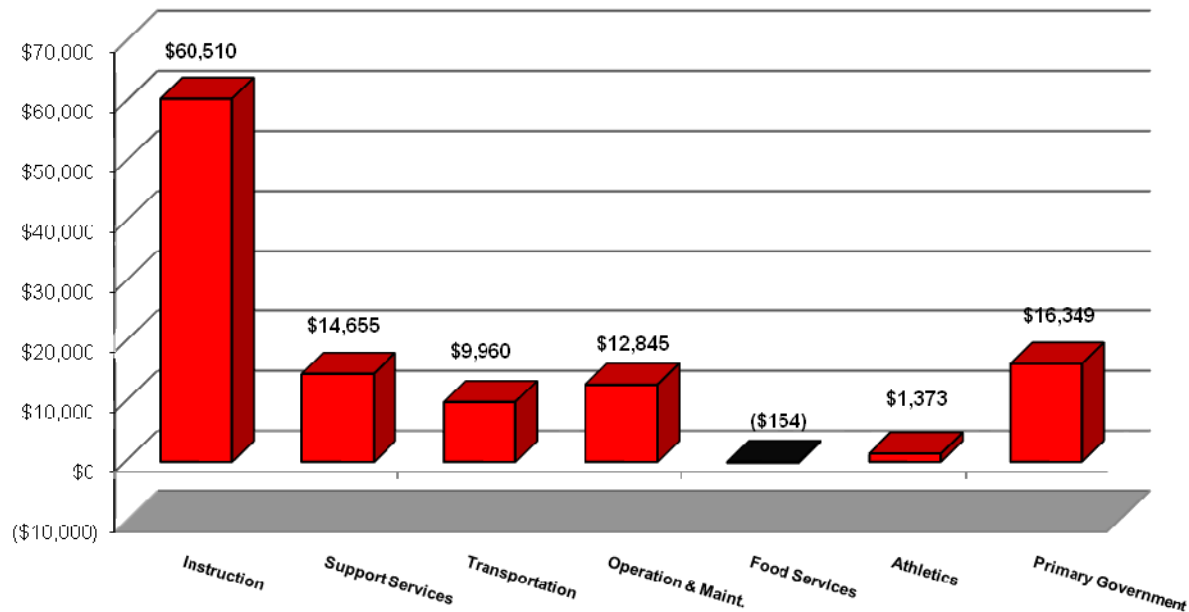
Revenues by Source – Governmental Activities:



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

	Year Ended June 30,	
	2012	2011
Revenues:		
Program Revenues:		
Charges for services	\$ 4,908,968	\$ 6,567,176
Operating grants and contributions	50,542,428	46,888,580
General Revenues:		
Payments from the City of Roanoke	78,351,405	70,232,036
State aid not restricted to specific programs	49,125,626	45,907,251
Grants not restricted to specific programs	18,695	23,074
Interest Income on Investments	35,626	26,566
Other(Miscellaneous on Exhibit 2)	1,253,544	764,903
OPEB reduction in payable	-	316,692
Total Revenues	184,236,292	170,726,278
Expenses:		
Instruction	109,743,995	107,067,285
Support Services	14,022,764	10,312,050
Transportation	10,024,200	9,159,765
Operation & Maintenance of Plant	13,060,376	14,861,138
Food Services	6,231,331	5,613,676
Athletics	1,557,556	1,380,626
Payments to City of Roanoke	16,348,972	9,710,060
Total Expenses	170,989,194	158,104,600
Increase in net assets	13,247,098	12,621,678
Net assets - Beginning of year	22,418,366	9,796,688
Net assets - End of year	\$ 35,665,464	\$ 22,418,366

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



Financial Analysis of the Governmental Funds

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

Governmental Fund – The focus of the School Board's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School Board's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. During 2011, the School Board implemented GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. The new standard replaces the previous reserved, unreserved, and designated fund balance categories with five classifications: non-spendable, restricted, committed, assigned, and unassigned. Fund balances are the differences between assets and liabilities in governmental funds.

- Non-spendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact.
- Restricted fund balance include amounts that can be spent only for the specific purposes stipulated by external providers, such as grantors or bondholders, as well as amounts that are restricted through enabling legislation.
- Committed fund balance includes amounts that can be used only for the specific purposes that are determined by a formal action of the government's highest level of decision making authority.
- Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official and applies to remaining resources in any governmental funds other than the general fund.
- Unassigned fund balances include all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental funds.

As of the end of the current fiscal year, the School Board's total governmental funds reported an ending fund balance of \$38,943,580, an increase of \$13,404,482 in comparison with the prior year. Of that amount, \$944,422 was non-spendable, zero was restricted, \$12,217,964 was committed, \$2,989,357 was assigned, and \$22,791,837 was unassigned.

The general fund is the chief operating fund of the School Board. At the end of the current fiscal year, total fund balance of the general fund was \$35,896,301. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. The fiscal year 2012 total fund balance represents 26.1% of total general fund expenditures, compared to the prior year total fund balance which represented 10.0% of total general fund expenditures.

The fund balance of the School Board's general fund increased \$13,543,147 during the current fiscal year. Key factors in this change are as follows:

- Revenues exceeded expenditures (excluding transfers) by \$12,266,207 or approximately 8.2% of total revenues, reflecting an increase in local funding from the City of Roanoke of \$8,119,369. Expenditures increased specifically in debt service as the School Board now pays the entirety of debt related to school projects whereas in prior years, the City of Roanoke paid a portion. Debt service increased \$6,881,410. For the second year, expenditures were reduced in the operations and maintenance of plant for the general fund in the amount of \$476,056.
- Transfers to the school grants fund for program local match funds, in the amount of \$725,387, reflect the commitment of the School Board to pursue grants and other special revenue sources that enhance the educational programs of the division.

The food service fund balance reflects an excess of revenues over expenditures (excluding transfers) of \$161,335 which was the result of increased charges for school lunch and breakfast and an increase in catering business.

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

General Fund Budgetary Highlights

There were no amendments to the adopted general fund revenues or expenditures budgets.

Actual total revenues received were over the budgeted total revenues by \$4,580,402, or 3.2% of the final budget. The variance of \$1,580,491 in City of Roanoke revenue is a result of higher than estimated tax revenues budgeted by the City. The intergovernmental revenues from the Commonwealth of Virginia were more than budgeted by \$2,021,409 due to changes in the state revenue allocations for basic aid, and special education funding in part due to a higher than budgeted average daily membership. Other Revenues exceeded the final budget by \$1,046,060 due to tuition charges for the regional special education program.

Expenditures were held under budget in an amount of \$7,985,805 due to (1) reduced positions and staff turnover and (2) general cost reduction activities across the school division. The net result of revenues and expenditures versus budget was a positive budget variance for the year of \$12,566,207.

Capital Asset Administration

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

The School Board's investment in capital assets for its governmental activities as of June 30, 2012, totaled \$2,787,940 (net of accumulated depreciation). The investment in capital assets includes equipment only. The total increase in the School Board's gross balance of capital assets for the current fiscal year was \$654,810, netted against the retirement of assets with a net book value of \$51,992 and depreciation expense for the year of \$614,204, resulting in a net decrease in capital assets of \$11,386. More detailed information about capital assets can be found in Notes I-D-3, II, and III-C of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

Total General Fund and Food Services operating revenue in 2012-13 is forecast to decrease versus 2011-12 by \$796,785 (budget-to-budget). This net decrease in revenue is derived as follows:

- State Revenues: + \$ 1.75 million
- Sales Tax Revenues: + \$ 0.70 million
- City Revenues: - \$ 4.00 million
- Other General Fund Revenue: + \$ 0.55 million
- Food Service Revenues: + \$ 0.20 million

The substantial decrease in revenues from the City of Roanoke is the result of the final year of the two year meals tax extra portion dedicated to the School Board's use that concluded at June 30, 2012.

Since RCPS issues a balanced budget each year, and total General Fund and Food Services expenditures in 2012-13 are forecast to increase versus 2011-12 by \$3.71 million (budget-to-budget), RCPS has budgeted \$4.07 million to be drawn down from unassigned fund balance. The most significant changes on the expenditure side are as follows:

- Compensation increases: RCPS has implemented salary increases for all employees in 2012-13 that will result in increased costs, including mandatory benefits and taxes paid by the employer, of \$2.5 million for instructional staff and \$0.5 million for administrative and classified staff. These increases do not include additional increases (described below) associated with Virginia Retirement System (VRS) rule changes.
- VRS changes – employer contributions. The rate charged to employers for the retirement portion of VRS has been increased from 6.33% in 2011-12 to 11.66% in 2012-13. The component of VRS paid as life insurance on behalf of employees has been increased from 0.60% in 2011-12 to 1.11% in 2012-13. The component of VRS attributed to retiree health credit has increased from 0.28% to 1.19%. Combined, these increases will increase RCPS expenditures by \$4.3 million.

- VRS changes – employee contributions. Pursuant to legislation recently passed by the Virginia General Assembly, the School Board approved the following VRS employee contribution rates for 2012-13:

Professional Employees 40217		
Type of Employee	Employer Paid Member Contribution	Employee Paid Member Contribution
Plan 1	4%	1%
Plan 2	4%	1%
FY2013 Employees	0%	5%

Non-professional Employees 55617		
Type of Employee	Employer Paid Member Contribution	Employee Paid Member Contribution
Plan 1	4%	1%
Plan 2	4%	1%
FY2013 Employees	0%	5%

In order to create a condition in which the net pay of employees is unaffected by this new legislation, the Board approved a “hold harmless” pay increase for all employees for 2012-13. This unfunded state mandate will increase RCPS expenditures by more than \$220,000 in 2012-13.

- Medical Expenses: RCPS anticipates that a combination of inflation and increases in the cost of stop loss insurance will increase medical expenses by approximately \$1 million in 2012-13.
- Other Expenses: RCPS anticipates the following other changes in 2012-13 expenditures versus 2011-12 noted in the following chart:

Item	Change in budgeted expenditures versus FY 2011-12
Early Retirement Opportunity Program (EROP)	- \$ 0.39 million
Use of substitutes and other part time employees	- \$ 0.10 million
Workers compensation payments	- \$ 0.40 million
Improved delivery of Special Education services	- \$ 1.00 million
Improved energy management	- \$ 0.50 million
Transportation costs, including improved routing and a contractual price escalator	+ \$ 0.07 million
Extra duties pay	- \$ 0.20 million
Change of provider for gasoline purchases	- \$ 0.01 million
Playground maintenance costs	- \$ 0.03 million
Radio repair and communication tower access services	- \$ 0.01 million
DARE and SRO services	+ \$ 0.10 million
Personnel efficiencies	- \$ 0.32 million
Annual required contribution (ARC) for Other Post Employment Benefits (OPEB)	- \$ 0.16 million
Use of funding sources other than General Fund for certain expenditures	- \$ 2.20 million
Warehouse relocation to new facility	+ \$ 0.01 million
Contractual price escalator for student and employee health services	+ \$ 0.10 million
Fuel costs for transportation	+ \$ 0.10 million

- Athletic Expenses: In 2012-13, RCPS is implementing a program to (a) provide baseline concussion testing of all student athletes and (b) upgrade football helmets for improved safety. Cost of this initiative is less than \$100,000.

Requests for Information

This financial report is designed to provide a general overview of the School Board's finances for all those with an interest in the School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Deputy Superintendent for the School Board of the City of Roanoke, Virginia, P. O. Box 13145, Roanoke, Virginia, 24031, and telephone number (540) 853-2382

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

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Net Assets
June 30, 2012

<u>Assets</u>	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 36,965,385
Accounts Receivable	39,595
Due From City of Roanoke	910,419
Due From Other Governments	8,027,667
Due From Other Sources	98,837
Prepays	944,422
Note Receivable	495,000
Capital Assets, net	2,787,940
Total Assets	<u>50,269,265</u>
<u>Liabilities</u>	
Accounts Payable and Accrued Expenses	2,007,889
Unearned Revenue	1,019,232
Claims Payable	5,015,624
Long-Term Liabilities Due Within One Year	825,814
Long-Term Liabilities:	
Workman's Compensation	2,896,100
Compensated Absences Payable	2,244,122
Other Postemployment Benefits	595,020
Total Liabilities	<u>14,603,801</u>
<u>Net Assets</u>	
Invested in Capital Assets	2,787,940
Unrestricted	32,877,524
Total Net Assets	<u><u>\$ 35,665,464</u></u>

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2012

Functions	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
				Governmental Activities
Instruction:				
Regular Instruction	\$ (70,125,784)	\$ 175	\$ 29,661,715	\$ (40,463,894)
Special Education	(19,105,774)	2,758,907	10,926,557	(5,420,310)
Vocational Instruction	(2,252,585)	-	1,043,055	(1,209,530)
Gifted	(1,627,789)	-	1,465,221	(162,568)
Guidance	(3,373,468)	493,741	11,418	(2,868,309)
Media Services	(1,280,856)	-	916,693	(364,163)
School Administration	(8,401,503)	-	-	(8,401,503)
District-Wide Instructional Programs	(2,752,778)	46,195	1,087,353	(1,619,230)
Support Services:				
Administration	(10,847,658)	49,577	141,597	(10,656,484)
Attendance and Health Services	(3,998,564)	-	-	(3,998,564)
Transportation	(10,024,200)	63,840	-	(9,960,360)
Operation & Maintenance of Plant	(13,060,376)	43,041	172,323	(12,845,012)
Food Services	(6,231,331)	1,269,261	5,116,496	154,426
Athletics	(1,557,556)	184,231	-	(1,373,325)
Debt Service	(16,348,972)	-	-	(16,348,972)
Total Governmental Activities	<u>\$ (170,989,194)</u>	<u>\$ 4,908,968</u>	<u>\$ 50,542,428</u>	<u>(115,537,798)</u>
General Revenues:				
Revenues from the City of Roanoke				78,351,405
State Aid not Restricted to a Specific Program				49,125,626
Grant not Restricted to a Specific Program				18,695
Miscellaneous				1,253,544
Interest Income on Investments				35,626
Total General Revenues				<u>128,784,896</u>
Change in Net Assets				13,247,098
Net Assets - Beginning of Year				<u>22,418,366</u>
Net Assets - End of Year				<u>\$ 35,665,464</u>

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2012

<u>Assets</u>	<u>General Fund</u>	<u>Food Service Fund</u>	<u>School Grants Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 33,888,335	\$ 3,077,050	\$ -	\$ 36,965,385
Accounts Receivable	1,651	30,536	7,408	39,595
Due From City of Roanoke	890,497	19,922	-	910,419
Due From Other Governments	2,155,748	77,046	5,794,873	8,027,667
Due From Other Sources	-	-	98,837	98,837
Due From Other Funds	5,075,370	19,930	384,350	5,479,650
Prepays	944,422	-	-	944,422
Total Assets	<u>\$ 42,956,023</u>	<u>\$ 3,224,484</u>	<u>\$ 6,285,468</u>	<u>\$ 52,465,975</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable and Accrued				
Expenditures	\$ 1,717,700	\$ 84,705	\$ 205,484	\$ 2,007,889
Claims Payable	4,922,042	26,489	67,093	5,015,624
Due to Other Funds	404,952	66,011	5,008,687	5,479,650
Deferred Revenue	15,028	-	1,004,204	1,019,232
Total Liabilities	<u>7,059,722</u>	<u>177,205</u>	<u>6,285,468</u>	<u>13,522,395</u>
Fund Balances:				
Non-spendable:	944,422	-	-	944,422
Committed:				
Committed for Workers' Compensation	2,870,551	57,922	-	2,928,473
Committed for Other Postemployment Benefits	4,039,491	-	-	4,039,491
Committed for Employee Compensation Increase	3,000,000	-	-	3,000,000
Committed for Transportation Sinking Fund	250,000	-	-	250,000
Committed for Textbook Adoption	2,000,000	-	-	2,000,000
Assigned:		2,989,357	-	2,989,357
Unassigned:	22,791,837	-	-	22,791,837
Total Fund Balances	<u>35,896,301</u>	<u>3,047,279</u>	<u>-</u>	<u>38,943,580</u>
Total Liabilities and Fund Balances	<u>\$ 42,956,023</u>	<u>\$ 3,224,484</u>	<u>\$ 6,285,468</u>	

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

Note Receivable is not a current financial resource and, therefore, is not
reported in the governmental funds balance sheet. 495,000

Capital assets used in governmental activities are not current financial resources 2,787,940

The following three reconciling items are not due and payable in the current period and therefore are not reported in the funds.
Compensated absences payable (3,069,936)

Workers' compensation claims payable - long term portion is not due and payable in the current period,
and therefore, is not reported as a liability in the governmental funds. (2,896,100)

Other postemployment benefits payable (595,020)

Net assets of governmental activities \$ 35,665,464

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>School Grants Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Investment Income	\$ 32,442	\$ 3,184	\$ -	\$ 35,626
Intergovernmental:				
City of Roanoke	78,351,405	-	-	78,351,405
Commonwealth of Virginia	66,109,375	121,635	2,647,350	68,878,360
Federal Government	-	4,959,281	24,918,192	29,877,473
Other Agencies	3,899	-	927,017	930,916
Charges for Services	3,455,476	1,269,261	-	4,724,737
Athletics	184,231	-	-	184,231
Miscellaneous	1,748,454	-	90	1,748,544
Total Revenues	<u>149,885,282</u>	<u>6,353,361</u>	<u>28,492,649</u>	<u>184,731,292</u>
Expenditures:				
Current - Education:				
Instruction	87,851,984	-	25,466,347	113,318,331
Administration, Technology, Attendance & Health	9,528,525	-	1,406,470	10,934,995
Transportation	9,571,110	-	397,939	9,969,049
Operation & Maintenance of Plant	12,755,163	-	209,373	12,964,536
Food Services	-	6,192,026	35,580	6,227,606
Athletics	1,563,321	-	-	1,563,321
Payments to City of Roanoke	16,348,972	-	-	16,348,972
Total Expenditures	<u>137,619,075</u>	<u>6,192,026</u>	<u>27,515,709</u>	<u>171,326,810</u>
Revenues Over Expenditures	<u>12,266,207</u>	<u>161,335</u>	<u>976,940</u>	<u>13,404,482</u>
Other Financing Sources (Uses):				
Transfers From Other Funds	2,002,327	-	725,387	2,727,714
Transfers To Other Funds	(725,387)	(300,000)	(1,702,327)	(2,727,714)
Other Financing Sources (Uses), Net	<u>1,276,940</u>	<u>(300,000)</u>	<u>(976,940)</u>	<u>-</u>
Net Change in Fund Balances	13,543,147	(138,665)	-	13,404,482
Fund Balances, Beginning of Year	<u>22,353,154</u>	<u>3,185,944</u>	<u>-</u>	<u>25,539,098</u>
Fund Balances, End of Year	<u>\$ 35,896,301</u>	<u>\$ 3,047,279</u>	<u>\$ -</u>	<u>\$ 38,943,580</u>
Net Change in Fund Balances				\$ 13,404,482
Amounts reported for governmental activities in the Statement of Activities are different due to:				
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense and losses on disposals exceeded capital asset purchases in the current period.				(11,386)
Notes receivable are reported in the Statement of Net Assets at inception. Any subsequent amount received as payment are in the Statement of Revenues, Expenditures, and Changes in Fund Balances as revenue.				(495,000)
Decreases in compensated absences payable reported in the Statement of Activities, represent a use of current financial resources and therefore are reported as expenditures in governmental funds. Amounts were previously recorded in the statement of activities.				95,392
Increases in long term workers' compensation claims payable, reported in the Statement of Activities, do not represent a use of current financial resources, and therefore, are not reported as expenditures in governmental funds.				(280,475)
Decrease in other postemployment benefits payable, reported in the Statement of Activities, does not represent a use of current financial resources and therefore is not reported as an expenditure in the governmental funds.				534,085
Change in net assets of governmental activities				<u>\$ 13,247,098</u>

See accompanying notes to the basic financial statements.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Fiduciary Assets and Liabilities
June 30, 2012

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	<u>\$ 1,126,278</u>
<u>Liabilities</u>	
Accounts Payable	94,146
Due to Students	<u>1,032,132</u>
Total Liabilities	<u>\$ 1,126,278</u>
See accompanying notes to the basic financial statements.	

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
Notes to the Basic Financial Statements
June 30, 2012

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

B. Government-wide and Fund Financial Statements.

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

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

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

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

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

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

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

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

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

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

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

The School Board reports the following major governmental funds:

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

The *Food Service Fund* is a special revenue fund that accounts for the proceeds of specific revenue sources, legally restricted to the operation of the school food service program.

The *School Grants Fund* is a special revenue fund that accounts for the proceeds of specific revenue sources (other than the school food service program) that are restricted to expenditures for specified purposes.

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

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

Additionally, the School Board reports the following funds:

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

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

D. Assets, Liabilities, and Net Assets or Fund Balances

1. Deposits and Investments.

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

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

Transactions between funds and other entities that are representative of the recognition of revenues or expenditures are referred to as "due to/from" the other funds or entities. "Other Funds" are funds managed by the School Board. "Other Governments" can include the Federal Government, the Commonwealth of Virginia (Commonwealth), or political subdivisions other than the City of Roanoke.

3. Capital Assets.

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

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

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

4. Compensated Absences Payable.

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

this payout. The liability for compensated absences will be liquidated through the appropriate fund as a function of payroll.

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, no expenditure is reported in the governmental fund statements for compensated absences until they are due for payment. Current (amounts expected to be paid within one year) and non-current portions of compensated absences totaling \$3,069,936 are recorded for governmental activities in the entity-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Worker's Compensation Claims Payable

In the fund financial statements, an actuarial estimate of the School Board's short-term liability for worker's compensation claims of \$942,033 is included as a component of claims payable. The remaining \$2,896,100 is deemed non-current and included as part of fund balance committed for workman's compensation claims, and a liability in the statement of net assets.

6 Pollution Remediation Obligation Liability

As required by GASB Statement NO. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, the School Board accrues a liability for pollution remediation activities when it is contractually obligated by purchase order or contract or when legal liability is assumed in accordance with federal regulations regarding hazardous materials abatement. Remediation obligations for asbestos clean-up within the School District have all originated with maintenance activities related to school properties. Remediation activities related to construction are liabilities of the City of Roanoke. Accrued costs are estimated using purchase orders for existing maintenance projects and contractor estimates of costs for known abatement items that are not yet contracted. The liability as of June 30, 2012 is \$0 as there are no unpaid invoices or contracted services that are unpaid at year end.

7. Deferred / Unearned Revenue

Deferred/unearned revenue represents revenue that will initially be recorded as a liability but is expected to become an asset over time and/or through normal operations, such as a payment that has been received for work that has not yet been performed. Total deferred revenue at June 30, 2012 was \$1,019,232 of which \$15,028 was for General Fund and \$1,004,204 was for the School Grants Fund.

8. Other Postemployment Benefits.

In the government-wide statement of net assets, an actuarial estimate of the School Board's unfunded annual required contribution for other postemployment benefits of \$595,020 is included. However, at June 30, 2012 the committed fund balance for the unfunded annual contribution was \$4,039,491, as the Board did not take action to reduce its designation from the prior year to reflect the change in the actuarially determined estimate.

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

9. Fund Balances and Net Assets.

Fund Balances

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

The classifications are as follows:

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

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

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

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

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

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

Restricted Amounts

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

Minimum Fund Balance Policy

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Management's policy is to cancel all open purchase orders at June 30th each year. Orders will then be reissued if necessary during the new fiscal year. Therefore, no encumbrances of fund balance exist as of June 30, 2012.

F. Pension Plan

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

G. Intergovernmental Revenue

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

H. Interfund Transactions

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

I. Use of Estimates

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

J. Tax Status

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

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

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

One element of that reconciliation explains that "the acquisitions of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense and the net book value of capital assets disposed exceeded capital asset purchases in the current period". The details of this \$11,386 difference are as follows:

	Capital Outlay	Depreciation Expense	Net Book Value of Assets Disposed	Net Change in Capital Assets
Regular Instruction	\$ 409,335	\$ (264,202)	\$ (51,992)	\$ 93,141
Administration	171,319	(239,631)	-	(68,312)
Transportation	-	(3,139)	-	(3,139)
Operation/Maintenance	74,156	(107,232)	-	(33,076)
	<u>\$ 654,810</u>	<u>\$ (614,204)</u>	<u>\$ (51,992)</u>	<u>\$ (11,386)</u>

Another element of that reconciliation states that "decreases in compensated absences payable and long-term workers' compensation claims payable, reported in the statement of activities, do not represent a use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$185,083 difference are as follows:

	Compensated Absences	Workers' Compensation	Total
Liability as of June 30, 2012	\$ 3,069,936	\$ 2,896,100	\$ 5,966,036
Less: Liability as of June 30, 2011	(3,165,328)	(2,615,625)	(5,780,953)
Current Year Increase (Decrease)	<u>\$ (95,392)</u>	<u>\$ 280,475</u>	<u>\$ 185,083</u>

Another element of that reconciliation is "decrease in other postemployment benefits payable". The details of this \$534,085 difference are as follows:

	OPEB Obligation
Net OPEB Obligation as of June 30, 2011	\$ 1,129,105
Net OPEB Obligation as of June 30, 2012	595,020
Current Year Decrease in OPEB Obligation	<u>\$ 534,085</u>

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

A. Deposits and Investments

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

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

The Policy limits investment maturities to five years maximum maturity for any negotiable certificate of deposit or any sovereign government obligation excluding those of the United States, to 15 years for any single corporate security, and five years for any single asset-backed security.

As of June 30, 2012, the School Board's investments, with their respective credit ratings, were as follows:

Investment Type	Credit Rating
Virginia LGIP	AAAm

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

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

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

As of June 30, 2012, the School Board had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Virginia LGIP	\$ 36,240,701	\$ 36,240,701
TOTAL	\$ 36,240,701	\$ 36,240,701

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

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

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

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

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

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

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

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

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

As of June 30, 2012, the School Board had the following cash and investments:

Cash	\$ 11,420
Deposits	713,264
Virginia LGIP	36,240,701
Total Cash and Investments	\$ 36,965,385

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

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

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

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

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

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

As of June 30, 2012, 100 percent of the School Board's investment portfolio was invested in the Virginia LGIP.

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

B. Due from Other Governments

Due from other governments as of June 30, 2012, for the School Board's individual major funds is as follows:

	<u>General</u>	<u>Food Service</u>	<u>School Grants</u>	<u>Total</u>
Commonwealth of Virginia	\$2,153,569	\$ 77,046	\$ 294,105	\$2,524,720
Federal Government	2,179	-	5,500,768	5,502,947
City of Roanoke	890,497	19,922	-	910,419
Totals	<u>\$3,046,245</u>	<u>\$ 96,968</u>	<u>\$5,794,873</u>	<u>\$8,938,086</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 is as follows:

Capital Assets	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Equipment:				
Instruction	\$ 5,341,412	\$ 409,335	\$ 664,249	\$ 5,086,498
Administration	725,005	171,319	34,498	861,826
Transportation	281,609	-	31,177	250,432
Maintenance	1,244,505	74,156	86,029	1,232,632
Total Equipment	7,592,531	654,810	815,953	7,431,388
Less:				
Accumulated Depreciation	(4,793,205)	(614,204)	763,961	(4,643,448)
Governmental activities, net	\$ 2,799,326	\$ 40,606	\$ 51,992	\$ 2,787,940

Depreciation expense and accumulated depreciation was allocated as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Depreciation per class:				
Instruction	\$ (3,227,196)	\$ (264,202)	\$ 612,257	\$ (2,879,141)
Administration	(453,308)	(239,631)	34,498	(658,441)
Transportation	(168,538)	(3,139)	31,177	(140,500)
Maintenance	(944,163)	(107,232)	86,029	(965,366)
Accumulated Depreciation	\$ (4,793,205)	\$ (614,204)	\$763,961	\$ (4,643,448)

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

On July 1, 2009 the School Board contracted with George Krapf, Jr. & Sons, Inc., to provide student transportation services to and from schools, sporting events, and extracurricular activities. As part of the original contract, the School Board sold the existing bus fleet for a non interest bearing, unsecured, long-term note receivable. Certain buses used by the transportation provider are leased by the School Board; however, as part of the contract, these lease payments are credited to the School Board by the provider on a monthly basis.

D. Transfers

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

Inter-fund Transfers consisted of the following for the year ended June 30, 2012:

From:	To General Fund	To Food Service	To School Grants	Total
General Fund	\$ -	\$ -	\$ 725,387	\$ 725,387
Food Service	300,000	-	-	300,000
School Grants	1,702,327	-	-	1,702,327
	<u>\$ 2,002,327</u>	<u>\$ -</u>	<u>\$ 725,387</u>	<u>\$ 2,727,714</u>

E. Accounts Payable and Accrued Expenditures

The composition of accounts payable and accrued expenditures as of June 30, 2012, is as follows:

	<u>General</u>	<u>Food Service</u>	<u>School Grants</u>	<u>Total</u>
Accrued Payroll	\$ 359,805	\$ 18,125	\$ -	\$ 377,930
Payroll Withholdings	157,997	9,402	9,242	176,641
Flexible Spending	61,202	-	-	61,202
Accounts Payable	1,138,696	57,178	196,242	1,392,116
Totals	<u>\$ 1,717,700</u>	<u>\$ 84,705</u>	<u>\$ 205,484</u>	<u>\$ 2,007,889</u>

F. Claims Payable

As of June 30, 2012, the composition of claims payable includes amounts held to pay current health insurance, workers' compensation claims and unemployment claims is as follows:

	<u>General</u>	<u>Food Service</u>	<u>School Grants</u>	<u>Total</u>
Health Insurance	\$ 4,010,573	\$ 7,648	\$ 48,252	\$ 4,066,473
Worker's Compensation	904,351	18,841	18,841	942,033
Unemployment Claims	7,118	-	-	7,118
Totals	<u>\$ 4,922,042</u>	<u>\$ 26,489</u>	<u>\$ 67,093</u>	<u>\$ 5,015,624</u>

The total amount listed above is due within one year.

G. Compensated Absences Payable

The change in compensated absences payable is summarized below:

Balance June 30, 2011	\$ 3,165,328
Increases	2,873,821
Decreases	<u>(2,969,213)</u>
Balance June 30, 2012	\$ 3,069,936
Amount Due Within One Year	<u>(825,814)</u>
Long-Term Payable	<u>\$2,224,122</u>

H. Fund Balances

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

Commitments at June 30, 2012, consist of the following:

General Fund:

- 1) \$32,373 for self-insurance for workers' compensation claims held in trust by Sedgwick and \$2,870,551 in long-term worker's compensation claims.
- 2) \$4,039,491 for other postemployment benefits.
- 3) \$2,000,000 for new textbook adoption
- 4) \$250,000 for transportation sinking fund
- 5) \$ 3,000,000 for employee compensation increase

Food Service Fund:

\$57,922 in long-term worker's compensation claims

IV. Other Information

A. Defined Benefit Pension Plans

The School Board participates in and contributes to three pension systems. Professional and non-professional employees of the School Board participate in the Virginia Retirement System (VRS). Professional employees participate in a VRS statewide teacher cost-sharing pool, and non-professional employees hired on or after July 1, 2006 participate as a separate group in the agent multiple-employer retirement system. Operational, maintenance and food service (non-professional) employees hired prior to July 1, 2006 participate in the City of Roanoke Pension Plan (Plan). Disclosure concerning these three plans is as follows:

1. Virginia Retirement System

Statewide Professional Cost-Sharing and Non-Professional Agent Pools - Plan Descriptions.

The School Board contributes to a cost-sharing and agent multiple-employer defined benefit pension plans (Plan1 and Plan 2) administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers must participate in one VRS cost sharing plan. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit when they meet the age and service requirements for their plan. The unreduced benefit is actuarially reduced to calculate the reduced benefit amount. A cost-of-living adjustment (COLA) based on changes in the Consumer Price Index for all Urban Consumers, is granted on July 1 of the second calendar year after retirement and is effective each July 1 thereafter, when provided. 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 VRS issues a publicly available comprehensive annual financial report that includes basic financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website 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.

a. Funding Policy – Professional Cost Sharing Plan

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual reported compensation to the VRS. This 5 percent member contribution may be assumed by the employer. Effective July 1, 2012, all employees must pay at least 1% of the employee 5% contribution amount. The Roanoke City School Board has assumed the employee's 5 percent contribution in full for the year ended June 30, 2012. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate was 11.33 percent for the period of July 2011 through June 2012 of covered payroll (including employee share of 5 percent paid by their employer). The following table shows total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School System for the prior three years:

	<u>Total Contributions</u>	<u>% of Annual Covered Payroll</u>	<u>Annual Covered Payroll</u>
June 30, 2012	\$7,531,647	11.33	\$66,367,331
June 30, 2011	\$6,052,585	9.00	\$67,221,089
June 30, 2010	\$7,803,829	11.28	\$69,128,529

b. Annual Required Contribution – Professional Cost Sharing Plan

Public School Division professional employees participate in a VRS statewide teacher cost-sharing pool. For 2012 the School Board's annual required contribution was \$7,531,647. The required contribution was based on an actuarial valuation. The contribution requirements for the School Board were equal to the actual contributions for 2012. Total School Board payroll for 2012 was \$83,137,834. Payroll covered by VRS for School Board employees was \$66,367,331. The following information related to trend information is provided.

**Three Year Trend Information - Virginia Retirement System
Professional Group
Roanoke City School Board
Roanoke, Virginia**

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
June 30, 2012	\$7,531,647	100%
June 30, 2011	\$6,052,585	100%
June 30, 2010	\$7,803,829	100%

2. *Virginia Retirement System.* – Non-Professional Agent Plan

a. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 133.4 percent funded. The actuarial accrued liability for benefits was \$710,365, and the actuarial value of assets was \$947,844, resulting in an unfunded (over-funded) actuarial accrued liability (UAAL) of \$ (237,479). The covered payroll (annual payroll of active employees covered by the plan) was \$1,225,391, and the ratio of the UAAL to the covered payroll was (19.4) percent.

The valuation reflects the following changes in benefit provisions:

Effective June 30, 2010, all new members on and after that date participate in Plan 2. The provisions of Plan 2 that differ from Plan 1 are noted through-out this footnote.

There were no changes in the benefit provisions since the last actuarial valuation which had a financial impact on the Plan.

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

b. Annual Pension Cost.

Public School Division non-professional employees hired after July 1, 2006, participate in an agent multiple-employee retirement plan. For 2012, the School Board's contributions to the plan were equal to the annual required contribution and annual pension cost for each year. The annual and required contribution was determined through a June 30, 2011 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included a) an investment return rate of 7.5%, b) an annual cost-of-living adjustment of 2.5% for Plan I members and 2.25% for Plan 2 members, and c) salary increases ranging between 3.75% and 5.6% depending on the member's service and classification. Both the investment rate of return and the projected salary increases also include an inflation component of 2.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2011 actuarial valuation was 30 years. Total School Board payroll for 2012 was \$83,137,834. Payroll covered by VRS for School Board non-professional employees was \$1,225,391.

**Three Year Trend Information - Virginia Retirement System
Non-Professional Group
Roanoke City School Board
Roanoke, Virginia**

Fiscal Year Ended	Annual Required Contributions (ARC)	Percentage of ARC Contributed
June 30, 2012	\$207,310	100%
June 30, 2011	\$167,647	100%
June 30, 2010	\$105,282	100%

3. *City of Roanoke Pension Plan*

Plan Description

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

The Pension Plan is a cost-sharing multiple-employer defined benefit plan established by City Council and is included in the City's financial statements as a Pension Trust Fund. The Pension Plan was established by City Ordinance No. 8559, dated May 27, 1946, and effective July 1, 1946. The Pension Plan covers certain non-professional employees of the School Board who were hired prior to July 1, 2006. City Council appoints the Pension Plan Board of Trustees who is responsible

for administering the Pension Plan. The Pension Plan is currently not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

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

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

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

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

a. Funding Policy

School Board employees do not contribute to the Pension Plan. The School Board's contribution is based on a percentage of the annual compensation of the active members. The contribution rate was 15.40% of annual covered payroll for the year ended June 30, 2012.

b. Annual Required Contribution

For fiscal year 2012, the School Board's annual required contribution was \$598,352. The required contribution was based on an actuarial valuation. The School Board's actual contribution was \$587,437. Total School Board payroll for 2012 was \$83,137,834. Payroll covered by City Retirement for School Board employees was \$3,885,403. Information related to trend information is presented below.

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

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2012	\$598,352	98.2%
June 30, 2011	\$572,600	100%
June 30, 2010	\$562,315	109%

B. Other Post Employment Benefits

a. Plan Descriptions

Roanoke City Public Schools currently provides medical and dental insurance benefits to its retirees and their eligible dependents that elect to stay in the plans. The plan is a single employer defined benefit plan. Retirees who retired prior to July 1, 2010 as of July 1, 2011 may choose from three plan options, Traditional PPO, Health Reimbursement Account and Health Savings Account which offers both provider and prescription drug coverage. Eligible dependents may remain on the plan as long as the retiree still subscribes and is eligible. Retirees and their spouses may be covered by the plan until age 65 or until they become eligible for Medicare. The dental plan is a comprehensive plan offered by the Schools through Delta Dental. Retirees and their spouses may stay in this for a period of up to 18 months after separation from the district or for a period of 60 months if they retire under the Early Retirement Opportunity Program (EROP). If the retiree dies before age 65, their covered dependents may stay in the plan for a period up to 36 months through COBRA.

b. Funding Policies

The contribution requirements of the Roanoke City Public Schools Healthcare Plan members and the Roanoke City Public Schools are established and may be amended by the Roanoke City School Board. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health and dental insurance, the School Board contributes 0% of all premium payments, and the retirees contribute 100%. Employees who retired on or before July 1, 2010, participate in the plan at a group rate which is blended with that of active employees. Employees who retired after that date pay an unblended group rate. For the fiscal year ended June 30, 2012, the Roanoke City Public Schools retirees contributed \$1,049,480 to the Roanoke City Public Schools Healthcare Plan. The retiree's claims amounted to \$1,643,778 for the same time period.

c. Annual OPEB Cost and Net OPEB Obligation

Roanoke City Public Schools' annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The table below shows the components of the Roanoke City Public School's annual OPEB cost for the year, the amounts contributed to the Plan, and changes in the City's net OPEB obligation:

	Healthcare Plan
Annual Required Contribution	\$ 244,094
Interest on net OPEB Obligation	45,164
Adjustment to net OPEB liability:	<u>(108,724)</u>
Annual OPEB Cost	180,534
Contributions made	<u>(714,619)</u>
Decrease in net OPEB obligation	(534,085)
Net OPEB obligation at July 1, 2011	<u>1,129,105</u>
Net OPEB obligation at June 30, 2012	<u><u>\$ 595,020</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 180,534	395.8%	\$ 595,020
June 30, 2011	289,043	209.6%	1,129,105
June 30, 2010	684,706	55.8%	1,445,797

d. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the Roanoke City Public Schools' Healthcare Plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$ 2,166,661 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,166,661. The covered payroll was \$0. The plan does not have separately issued financial statements.

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

e. Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about 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 annual required contributions of the Roanoke City Public Schools and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following these notes to the 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 liabilities.

The actuarial valuation of the liabilities as of June 30, 2012 is based on a closed group. Current retirees only are considered; no provision is made for future hires as they are not eligible to enter the plan. For the five-year projection, the actuarial valuation has assumed no new entrants. Therefore, the active population will decline each year as the exiting group ages out of coverage.

f. Actuarial Methods and Assumptions

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 valuation, the projected unit credit actuarial cost method was used. Past service liability is amortized over a level, open 25 year period as of July 1, 2009, that declines year per year. The remaining amortization period at July 1, 2012 was 22 years.

The actuarial assumptions included a 4 percent discount rate. Annual medical rates are expected to increase at an annual trend rate of 9.50% for the year ending June 30, 2012. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

C. Jointly Governed Organizations.

The counties of Craig, Botetourt, and Franklin, and the cities of Roanoke and Salem jointly participate in a regional education program for severely handicapped students, operated by the Roanoke Valley Regional Board (Regional Board). The Regional Board is composed of six members, one from each participating locality. The School Board has control over budget and financing of the venture only to the extent of representation by the one board member appointed. Each locality's financial obligation is based on its proportionate share of students attending the regional program. For the fiscal year ended June 30, 2012, the School Board remitted \$2,983,683 to the Regional Board for services. The Regional Board has separately issued financial statements which can be obtained from the Regional Board, 143 Poor Farm Road, Fincastle, Virginia 24090.

D. Pollution Remediation Obligation

In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, The School Board is obligated to address pollution remediation activities associated with normal repair and maintenance activities. As of June 30, 2012 we had contracts for ongoing asbestos monitoring, annual walk-throughs, permit review and sampling. The total obligation for the remaining portion of these contracts is \$0. During fiscal year 2012, RCPS expended \$17,140 for pollution remediation of certain environmental products including paints, solvents and cleaners and asbestos monitoring which is included in amounts shown for Operation and Maintenance of Plant on both the district-wide Statement of Activities (exhibit 2) and the governmental Statement of Revenues, Expenditures, and Changes in Fund Balances (exhibit 4). Management is not aware of any obligation related to removal or disposal of any other paints, chemicals, cleaning fluids, etc., other than those items already properly removed and disposed.

E. Risk Management.

The School Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school division, through a competitive procurement process is using the professional services of a firm to assist in determining appropriate levels of insurance coverage. Further, the firm assists with the placement of coverage with third party providers, including the Virginia Municipal League as noted

below. Risk management activities are accounted for in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported (IBNR) primarily based upon past claims and an estimate by a qualified claims adjuster with a third party administrator. Workers' compensation claims have been estimated by an actuary.

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

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

Claims liability at July 1	\$ 3,943,700	\$ 3,460,625	\$ 7,404,325
Claims incurred (including IBNR and changes in estimates)	14,289,572	1,071,779	15,361,351
Claim payments	(14,166,799)	(694,271)	(14,861,070)
Claims liability at June 30	<u>4,066,473</u>	<u>3,838,133</u>	<u>7,904,606</u>
Due within one year	<u>4,066,473</u>	<u>942,033</u>	<u>5,008,506</u>
Long-term payable	<u>\$ -</u>	<u>\$ 2,896,100</u>	<u>\$ 2,896,100</u>
Fiscal Year 2010-11:			
Claims liability at July 1	\$ 3,480,603	\$ 3,460,625	\$ 6,941,228
Claims incurred (including IBNR and changes in estimates)	14,011,367	844,479	14,855,846
Claim payments	(13,548,270)	(844,479)	(14,392,749)
Claims liability at June 30	<u>3,943,700</u>	<u>3,460,625</u>	<u>7,404,325</u>
Due within one year	<u>3,943,700</u>	<u>845,000</u>	<u>4,788,700</u>
Long-term payable	<u>\$ -</u>	<u>\$ 2,615,625</u>	<u>\$ 2,615,625</u>

F. Contingent Liabilities

Grants

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

Litigation

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

G. Retirement/Early Retirement Opportunity Program

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

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

Each employee electing early retirement under this program shall be paid an annual supplement equal to 20 percent of his or her annual salary at the time of retirement. The payments of the supplement will commence at the date of retirement and will continue until the earlier of (1) the death of the retired employee or (2) receipt by the retired employee of payment of five years of service after retirement. In return for the supplement, the retiree will enter into a contractual obligation to perform services for 20 days per year. If the retired employees do not elect to enter in the contractual obligation of 20 days service, the benefit is not paid. The expenditures for the School Board's Early Retirement Opportunity Program (EROP) during fiscal year 2012 were \$1,510,698.

H. New Accounting Pronouncements

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

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued to address service concession arrangements, which are a type of public-private or public-public partnership. The statement defines a service concession arrangement in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement establish recognition, measurement, and disclosure requirements for these types of arrangements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, modifies certain requirements for the inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present to be included as a component unit. The statement also amends the criteria for reporting of blended component units. For component units that are blended based on the “substantively the same governing body” criterion, it additionally requires that a financial benefit or financial burden relationship exist or that management of the primary government have operational responsibility for the activities of the component unit. The statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of

resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes standards for reclassification of certain item as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The statement will be effective for the year ending June 30, 2014.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The statement also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The statement will be effective for the year ending June 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 25 and No. 50* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement will be effective for the year ending June 30, 2014.

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

Management has not yet evaluated the effects, if any, of adopting these standards.

I. Subsequent Event

As part of the five year capital improvement plan for Roanoke City Public Schools, the School Board applied for and received notification of acceptance of \$2,014,104 in Qualified Zone Academy Bonds (QZAB) as part of an issuance of debt in conjunction with the Virginia Public School Authority bond sale with a funding date of October 31, 2012. These interest free, tax credit bonds will finance school improvements in compliance with the QZAB regulations at Garden City, Virginia Heights, Wasena, Fairview, Fishburn Park, Hurt Park, Lincoln Terrace, Roanoke Academy for Math and Science, and Round Hill (all elementary schools) and Addison, Stonewall Jackson, James Breckinridge and Woodrow Wilson (all middle schools).

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REQUIRED SUPPLEMENTARY INFORMATION



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THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	
Revenues:			
Investment Income	\$ -	\$ 32,442	\$ 32,442
Intergovernmental:			
City of Roanoke	76,770,914	78,351,405	1,580,491
Commonwealth of Virginia	64,087,966	66,109,375	2,021,409
Federal Government	100,000	-	(100,000)
Other Revenue	4,346,000	5,392,060	1,046,060
Total Revenues	<u>145,304,880</u>	<u>149,885,282</u>	<u>4,580,402</u>
Expenditures:			
Current - Education:			
Instruction	93,308,892	87,851,985	5,456,907
Administration, Technology, Attendance & Health	11,404,746	9,528,524	1,876,222
Transportation	9,184,393	9,571,110	(386,717)
Operation & Maintenance of Plant	14,377,482	12,755,163	1,622,319
Athletics	1,200,000	1,563,321	(363,321)
Payments to City of Roanoke	16,129,367	16,348,972	(219,605)
Total Expenditures	<u>145,604,880</u>	<u>137,619,075</u>	<u>7,985,805</u>
Revenues (Under) Over Expenditures	<u>(300,000)</u>	<u>12,266,207</u>	<u>12,566,207</u>
Other Financing Sources (Uses):			
Transfers From Other Funds	300,000	2,002,327	1,702,327
Transfers To Other Funds	-	(725,387)	(725,387)
Other Financing Sources (Uses), Net	<u>300,000</u>	<u>1,276,940</u>	<u>976,940</u>
Net Change in Fund Balance	-	13,543,147	13,543,147
Fund Balances, Beginning of Year	<u>22,353,154</u>	<u>22,353,154</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 22,353,154</u>	<u>\$ 35,896,301</u>	<u>\$ 13,543,147</u>

Note: The original budget was not revised during the 2011-12 fiscal year.

See accompanying notes to the budgetary comparison schedules.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Budgetary Comparison Schedule
Food Service Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Variance with</u>
	<u>Original and Final</u>	<u>Actual</u>	<u>Final Budget</u>
		<u>Amounts</u>	<u>Positive</u>
			<u>(Negative)</u>
Revenues:			
Investment Income	\$ -	\$ 3,184	\$ 3,184
Intergovernmental:			
Commonwealth of Virginia	115,435	121,635	6,200
Federal Government	4,694,565	4,959,281	264,716
Charges for Services	1,240,000	1,269,261	29,261
Total Revenues	<u>6,050,000</u>	<u>6,353,361</u>	<u>303,361</u>
Expenditures:			
Current - Education:			
Food Services	<u>5,750,000</u>	<u>6,192,026</u>	<u>(442,026)</u>
Total Expenditures	<u>5,750,000</u>	<u>6,192,026</u>	<u>(442,026)</u>
Revenues Over Expenditures	<u>300,000</u>	<u>161,335</u>	<u>(138,665)</u>
Other Financing Sources (Uses):			
Transfers To Other Funds	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Other Financing Sources (Uses), Net	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net Change in Fund Balance	-	(138,665)	(138,665)
Fund Balances, Beginning of Year	<u>3,185,944</u>	<u>3,185,944</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 3,185,944</u>	<u>\$ 3,047,279</u>	<u>\$ (138,665)</u>

Note: The original budget was not revised during the 2011-12 fiscal year.

See accompanying notes to the budgetary comparison schedules.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
A COMPONENT UNIT OF THE CITY OF ROANOKE, VIRGINIA
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2012
(Unaudited)

Stewardship, Compliance, and Accountability.

I. Budgetary Information.

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

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

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

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

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

II. Material Violations.

There were no material violations of the annual appropriated budget for the General Fund or Food Service Fund for the fiscal year ended June 30, 2012.

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Schedule C

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedules of Funding Progress and Employer Contributions - Other Postemployment Benefits
For the Year Ended June 30, 2012
(Unaudited)

Other Post Employment Benefits Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) - PUC [b]	Unfunded AAL (UAAL) [b] - [a]	Funded Ratio [a]/[b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll ([b] - [a])/[c]
6/30/2012	-	\$ 2,166,661	\$ 2,166,661	0.00%	N/A	N/A
6/30/2011	-	2,437,419	2,437,419	0.00%	N/A	N/A
6/30/2010	-	4,083,544	4,083,544	0.00%	N/A	N/A
6/30/2009	-	7,964,432	7,964,432	0.00%	85,979,029	9.26%
6/30/2008	-	20,074,254	20,074,254	0.00%	83,474,785	24.05%

Schedule of Employer Contributions		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 244,094	292.76%
2011	289,043	209.57%
2010	684,706	55.75%
2009	(1,599,071)	-16.37%
2008	3,259,698	7.86%

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Required Supplementary Information
Virginia Retirement System Schedule of Funding Progress
Year ended June 30, 2012
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Payroll (b-a) / (c)
June 30, 2011	\$ 947,844	\$ 710,365	\$ (237,479)	133.4%	\$ 1,225,391	-19.4%
June 30, 2010	\$ 784,752	\$ 514,460	\$ (270,292)	152.5%	\$ 1,071,610	-25.2%
June 30, 2009	\$ 808,508	\$ 722,986	\$ (85,522)	111.8%	\$ 3,583,415	-2.4%
June 30, 2008	\$ 265,363	\$ 103,514	\$ (161,849)	256.4%	\$ 3,114,481	-5.2%
June 30, 2007	\$ 23,341	\$ 5,536	\$ (17,805)	421.6%	\$ 368,136	-4.8%

OTHER SUPPLEMENTARY INFORMATION



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THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Cash Receipts and Disbursements by School
School Activity Funds
For the Year Ended June 30, 2012

<u>School</u>	<u>Balance at Beginning of Year</u>	<u>Inter-School Transfers</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance at End of Year</u>
Due to Students					
High Schools:					
William Fleming High School	\$ 112,510	\$ (4,007)	\$ 195,981	\$ 205,358	99,126
Patrick Henry High School	321,391	3,850	311,645	338,692	298,194
Gibboney Technical Center	95,949	(1,244)	133,379	121,496	106,588
Roanoke Valley Governor's School	48,705	-	52,396	78,890	22,211
Noel C. Taylor Learning Academy	144	84	573	587	214
Forest Park Academy	30,910	-	11,183	19,566	22,527
Adult Education	16,537	-	52,878	27,241	42,174
Middle Schools:					
Lucy Addison Aerospace Middle School	16,244	929	47,652	57,932	6,893
James Breckinridge Middle School	29,820	(40)	49,169	60,755	18,194
Stonewall Jackson Middle School	10,276	(8)	17,927	19,780	8,415
James Madison Middle School	43,350	1,159	51,091	60,766	34,834
Woodrow Wilson Middle School	52,178	(5)	48,753	58,357	42,569
Elementary Schools:					
Crystal Spring Elementary School	31,106	-	23,796	23,705	31,197
Fairview Elementary School	8,754	36,287	41,839	70,608	16,272
Fallon Park Elementary School	12,197	(22)	6,134	6,077	12,232
Fishburn Park Elementary School	23,098	-	25,018	26,202	21,914
Garden City Elementary School	5,748	(2)	23,145	16,295	12,596
Grandin Court Elementary School	49,182	(455)	25,790	19,189	55,328
Highland Park Elementary School	23,513	(36,432)	52,737	23,308	16,510
Hurt Park Elementary School	14,058	-	4,115	7,642	10,531
Lincoln Terrace Elementary School	6,856	-	4,480	9,765	1,571
Monterey Elementary School	24,984	-	24,682	28,449	21,217
Morningside Elementary School	12,834	(25)	11,630	15,266	9,173
Preston Park Primary School	16,758	(32)	8,729	7,105	18,350
Roanoke Academy for Math and Science	24,967	-	9,409	8,476	25,900
Round Hill Primary School	11,252	(27)	4,531	6,884	8,872
Virginia Heights Elementary School	14,528	(10)	14,239	11,824	16,933
Wasena Elementary School	51,716	-	9,285	21,008	39,993
Westside Elementary School	12,847	-	26,245	27,488	11,604
Total Due to Students	<u>\$ 1,122,412</u>	<u>\$ -</u>	<u>\$ 1,288,431</u>	<u>\$ 1,378,711</u>	<u>\$ 1,032,132</u>

Beginning balances were adjusted at certain schools to adjust previously recorded accounts payable balances.

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2012

	<u>Assets</u>	<u>Agency Fund</u>
<u>Cash</u>		
Balance June 30, 2011		\$ 1,216,558
Additions		1,288,431
Deductions		(1,378,711)
Balance June 30, 2012		\$ <u>1,126,278</u>
	<u>Liabilities</u>	
<u>Accounts Payable</u>		
Balance June 30, 2011		\$ 13,498
Additions		94,146
Deductions		(13,498)
Balance June 30, 2012		\$ <u>94,146</u>
<u>Due to Students</u>		
Balance June 30, 2011		\$ 1,122,412
Additions		1,288,431
Deductions		(1,378,711)
Balance June 30, 2012		\$ <u>1,032,132</u>

Schedule G**THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA****Schedule of Insurance Coverage****For the Year Ended June 30, 2012**

	<u>Amount</u>
The Virginia Municipal Liability Pool	
Property and Scheduled Equipment Coverage	\$ 389,584,031
The Virginia Municipal Liability Pool	
Local Government Liability Coverage	1,000,000
The Virginia Municipal Liability Pool	
Automobile Coverage	1,000,000
The Virginia Municipal Liability Pool	
No Fault Property Coverage	10,000
The Virginia Municipal Liability Pool	
Excess Liability Coverage	10,000,000
The Virginia Municipal Liability Pool	
Boiler and Machinery Coverage	1,000,000
The Virginia Municipal Liability Pool	
Fidelity/Crime Coverage	980,000
Forgery	250,000
Hartford Insurance Company	
Flood Insurance - Warehouse	500,000
Ace American Insurance Company	
Student Accident Insurance - Coordinated with VHSLCI	1,000,000
Safety National	
Workers' Compensation Employer's Liability Maximum	1,000,000
SunLife	
Stop loss carrier for health insurance	5,000,000

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STATISTICAL SECTION

(Unaudited)



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INTRODUCTION TO THE STATISTICAL SECTION

The Statistical Section of the Comprehensive Annual Financial Report for the School Board of the City of Roanoke, Virginia, presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the School Board's overall financial condition.

Contents	Page
Financial Trends	76-79
These schedules contain trend information to help the reader understand how the School Board's financial performance and well-being have changed over time.	
Revenue Capacity	80-83
These schedules contain information to help the reader assess the School Board's most significant local revenue source.	
Debt Capacity	84-88
The City of Roanoke levies taxes for the School Board operation and issues debt for School Board capital projects. These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Indicators	89
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School Board's financial activities take place.	
Operating Information	90-93
These schedules contain service and infrastructure data to help the reader understand how the information in the School Board's financial report relates to the services provided and the activities it performs.	

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

Table 1

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

	Invested in Capital Assets	Unrestricted	Total Net Assets
Fiscal Year 2003	\$ 3,844,924	\$ 1,256,217	\$ 5,101,141
Fiscal Year 2004	4,346,911	(975,855)	3,371,056
Fiscal Year 2005	3,942,348	(1,798,711)	2,143,637
Fiscal Year 2006	4,226,716	(2,840,751)	1,385,965
Fiscal Year 2007	4,594,989	2,929,159	7,524,148
Fiscal Year 2008	4,682,939	1,864,686	6,547,625
Fiscal Year 2009	4,137,983	4,945,470	9,083,453
Fiscal Year 2010	2,904,199	6,892,489	9,796,688
Fiscal Year 2011	2,799,326	19,619,040	22,418,366
Fiscal Year 2012	2,787,940	32,877,524	35,665,464

Source: Statement of Net Assets (Exhibit 1).

Table 2

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses:										
Instruction	\$ 108,920,537	\$ 107,067,285	\$ 109,338,130	\$111,483,779	\$110,294,480	\$ 103,824,545	\$ 103,021,806	\$ 102,115,635	\$ 91,770,166	\$ 86,242,125
Administration	10,847,658	8,032,822	11,206,444	10,017,243	9,197,034	7,053,154	6,399,423	6,106,188	5,097,243	4,723,119
Attendance & Health Services	3,998,564	2,279,228	1,709,483	3,414,687	2,319,315	2,145,467	1,993,858	1,807,576	1,604,137	1,565,314
Transportation	10,024,200	9,159,765	8,848,642	8,046,245	7,150,856	6,645,788	6,467,602	6,120,680	5,026,432	4,611,357
Operation & Maintenance of Plant	13,060,376	14,861,138	15,256,459	16,058,753	17,480,443	15,008,538	13,546,369	12,621,110	11,424,738	11,020,895
Food Services	6,231,331	5,613,676	5,232,656	5,324,523	5,172,831	4,952,841	5,337,543	5,246,329	5,016,683	4,459,041
Athletics (1)	1,557,556	1,380,626	1,181,887	1,512,359	n/a	n/a	n/a	n/a	n/a	n/a
Facilities	-	-	-	-	3,874	44,730	526,357	381,666	370,552	556,345
Payments to Primary Government	16,348,972	9,710,060	10,031,481	8,932,913	9,029,155	8,225,021	6,531,023	5,228,689	5,835,409	5,696,456
Total Expenses	170,989,194	158,104,600	162,805,182	164,790,502	160,647,988	147,900,084	143,823,981	139,627,873	126,145,360	118,874,452
Program revenues:										
Charges for services:										
Instruction	3,299,018	3,126,427	2,867,222	2,883,589	3,031,069	2,581,920	2,662,269	2,499,837	2,743,943	2,834,679
Administration	49,577	1,768,215	493,428	-	-	-	-	-	-	-
Technology	-	-	3,600	-	-	-	-	-	-	-
Transportation	63,840	209,661	154,061	974,079	569,552	763,741	570,918	603,130	899,515	541,305
Operations & maintenance	43,041	110,030	204,473	54,713	101,219	122,329	82,819	164,087	136,431	104,782
Food Services	1,269,261	1,138,961	1,248,571	1,368,128	1,316,086	1,449,759	1,503,183	1,511,244	1,445,317	1,460,066
Athletics (1)	184,231	213,882	179,060	110,995	n/a	n/a	n/a	n/a	n/a	n/a
Operating grants and contributions	50,542,428	46,888,580	43,808,957	40,880,659	35,050,367	34,501,837	32,931,331	33,014,220	28,463,380	26,890,959
Total revenues	55,451,396	53,455,756	48,959,372	46,272,163	40,068,293	39,419,586	37,750,520	37,792,518	33,688,586	31,831,791
Net expense	(115,537,798)	(104,648,844)	(113,845,810)	(118,518,339)	(120,579,695)	(108,480,498)	(106,073,461)	(101,835,355)	(92,456,774)	(87,042,661)
General revenues:										
Payments from the City of Roanoke	78,351,405	70,232,036	63,441,557	62,506,419	62,392,633	58,669,043	55,843,100	52,676,279	49,520,072	47,408,556
State aid	49,125,626	45,907,251	49,941,848	58,370,478	56,730,226	55,710,091	49,286,548	47,821,217	41,044,412	39,859,092
Grants not restricted to a specific program	18,695	23,074	8,197	25,473	151,158	113,331	144,281	79,630	62,897	115,863
Interest Income on Investments	35,626	-	-	-	-	-	-	-	-	-
Miscellaneous	1,253,544	791,469	144,787	151,797	329,155	126,216	41,860	30,810	99,308	97,332
Special Item - Gain from sale of transportation vehicles and equipment	-	-	1,022,656	-	-	-	-	-	-	-
Special Item - OPEB reduction in payable	-	316,692	-	-	-	-	-	-	-	-
Total general revenues	128,784,896	117,270,522	114,559,045	121,054,167	119,603,172	114,618,681	105,315,789	100,607,936	90,726,689	87,480,843
Change in net assets	\$ 13,247,098	\$ 12,621,678	\$ 713,235	\$ 2,535,828	\$ (976,523)	\$ 6,138,183	\$ (757,672)	\$ (1,227,419)	\$ (1,730,085)	\$ 438,182

Source: Statement of Activities (Exhibit 2).

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

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

	2003	2004	2005	2006	2007	2008	2009	2010
Pre-GASB 54 implementation:								
General Fund								
Reserved	\$ 1,623,261	\$ 1,308,277	\$ 998,897	\$ 800,201	\$ 1,638,071	\$ 929,971	\$ -	\$ -
Unreserved	2,720,509	1,130,020	713,693	333,783	4,975,948	7,389,857	10,787,998	9,988,445
Total General Fund	\$ 4,343,770	\$ 2,438,297	\$ 1,712,590	\$ 1,133,984	\$ 6,614,019	\$ 8,319,828	\$ 10,787,998	\$ 9,988,445
All Other Governmental Funds								
Reserved	\$ 25,824	\$ 36,234	\$ 3,448	\$ 3,831	\$ 179,985	\$ 9,708	\$ -	\$ -
Unreserved	410,937	144,782	103,370	147,922	260,560	764,436	1,111,426	2,817,037
Total all other governmental funds	\$ 436,761	\$ 181,016	\$ 106,818	\$ 151,753	\$ 440,545	\$ 774,144	\$ 1,111,426	\$ 2,817,037
Post-GASB 54 implementation:								
General Fund								
Nonspendable	\$ 738,964	\$ 944,422						
Committed	8,909,493	12,160,042						
Assigned	-	-						
Unassigned	12,704,697	22,791,837						
Total General Fund	\$ 22,353,154	\$ 35,896,301						
All Other Governmental Funds								
Nonspendable	\$ -	\$ -						
Committed	36,082	57,922						
Assigned	3,149,862	2,989,357						
Unassigned	-	-						
Total all other governmental funds	\$ 3,185,944	\$ 3,047,279						

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

* As restated

Table 4

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
City of Roanoke	\$ 78,351,405	\$ 70,232,036	\$ 63,441,557	\$ 62,506,419	\$ 62,392,633	\$ 58,669,043	\$ 55,843,100	\$ 52,676,279	\$ 49,520,072	\$ 47,408,556
Commonwealth of Virginia	68,876,360	66,050,074	70,342,651	81,114,482	76,428,772	74,587,049	65,915,136	64,862,765	54,679,988	54,933,778
Federal Government	29,877,473	26,373,082	23,035,591	17,578,897	15,502,981	15,738,210	16,447,023	16,052,301	14,890,701	11,932,136
Charges for services	4,724,737	6,263,751	2,537,590	5,280,509	5,017,926	4,880,917	4,811,690	4,763,299	5,184,640	4,782,837
Other	2,899,317	1,919,914	3,686,084	846,023	329,153	163,048	49,360	45,810	139,874	255,327
Total revenue	184,731,292	170,838,857	163,043,473	167,326,330	159,671,465	154,038,267	143,066,309	138,400,454	124,415,275	119,312,634
Expenditures:										
Current:										
Instruction	\$ 113,318,331	\$ 108,674,725	\$ 110,508,021	\$ 115,776,687	\$ 111,709,321	\$ 107,462,621	\$ 104,612,255	\$ 104,002,373	\$ 92,366,363	\$ 88,613,442
Administration, Administration & Health	10,934,995	10,098,271	11,168,822	11,325,604	9,181,383	6,313,487	5,756,182	5,129,549	4,178,997	3,851,871
Transportation	9,969,049	9,159,765	8,848,642	8,147,387	6,530,019	6,318,760	6,237,424	5,602,079	4,616,314	4,134,463
Operation & Maintenance of Plant	12,964,536	13,468,118	15,161,689	15,021,466	16,107,669	14,170,006	12,424,146	12,176,055	10,875,942	10,494,655
Food Services	6,227,606	5,613,676	5,236,873	5,321,241	4,957,128	4,896,238	5,163,903	5,140,583	4,747,977	4,301,686
Athletics (1)	1,563,321	1,380,626	1,181,887	1,512,359	n/a	n/a	n/a	n/a	n/a	n/a
Facilities Capital Outlay	-	-	-	70,212	117,382	883,307	2,875,047	1,921,031	3,955,491	1,908,316
Payments to Roanoke City	16,348,972	9,710,060	10,031,481	8,932,913	9,029,155	8,225,021	6,531,023	5,228,689	5,835,409	5,696,456
Total expenditures	171,326,810	158,105,241	162,137,415	166,107,869	157,632,057	148,269,440	143,599,980	139,200,359	126,576,493	119,000,889
Excess (deficiency) of revenues over (under) expenditures	13,404,482	12,733,616	906,058	1,218,461	2,039,408	5,768,827	(533,671)	(799,905)	(2,161,218)	311,745
Other financing sources (uses):										
Transfers from Other Funds	\$ 2,727,714	\$ 1,278,650	\$ 2,929,796	\$ 1,276,260	\$ 931,444	\$ 836,606	\$ 1,245,652	\$ 2,404,928	\$ 2,053,094	\$ 2,124,000
Transfers to Other Funds	(2,727,714)	(1,278,650)	(2,929,796)	(1,276,260)	(931,444)	(836,606)	(1,245,652)	(2,404,928)	(2,053,094)	(2,124,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Change in fund balances	\$ 13,404,482	\$ 12,733,616	\$ 906,058	\$ 1,218,461	\$ 2,039,408	\$ 5,768,827	\$ (533,671)	\$ (799,905)	\$ (2,161,218)	\$ 311,745

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

Information is presented on a modified accrual basis of accounting.

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

Table 5

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

Regional Tuition - General Fund			Charges for Services - Food Services		
Annual Payment Received			Local Breakfast/Lunch Fees		
2003	\$	1,700,301	2003	\$	1,460,066
2004		1,799,644	2004		1,445,317
2005		1,614,549	2005		1,511,244
2006		1,456,753	2006		1,503,183
2007		1,662,137	2007		1,449,759
2008		2,183,557	2008		1,316,086
2009		1,990,872	2009		1,368,128
2010		2,169,750	2010		1,248,572
2011		2,500,940	2011		1,138,961
2012		2,758,907	2012		1,269,261

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

Table 6
Unaudited

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Total Tax Levies	\$ 112,137,112	\$ 111,848,884	\$ 110,098,047	\$ 110,034,071	\$ 106,316,893	\$ 101,301,039	\$ 94,754,245	\$ 88,719,548	\$ 82,947,318	\$ 78,984,813
Current Tax Collections	103,693,219	102,130,123	100,833,008	98,726,769	95,621,945	89,761,174	83,902,929	78,489,950	72,835,920	68,960,191
Current Tax Collections - State Share (1)	8,075,992	8,075,992	8,075,992	8,075,992	8,073,460	8,089,164	7,789,896	8,147,634	7,551,379	7,920,717
Delinquent Tax Collections	2,153,199	2,333,454	2,186,663	3,450,543	3,362,031	3,323,515	2,544,365	2,709,780	2,510,372	2,888,925
Delinquent Tax Collections - State Share (1)	-	-	-	-	-	32,383	172,172	178,186	138,153	123,180
Total Tax Collections	\$ 113,922,410	\$ 112,539,569	\$ 111,095,663	\$ 110,253,304	\$ 107,057,436	\$ 101,206,236	\$ 94,409,362	\$ 89,525,550	\$ 83,035,824	\$ 79,893,013
Current Tax Collections As										
Percent of Levies	99.67%	98.53%	98.92%	97.06%	97.53%	96.59%	96.77%	97.65%	96.91%	97.34%
Total Tax Collections As										
Percent of Levies (2)	101.59%	100.62%	100.91%	100.20%	100.70%	99.91%	99.64%	100.91%	100.11%	101.15%

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

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

Source: City of Roanoke, Department of Finance

Table 7
Unaudited

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

Year	REAL PROPERTY				PERSONAL PROPERTY				PUBLIC SERVICE CORPORATIONS				Total Assessed Value
	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	
2003	4,251,342,652	4.89%	4,251,342,652	1.00	685,231,130	(0.48%)	#####	0.60	320,712,924	3.24%	328,933,905	0.975	5,257,286,706
2004	4,558,900,600	7.23%	4,558,900,600	1.00	675,390,754	(1.44%)	#####	0.60	372,880,650	16.27%	378,299,578	0.986	5,607,172,004
2005	4,912,403,589	7.75%	4,912,403,589	1.00	731,086,348	8.25%	#####	0.60	333,486,044	(10.56%)	338,499,005	0.985	5,976,975,981
2006	5,351,633,570	8.94%	5,351,633,570	1.00	762,403,478	4.28%	#####	0.60	303,859,616	(8.88%)	308,722,893	0.984	6,417,896,664
2007	5,834,424,939	9.02%	5,834,424,939	1.00	818,058,932	7.30%	#####	0.60	310,606,990	2.22%	316,097,815	0.983	6,963,090,861
2008	6,256,495,314	7.23%	6,256,495,314	1.00	836,674,524	2.28%	#####	0.60	314,604,888	1.29%	321,271,916	0.979	7,407,774,726
2009	6,564,294,962	4.92%	6,564,294,962	1.00	809,722,606	(3.22%)	#####	0.60	335,086,164	6.51%	341,586,222	0.981	7,709,103,732
2010	6,698,391,113	2.04%	6,698,391,113	1.00	758,872,026	(6.28%)	#####	0.60	359,212,368	7.20%	360,848,221	0.995	7,816,475,507
2011	6,801,971,286	1.55%	6,801,971,286	1.00	769,951,558	1.46%	#####	0.60	353,515,462	(1.59%)	357,281,499	0.989	7,925,438,306
2012	6,765,460,240	(0.54%)	6,765,460,240	1.00	816,148,651	6.00%	#####	0.60	360,309,314	(1.92%)	360,309,314	1.000	7,941,918,205

Source: City of Roanoke, Department of Finance

Table 8
Unaudited

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

Year	REAL PROPERTY		PERSONAL PROPERTY		PUBLIC SERVICE CORPORATIONS		Total Tax Levies
	Tax Rate	Levy	Tax Rate	Levy	Tax Rate	Levy	
	Per \$100		Per \$100		Per \$100		
2003	1.21	51,440,874	3.45	23,640,474 (1)	1.21	3,903,465	78,984,813
2004	1.21	55,162,380	3.45	23,300,981 (1)	1.21	4,483,957	82,947,318
2005	1.21	59,439,602	3.45	25,222,479 (1)	1.21	4,057,467	88,719,548
2006	1.21	64,754,545	3.45	26,302,920 (1)	1.21	3,696,780	94,754,245
2007	1.19 (2)	69,429,439	3.45	28,163,083 (1),(3)	1.19 (2)	3,708,517	101,301,038
2008	1.19	74,451,741	3.45	28,100,133 (1)	1.19	3,765,019	106,316,893
2009	1.19	78,114,892	3.45	27,925,972 (1)	1.19	3,993,207	110,034,071
2010	1.19	79,710,636	3.45	26,141,385 (1)	1.19	4,246,026	110,098,047
2011	1.19	80,943,458	3.45	27,385,166 (1)	1.19	4,231,507	112,560,131
2012	1.19	80,508,977	3.45	27,311,532 (1)	1.19	4,316,603	112,137,112

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

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

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

Source: City of Roanoke, Department of Finance

Table 9
Unaudited

CITY OF ROANOKE, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
COMPARISON OF JUNE 30, 2012 AND JUNE 30, 2003

Taxpayer	Description	2012			2003		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Carilion Healthcare	Healthcare Provider	\$213,234,881	1	2.71%	\$ -	-	-
Appalachian Power	Public Utility	124,033,424	2	1.58%	71,301,361	2	1.36%
Norfolk Southern Railway	Transportation	105,738,441	3	1.35%	69,094,970	3	1.32%
Valley View Mall LLC	Shopping Mall	74,940,200	4	0.95%	-	-	-
Verizon Virginia, Inc	Communications	54,429,194	5	0.69%	79,437,253	1	1.51%
Steel Dynamics Roanoke Division	Primary Metals	35,676,545	6	0.45%	23,453,924	7	0.45%
Roanoke Gas Company	Public Utility	30,796,449	7	0.39%	-	-	-
Maple Leaf Bakery	Bakery	29,092,678	8	0.37%	-	-	-
Advance Auto Parts	Auto Parts	25,038,491	9	0.32%	20,606,223	9	0.39%
Mozart Investments Inc.	Aircraft	20,086,950	10	0.26%	-	-	-
Spectacle Lens	Eyecare Professionals	-	-	-	29,081,589	5	0.55%
Faison Roanoke Office Limited	Office Building	-	-	-	26,563,400	6	0.51%
Hotel Roanoke	Hotel	-	-	-	20,662,713	8	0.39%
Hersh 1999 Ltd Partnership	Shopping Mall	-	-	-	49,747,070	4	0.95%
IHC (Wyndham)	Hotel	-	-	-	18,100,500	10	0.34%
		<u>\$713,067,253</u>		<u>9.07%</u>	<u>\$ 408,049,003</u>		<u>7.77%</u>

Source: City of Roanoke, Commissioner of the Revenue

Table 10
Unaudited

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

Calendar Year	Total Retail Sales (1)
2003	\$ 1,621,479,275
2004	1,712,570,484
2005	1,599,236,967
2006	1,876,508,609
2007	1,900,930,872
2008	1,925,487,309
2009	1,692,267,903
2010	1,676,331,018
2011	1,649,614,469
2012 through June	429,800,492

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

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

Fiscal Year	Population (A)	Total Estimated Value	Gross Bonded Debt (D)	Bonds Supported by		Bonds Supported By Hotel Roanoke, LLC (E)	Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
				Bonds Supported by Enterprise Funds (C)(D)	Bonds Supported by Western Virginia Water Authority					
2003	93,100	#####	\$228,050,952	\$ 44,517,751	\$ -	-	\$ 14,436,613	\$ 169,096,588	2.96%	\$ 1,816.29
2004	92,900	6,062,851,434	223,671,734	41,504,678	-	-	15,061,934	167,105,122	2.76%	1,798.76
2005	92,671	6,469,379,840	256,369,208	7,818,130	33,435,000	-	988,465 (B)	214,127,613	3.31%	2,310.62
2006	92,994	6,931,028,926	281,808,817	9,863,867	31,315,992	-	1,063,737	239,565,221	3.46%	2,576.14
2007	93,048	7,513,954,307	274,026,551	9,160,142	28,924,766	-	1,021,667	234,919,976	3.13%	2,524.72
2008	93,734	7,972,224,770	298,775,968	10,974,761	26,596,538	-	1,143,782	260,060,887	3.26%	2,774.46
2009	94,482	8,255,418,861	304,071,803	15,160,308	24,255,948	-	1,161,895	263,493,652	3.19%	2,788.82
2010	97,032	8,324,026,044	283,602,637	15,632,575	21,987,683	-	1,213,260	244,769,119	2.94%	2,522.56
2011	97,206 (est)	8,442,505,382	277,658,304	14,627,811	19,875,450	1,355,000	1,133,011	240,667,032	2.85%	2,475.85
2012	97,206 (est)	8,486,017,306	260,590,860	13,541,712	17,558,082	910,000	1,317,554	227,263,512	2.68%	2,337.96

Source (A) Weldon - Cooper Center for Public Service

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

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

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

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

Table 12
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2012

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

Total Assessed Value of Real Estate, 2012 (1)		<u>\$6,765,460,240</u>
Legal Debt Limit: 10% of \$6,801,971,280		676,546,024
Debt applicable to limitation:		
General Obligation Serial Bonds - Governmental Activities	\$ 170,927,717	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	17,558,082	
Section 108 Loan Hotel Roanoke Conference Center Commission (HRCCC)	910,000	
Qualified Zone Academy Bonds (QZAB)	1,618,197	
State Literary Fund Loans	2,440,000	
Virginia Public School Authority (VPSA) School Bonds	40,825,297	
Civic Facilities Enterprise Fund - Business-Type Activities	12,904,200	
Deferred Bond Costs - Civic Facilities Enterprise Fund Debt	(134,345)	
Parking Enterprise Fund Supported Debt - Business-Type Activities	13,867,000	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	(325,288)	
Total Debt	<u>260,590,860</u>	
Less: Available in Debt Service Fund	(1,317,805)	
WVWA Supported Debt	(17,558,082)	
HRCCC Supported Debt	(910,000)	
Parking Enterprise Fund Supported Debt	(13,867,000)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	<u>325,288</u>	
Legal Debt Margin		<u><u>\$ 227,263,261</u></u>
		<u><u>\$ 449,282,763</u></u>

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

Table 13
Unaudited

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures (1)	Percent of Debt Service to General Expenditures
2002-03	12,083,145	9,681,287	21,764,432	252,841,855	8.6%
2003-04	11,255,346	7,882,228	19,137,574	268,406,972	7.1%
2004-05	12,283,849	7,860,775	20,144,624	284,024,496	7.1%
2005-06	(3) 14,765,894	9,357,973	24,123,867	298,166,075	8.1%
2006-07	17,493,085	10,549,172	28,042,257	318,422,477	8.8%
2007-08	18,181,973	9,880,643	28,062,616	334,448,507	8.4%
2008-09	20,480,823	11,121,043	31,601,866	340,360,591	9.3%
2009-10	21,869,664	11,436,671	33,306,335	324,345,350	10.3%
2010-11	19,093,669	10,346,300	29,439,969	314,114,285	9.3%
2011-12	21,033,664	10,338,250	31,371,914	317,618,525	9.9%

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

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

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

Table 14

THE SCHOOL BOARD OF THE CITY OF ROANOKE VIRGINIA
Table of Outstanding Debt Incurred by the City of Roanoke
for Roanoke City Public School Projects
June 30, 2012
(Unaudited)

	Interest Rates	Issue Date	Maturity Date	Issue Amount Designated for School Improvements	Balance as of June 30, 2012
General Obligation Bonds, RCPS Portion					
Series 2002A Public Improvement Bonds	3.00% - 5.25%	2/21/2002	10/1/2012	\$ 12,800,000	\$ 695,000
Series 2004 Refunding Bonds	2.00% - 5.00%	2/25/2004	10/1/2019	12,457,340	6,890,335
Series 2004A Refunding Bonds	2.00% - 3.63%	3/11/2004	8/1/2017	2,769,626	1,392,666
Series 2004B Public Improvement Bonds	3.00% - 5.25%	11/23/2004	2/1/2025	25,000,000	3,750,000
Series 2006A Public Improvement Bonds	3.50% - 5.00%	2/8/2006	2/1/2026	14,250,000	6,410,000
Series 2006C Public Improvement Bonds	3.50% - 4.23%	5/4/2006	8/1/2012	572,636	136,975
Series 2008 Public Improvement Bonds	3.25% - 5.00%	2/5/2008	2/1/2033	39,740,000	28,620,000
Series 2010A Refunding Bonds	2.00% - 5.00%	3/11/2010	10/1/2021	18,955,400	18,955,400
Series 2010 C Refunding Bonds	2.00% - 4.00%	8/11/2010	7/15/2015	669,300	669,300
Series 2010C Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	2,459,100	2,407,180
Total General Obligation Bonds:				129,673,402	69,926,856
School Fund Bonds and Loans					
Virginia Public School Authority-Series 1991A	6.10% - 6.60%	7/1/1991	7/15/2011	1,654,827 (1)	-
Virginia Public School Authority-Series 1992A	4.90% - 6.35%	12/10/1992	7/15/2012	2,171,447 (2)	123,480
Virginia Public School Authority-Series 1994B	6.25% - 6.75%	11/1/1994	7/15/2014	1,679,413 (3)	289,071
Virginia Public School Authority-Series 1995C	5.10% - 6.10%	12/21/1995	7/15/2015	4,006,579 (4)	861,925
Virginia Public School Authority-Series 1996B	5.10% - 6.10%	11/14/1996	7/15/2016	4,512,217 (5)	1,214,897
Virginia Public School Authority-Series 1997	4.35% - 5.35%	11/1/1997	7/15/2017	4,578,704 (6)	1,450,834
Virginia Public School Authority-Series 1998A	3.60% - 5.10%	11/19/1998	7/15/2018	5,000,000	1,750,000
Virginia Public School Authority-Series 1998B	3.60% - 5.10%	11/19/1998	7/15/2018	1,182,212 (7)	423,079
Virginia Public School Authority-Series 1999A	5.10% - 6.10%	11/18/1999	7/15/2019	3,100,000 (8)	1,240,000
Virginia Public School Authority-Series 1999B	5.10% - 6.10%	11/18/1999	7/15/2019	1,091,854 (9)	464,468
Virginia Public School Authority - Series 2000B	4.97% - 5.85%	11/16/2000	7/15/2020	2,504,568 (10)	1,184,670
Virginia Public School Authority - Series 2000B.1	4.97% - 5.85%	11/16/2000	7/15/2020	1,730,421 (11)	818,498
Virginia Public School Authority - Series 2000B.2	4.97% - 5.85%	11/16/2000	7/15/2020	1,730,421 (12)	818,498
Virginia Public School Authority - Series 2001B	3.10% - 5.35%	11/15/2001	7/15/2021	2,594,691 (13)	1,329,629
Virginia Public School Authority - Series 2001B	3.10% - 5.35%	11/15/2001	7/15/2021	2,358,808 (14)	1,208,753
Virginia Public School Authority - Series 2003C	3.10% - 5.35%	11/6/2003	7/15/2023	4,595,399 (15)	2,839,271
Virginia Public School Authority - Series 2004B	4.10% - 5.60%	11/1/2004	1/15/2025	1,118,756 (16)	768,032
Virginia Public School Authority - Series 2005D	4.60% - 5.10%	11/10/2005	7/15/2025	992,464 (17)	724,208
Virginia Public School Authority - Series 2005D	4.60% - 5.10%	11/11/2005	7/15/2025	3,291,459 (18)	2,401,754
Virginia Public School Authority - Series 2006B	4.22% - 5.10%	11/9/2006	7/15/2026	1,945,000	1,445,000
Virginia Public School Authority - Series 2006B	4.22% - 5.10%	11/9/2006	7/15/2026	6,573,600 (19)	5,099,603
Virginia Public School Authority - Series 2007A	4.10% - 5.10%	5/10/2007	7/15/2027	3,345,000 (20)	2,665,000
Virginia Public School Authority - Series 2008B	3.60% - 5.35%	12/11/2008	7/15/2028	6,350,705 (21)	5,481,627
Virginia Public School Authority - Series 2008B	3.60% - 5.35%	12/11/2008	7/15/2028	10,580,000	8,990,000
Total Virginia Public School Authority Bonds:				78,688,545	43,592,297
Literary Fund Loan-Morningside Elementary School	4.00%	8/1995	9/1/2015	2,090,000	440,000
Literary Fund Loan-Lucy Addison Middle School	4.00%	10/1999	10/01/2019	5,000,000	20,000,000
Total Literary Fund Loan Bonds:				7,090,000	20,440,000
Qualified Zone Academy Bond- Roanoke Academy	0%	12/20/2000	12/20/2013	1,291,618 (22)	198,710
Qualified Zone Academy Bond - Lincoln Terrace	0%	11/01/2002	10/31/2016	800,000	333,460
Qualified Zone Academy Bond - Fallon Park	0%	12/29/2004	12/29/2020	439,100	272,574
Qualified Zone Academy Bond - Patrick Henry High S	0%	12/27/2006	12/27/2022	1,097,571	813,453
Total Qualified Zone Academy Bonds:				3,628,289	1,618,197
Qualified School Construction Bonds-Elementary Schools	0%	7/8/2010	6/1/2027	1,135,000 (23)	1,005,000
Total Qualified School Construction Bonds				1,135,000	1,070,000
Total Outstanding Bonded Debt				\$ 220,215,236	\$ 136,647,350

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

Table 14 (continued)

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

- (1) \$1,000,000 proceeds received but repayment of only \$ 800,000 required.
- (2) \$2,005,500 proceeds received but repayment of only \$1,654,827 required.
- (3) \$2,494,500 proceeds received but repayment of only \$2,171,447 required.
- (4) \$2,000,000 proceeds received but repayment of only \$1,679,413 required.
- (5) \$4,400,000 proceeds received but repayment of only \$4,006,579 required.
- (6) \$5,000,000 proceeds received but repayment of only \$4,512,217 required.
- (7) \$5,000,000 proceeds received but repayment of only \$4,578,704 required.
- (8) \$1,200,000 proceeds received but repayment of only \$1,182,212 required.
- (9) \$3,250,000 proceeds received but repayment of only \$3,100,000 required.
- (10) \$1,250,000 proceeds received but repayment of only \$1,091,854 required.
- (11) \$2,750,000 proceeds received but repayment of only \$2,504,568 required.
- (12) \$1,900,000 proceeds received but repayment of only \$1,730,421 required.
- (13) \$1,900,000 proceeds received but repayment of only \$1,730,421 required.
- (14) \$2,750,000 proceeds received but repayment of only \$2,594,691 required.
- (15) \$2,500,000 proceeds received but repayment of only \$2,358,808 required.
- (16) \$5,000,000 proceeds received but repayment of only \$4,595,399 required.
- (17) \$1,300,000 proceeds received but repayment of only \$1,118,756 required.
- (18) \$1,160,900 proceeds received but repayment of only \$ 992,464 required.
- (19) \$3,850,000 proceeds received but repayment of only \$3,291,459 required.
- (20) \$7,500,000 proceeds received but repayment of only \$6,573,600 required.
- (21) \$3,506,706 proceeds received but repayment of only \$3,345,000 required.
- (22) \$7,500,000 proceeds received but repayment of only \$6,350,705 required.
- (23) Annual payments on Qualified Zone Academy Bonds are made to a sinking fund. No interest is accrued on this debt.
- (24) Qualified School Construction Bonds have an effective interest rate of 0% as the interest remitted at payment dates is refunded to the School District.

Table 15
Unaudited

CITY OF ROANOKE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2010-11 (1)	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Debt Limit	\$ 680,197,128	\$ 669,839,111	\$ 656,429,496	\$ 625,649,531	\$ 583,442,494	\$ 535,163,357	\$ 491,240,359	\$ 455,890,060	\$ 426,377,702	\$ 409,353,757
Total Net Debt Applicable to Limit	240,667,032	244,769,119	263,493,652	260,060,887	234,919,976	239,565,221	214,127,613	171,889,360	169,096,588	181,095,412
Legal Debt Margin	\$ 439,530,096	\$ 425,069,992	\$ 392,935,844	\$ 365,588,644	\$ 348,522,518	\$ 295,598,136	\$ 277,112,746	\$ 284,000,700	\$ 257,281,114	\$ 228,258,345
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	35.38%	36.54%	40.14%	41.57%	40.26%	44.76%	43.59%	37.70%	39.66%	44.24%

(1) The City's financial policies were revised November 1, 2010 to include real estate, personal and public service assessed property to compute the debt margin. Prior years included only assessed real estate property.

Source: City of Roanoke, Department of Finance

Table 16
Unaudited

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

Fiscal Year	Population (1)	Per Capita Income (2)	Personal Income	School Enrollment (3)	Local Unemployment Rate (4)	National Unemployment Rate (5)
2002-03	93,100	29,475 (est.)	2,470,408,500	13,004	4.6%	6.5%
2003-04	92,900	31,370 (est.)	2,900,194,000	12,861	4.0%	5.8%
2004-05	92,671	32,169 (est.)	2,975,832,000	12,712	3.7%	5.2%
2005-06	92,994	33,684 (est.)	3,118,622,000	12,587	3.3%	4.8%
2006-07	93,048	37,005 (est.)	3,443,232,000	12,256	3.2%	4.7%
2007-08	93,734	39,190 (est.)	3,673,418,000	12,286	3.9%	5.7%
2008-09	94,482	38,276 (est.)	3,714,521,000	12,303	7.7%	9.7%
2009-10	97,032	37,506 (est.)	3,639,282,192	12,266	7.4%	9.6%
2010-11	97,032 (est.)	38,541 (est.)	3,739,710,312	12,262	6.7%	9.3%
2011-12	96,714 (est.)	38,541 (est.)	3,727,454,274	13,006	6.5%	8.4%

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

(2) Source: Bureau of Economic Analysis; last updated April, 2012 for 2010.

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

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

(5) Source: Bureau of Labor Statistics

Table 17
Unaudited

**CITY OF ROANOKE, VIRGINIA
PRINCIPAL EMPLOYERS
COMPARISON AS OF DECEMBER 31, FISCAL YEARS 2012 AND 2003**

Employer	December 31, 2011			December 31, 2002		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Carilion Roanoke Memorial Hospital	1	Private	1,000+	1	Private	1,000+
Roanoke City Public Schools	2	Local Govt.	1,000+	2	Local Govt.	1,000+
City of Roanoke	3	Local Govt.	1,000+	3	Local Govt.	1,000+
Carilion Services	4	Private	1,000+	5	Private	1,000+
Wal-Mart	5	Private	500-999	9	Private	500-999
United Parcel Service	6	Private	500-999	7	Private	500-999
Virginia Western Community College	7	State Govt.	500-999	13	State Govt.	500-999
Kroger	8	Private	500-999	10	Private	500-999
United States Postal Service	9	Federal Govt.	500-999	6	Federal Govt.	500-999
Advance Auto Parts	10	Private	500-999	4	Private	500-999
Anthem (Blue Cross & Blue Shield)	-	-	-	8	Private	500-999

Source: Virginia Employment Commission (VEC)

Table 18

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Average Daily Membership	13,006	12,262	12,266	12,303	12,286	12,256	12,587	12,712	12,861	13,004
Total Graduates	746	776	698	686	675	686	666	668	633	656
Dropout Rate Percentage	5.37%	4.03%	6.06%	5.40%	5.72%	4.06%	3.83%	4.04%	3.40%	3.99%
Student Attendance Rate	94%	94%	94%	94%	94%	94%	94%	94%	95%	95%
Total Per Pupil Cost	\$ 11,328	\$11,083	\$11,227	\$11,615	\$12,830	\$12,098	\$11,409	\$10,950	\$9,945	\$8,556
Local Composite Index of Ability to Pay	37%	39%	35.82%	34.20%	37.63%	37.63%	37.65%	37.65%	39.49%	39.49%
Average Teacher Salary	\$ 43,654	\$44,425	\$43,276	\$46,727	\$47,416	\$47,447	\$45,904	\$44,305	\$42,474	\$41,519
Instructional Positions per 1,000 Students	87.7	87.4	87.1	87.2	89.2	89.4	84.4	86.2	81.9	80.0

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

Table 19

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Superintendent	1	1	1	1	1	1	1	1	1	1
Asst. Supt./Executive	6	7	7	5	5	6	5	6	5	5
Director/Supervisor	33	36.0	36.8	29.0	32.0	30.9	30.5	23.9	24.2	24.9
Principal/Asst. Principal	54	52.8	52.0	58.0	43.0	46.7	49.5	51.4	49.1	48.8
Classroom Teacher	1034	1008.4	1,064.6	1,135.9	1,095.8	1,095.9	1,062.0	1,096.1	1,053.2	1,040.2
Guidance Counselor	41.1	38.5	44.0	54.4	60.9	63.2	63.1	59.7	57.4	47.4
Librarian	26	26.0	27.0	30.0	31.0	33.2	32.1	31.3	31.1	30.9
Other Professional	57	18.0	19.0	1.5	3.18	3.18	2	1	1	2.3
Clerical	96.5	97.8	91.0	108.0	103.1	120.7	124.2	118.3	117.4	112.9
Teacher Aides	313	340.6	321.1	283.5	288.5	292.2	307.2	292.2	273.5	280.6
Attendance & Health	1	41.9	42.2	32.7	33.8	30.6	29.7	32.5	30.4	29.4
Pupil Transportation	2	2	2	217.0	244.7	245.8	245.0	241.9	210.7	210.9
Maintenance of Plant	53	53.0	39.0	53.5	56.8	59.0	59.0	59.0	57.0	58.0
Operation of Plant	132.5	118.0	117.0	136.7	139.1	144.0	143.5	155.1	135.8	137.6
Food Services	108	102.0	99.0	161.0	135.2	99.8	118.3	146.5	117.4	104.2
Total Personnel	1,958.1	1,942.9	1,962.7	2,307.2	2,273.0	2,272.1	2,272.0	2,316.0	2,164.0	2,134.1

Source: Roanoke City Public Schools, Department of Human Resources

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

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Elementary Schools:										
Crystal Spring	63	65	58	59	51	44	43	40	30	33
Fairview	388	367	387	346	307	314	290	322	324	301
Fallon Park	517	522	480	494	472	448	397	436	466	374
Fishburn Park	132	143	112	198	172	166	145	131	111	143
Forest Park**	0	0	0	0	247	266	255	260	283	263
Garden City	232	218	239	202	176	177	178	165	196	182
Grandin Court	114	106	122	106	98	103	122	119	84	84
Highland Park	231	239	237	179	128	112	187	167	192	172
Huff Lane****	0	0	166	157	142	130	126	146	131	140
Hurt Park	282	258	269	221	169	163	226	215	232	215
Lincoln Terrace	222	169	250	206	174	190	164	173	154	145
Monterey	316	343	316	219	201	159	180	179	164	144
Morningside	214	223	216	266	247	226	231	198	191	214
Oakland***	0	0	0	137	119	107	105	99	137	122
Preston Park	245	217	222	185	187	184	173	184	163	164
Raleigh Court*	0	0	0	99	92	88	89	74	65	53
Roanoke Academy	411	448	302	356	291	309	239	281	270	252
Round Hill	419	429	201	186	177	180	201	182	176	164
Virginia Heights	253	265	214	203	169	167	173	161	178	183
Wasena	119	120	149	68	73	86	86	87	88	85
Westside	546	468	462	430	443	465	382	432	400	383
Middle Schools:										
Addison	431	398	392	338	331	337	365	336	345	344
Breckinridge	362	366	416	222	232	247	225	255	296	208
Jackson	401	394	434	283	279	275	327	332	342	319
Madison	285	279	294	163	163	185	230	226	242	227
Ruffner*	0	0	0	244	274	286	301	355	348	355
Wilson	260	237	244	233	265	259	261	257	266	211
High Schools:										
William Fleming	827	856	913	806	843	785	809	614	569	489
Forest Park Academy**	156	206	196	153	0	0	0	0	0	0
Patrick Henry	838	837	915	724	722	651	677	441	577	506
Noel Taylor Learning Center	86	92	105	0	0	0	129	149	76	79
Total Free Lunch Approvals	8,350	8,265	8,311	7,483	7,244	7,109	7,316	7,020	7,096	6,554
Total ADM	13,006	12,262	12,266	12,303	12,286	12,256	12,587	12,712	12,861	13,004
Percentage Free Lunch	64.20%	67.40%	67.76%	60.82%	58.96%	58.00%	58.12%	55.22%	55.17%	50.40%

* Raleigh Court Elementary and William Ruffner Middle School closed at the end of the 2008-09 school year
 ** Forest Park Elementary School closed at the end of the 2007-08 school year. Forest Park Academy opened in the same location for the 2008-09 school year
 *** Oakland Intermediate School was consolidated with Preston Park Primary School as a single K-5 elementary school beginning with the 2009-10 school year
 **** Huff Lane Elementary School was consolidated with Round Hill Elementary School beginning with the 2010-2011 school year

Source: Roanoke City Public Schools Department of Food and Nutrition

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

**Table 21
Unaudited**

School Description	Total Current Classrooms	Constructed Student Capacity	Current Useable Student Capacity	Enrollment FY2010-11	Enrollment FY2011-12	% Of Constructed Capacity	% Of Useable Capacity	Modular Buildings
Elementary Schools:								
Crystal Spring	17.0	425	408	377	364	86%	89%	0
Fairview	31.0	775	744	466	494	64%	66%	0
Fallon Park	41.0	850	984	560	549	65%	56%	3
Fishburn Park	30.0	750	720	250	228	30%	32%	0
Garden City	31.0	575	744	314	304	53%	41%	0
Grandin Court	20.0	525	480	361	359	68%	75%	0
Highland Park	21.0	525	504	400	373	71%	74%	0
Hurt Park	27.0	600	648	249	246	41%	38%	0
Lincoln Terrace	27.0	600	648	194	242	40%	37%	1
Monterey	31.0	775	744	531	484	62%	65%	1
Morningside	22.0	500	528	235	232	46%	44%	2
Preston Park	21.0	525	504	323	375	71%	74%	0
Roanoke Academy	30.0	750	720	356	327	44%	45%	0
Round Hill	21.0	475	504	430	449	95%	89%	3
Virginia Heights	20.0	425	480	322	335	79%	70%	1
Wasena	16.0	400	384	226	208	52%	54%	0
Westside	40.0	850	960	553	581	68%	61%	0
Middle Schools:								
Addison	43.0	1,075	1,032	507	548	47%	53%	0
Breckinridge	36.0	550	864	597	575	109%	67%	0
Jackson	34.0	775	816	516	500	67%	61%	0
Madison	39.0	900	936	570	602	63%	64%	0
Wilson	39.0	975	936	494	501	51%	54%	0
High Schools:								
William Fleming	85	2,100	2,040	1,569	1,546	74%	76%	0
Patrick Henry	92	2,059	2,208	2,013	1,905	92%	86%	0
Regional Program:								
Roanoke Valley Governor's School	10	160	240	273	274	171%	114%	0

Source: Roanoke City Public Schools Department of Fiscal Services

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

Table 22

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Table of Capital Assets by Location
June 30, 2012
(Unaudited)

Location	Land	Buildings and Structures	Equipment	Construction in Progress	Total
William Fleming High School	\$ 237,993	\$ 56,489,771	\$ 351,843	\$ 4,438,166	\$ 61,517,773
Patrick Henry High School	36,527	59,070,329	474,129	665,544	60,246,528
Lucy Addison Aerospace Middle School	12,015	13,554,543	100,984	-	13,667,542
James Breckinridge Middle School	37,500	7,289,448	137,089	-	7,464,037
Stonewall Jackson Middle School	36,005	6,638,573	126,929	-	6,801,508
James Madison Middle School	9,883	4,266,673	132,616	-	4,409,172
William Ruffner Operations Center	35,329	3,700,840	2,126,719	-	5,862,888
Woodrow Wilson Middle School	12,500	12,396,938	224,438	-	12,633,876
Crystal Spring School	153,444	3,412,430	141,974	-	3,707,848
Fairview School	21,566	5,138,963	167,827	-	5,328,356
Fallon Park School	13,700	4,004,300	96,716	416,387	4,531,103
Fishburn Park School	4,236	3,170,940	117,204	-	3,292,380
Forest Park School	27,992	3,900,287	55,732	-	3,984,010
Garden City School	26,850	3,538,423	123,144	-	3,688,416
Grandin Court School	33,700	2,441,708	166,088	398,589	3,040,085
Highland Park School	600	4,224,438	51,115	19,809	4,295,962
Huff Lane School	22,000	2,374,353	-	-	2,396,353
Hurt Park School	2,085	2,980,405	114,937	-	3,097,428
Lincoln Terrace School	18,000	2,998,860	142,779	-	3,159,639
Monterey School	15,000	4,576,268	96,818	198,342	4,886,428
Morningside School	22,700	2,521,936	174,265	776,664	3,495,565
Oakland School	78,727	2,063,579	23,386	-	2,165,692
Preston Park School	33,956	2,563,667	100,981	255,864	2,954,468
Raleigh Court School	18,750	1,151,547	-	-	1,170,297
Roanoke Academy for Math and Science	15,000	13,074,442	163,059	-	13,252,501
Round Hill School	47,790	1,199,431	41,758	-	1,288,979
Virginia Heights School	32,750	3,070,355	59,272	57,733	3,220,110
Wasena School	20,000	4,145,869	74,617	-	4,240,486
Westside School	45,000	6,799,826	154,159	155,539	7,154,523
Governor's School for Math and Science	-	3,990,506	133,077	-	4,123,583
Gibboney	-	-	242,143	-	242,143
School Administration	8,050	1,003,508	990,657	-	2,002,215
Warehouse	-	-	324,934	-	324,934
School Transportation	360,000	1,879,802	-	-	2,239,802
Total Capital Assets	<u>\$ 1,439,648</u>	<u>\$ 249,632,961</u>	<u>\$ 7,431,388</u>	<u>\$ 7,382,636</u>	<u>\$ 265,886,633</u>

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

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COMPLIANCE SECTION



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THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Period Ending June 30, 2012
(Unaudited)

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
<u>Department of Agriculture</u>			
Passed Through Commonwealth of Virginia Department of Agriculture:			
National School Lunch Program - Commodities (1)	--	10.555	\$ 337,080
			<u>\$ 337,080</u>
Passed Through Commonwealth of Virginia Department of Education:			
School Breakfast Program	--	10.553	\$ 1,202,387
			<u>\$ 1,202,387</u>
National School Lunch Program	--	10.555	\$ 3,761,111
			<u>\$ 3,761,111</u>
<u>Department of Defense</u>			
Direct Program:			
Selected Reserve Educational Assistance Program (ROTC)	--	12.609	\$ 102,760
			<u>\$ 102,760</u>
<u>Department of Education</u>			
Direct Programs:			
Title VIII - Impact Aid 2012		84.041	\$ 18,695
			<u>\$ 18,695</u>
Passed Through Commonwealth of Virginia Department of Education:			
Adult Basic Ed 2011	V002A090046	84.002	\$ 24,034
Adult Basic Ed 2012	V002A110047	84.002	\$ 170,571
			<u>\$ 194,605</u>
Title I-A Improving Basic Programs 2010	S010A090046	84.010	\$ -
Title I-A Improving Basic Programs 2011	S010A100046	84.010	\$ 3,114,439
Title I-A Improving Basic Programs 2012	S010A110046	84.010	\$ 5,184,305
Title I-A School Improvement 1003(a) 2011	124-S010A090046-42892	84.010	\$ 201,265
Title I-A School Improvement 1003(a) 2012	124-S010A100046-42892	84.010	\$ 116,615
Title I-A Distinguished School - Highland Park 2011	42999-124-S010A090046	84.010	\$ 6,694
			<u>\$ 8,623,318</u>
Title I-D SOP Detention Center Reading Prog 2011	S013A100046	84.013	\$ 29,609
			<u>\$ 29,609</u>
IDEA Part B, Section 611 Flow Through 2011	H027A100107	84.027	\$ 3,084,219
Virginia Incentive Program for Speech-Language Pathologists 2012	124-87138-H027A110107	84.027	\$ 15,000
			<u>3,099,219</u>
Perkins Act Fund 2011	V048A100046	84.048	\$ 2,999
Perkins Act Fund 2012	V048A110046	84.048	\$ 345,345
			<u>\$ 348,344</u>
IDEA Part B, Section 619 Preschool 2010	H173A090112	84.173	\$ 24,186
IDEA Part B, Section 619 Preschool 2011	H173A100112	84.173	\$ 88,994
			<u>\$ 113,180</u>
Title IV-A Drug Free Schools 2010	Q186A090048	84.186	\$ 4,767
			<u>\$ 4,767</u>
Passed Through Commonwealth of Virginia			

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Period Ending June 30, 2012
(Unaudited)

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Department of Education (continued):			
Title X-C McKinney-Vento Homeless 2012	G12412	84.196	\$ 54,000
			<u>\$ 54,000</u>
Title IV-B CLC - Addison Yr 1 2011	S287C100047	84.287	\$ 23,528
Title IV-B CLC - Addison Yr 2 2012	S287C110047	84.287	\$ 130,086
Title IV-B CLC - Fairview Yr 1 2012	S287C110047	84.287	\$ 142,855
Title IV-B CLC - Garden City Yr 1 2012	S287C110047	84.287	\$ 103,163
Title IV-B CLC - Hurt Park Yr 2 2011	S287C100047	84.287	\$ 72,408
Title IV-B CLC - Hurt Park Yr 3 2012	S287C110047	84.287	\$ 95,990
Title IV-B CLC - Jackson Yr 2 2011	S287C100047	84.287	\$ 90,014
Title IV-B CLC - Jackson Yr 3 2012	S287C110047	84.287	\$ 133,019
Title IV-B CLC - Lincoln Terrace Yr 1 2011	S287C100047	84.287	\$ 98,547
Title IV-B CLC - Lincoln Terrace Yr 2 2012	S287C110047	84.287	\$ 78,701
Title IV-B CLC - Madison Yr 1 2012	S287C110047	84.287	\$ 115,466
Title IV-B CLC - Morningside Yr 1 2011	S287C100047	84.287	\$ 37,478
Title IV-B CLC - Morningside Yr 2 2012	S287C110047	84.287	\$ 171,825
Title IV-B CLC - Breckinridge Yr 3 2011	S287C100047	84.287	\$ 25,391
Title IV-B CLC - Breckinridge Yr 1 2012	S287C110047	84.287	\$ 158,958
Title IV-B CLC - Westside Yr 2 2011	S287C100047	84.287	\$ 15,851
Title IV-B CLC - Westside Yr 3 2012	S287C110047	84.287	\$ 169,874
Title IV-B CLC - Wilson Yr 1 2012	S287C110047	84.287	\$ 99,734
			<u>\$ 1,762,888</u>
Title II-D Enhancing Education Thru Tech 2011	S318X100046	84.318	\$ 14,242
			<u>\$ 14,242</u>
Title III-A Limited English Proficient 2010	S365A090046	84.365	\$ 70,398
Title III-A Limited English Proficient 2011	S365A100046	84.365	\$ 104,937
Title III-A Immigrant and Youth 2011	S365A100046	84.365	\$ 1,864
			<u>\$ 177,199</u>
Title II-A Improving Teacher Quality 2011	S367A100044	84.367	\$ 405,414
Title II-A Improving Teacher Quality 2012	S367A110044	84.367	\$ 797,162
			<u>\$ 1,202,576</u>
Striving Readers Intervention Initiative 2010	S371A090001	84.371	\$ 195,816
Striving Readers Supplemental 2012	S371A090001	84.371	\$ 6,449
			<u>\$ 202,265</u>
Title I-A School Improvement 1003(g) 2011	S377A090047	84.377	\$ 468,612
Title I-A School Improvement 1003(g) 2012	S377A100047	84.377	\$ 1,312,012
			<u>\$ 1,780,624</u>
ARRA Longitudinal Data Systems Grant 2012	R384A100037	84.384	\$ 61,751
			<u>\$ 61,751</u>
ARRA Title II-D Enhancing Educ Thru Tech 2010	S386A090046	84.386	\$ 29,287
ARRA Title II-D Educ Tech Competitive 2010	S386A090046	84.386	\$ 164,253
			<u>\$ 193,540</u>
ARRA Title X-C McKinney-Vento Education for Homeless Children & Youth 2010	G124ARRA	84.387	\$ 15,685
			<u>\$ 15,685</u>
ARRA Title I-A School Improvement 1003(g) - Westside 2011	S388A090047	84.388	\$ 527,854
			<u>\$ 527,854</u>
ARRA Title I-A Improving Basic Programs 2010	S389A090046	84.389	\$ 1,141,600
			<u>\$ 1,141,600</u>
ARRA IDEA Part B, Section 611 Flow Through 2010	H391A090107	84.391	\$ 705,382
			<u>\$ 705,382</u>

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Period Ending June 30, 2012
(Unaudited)

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
ARRA IDEA Part B, Section 619 Preschool 2010	H392A090112	84.392	\$ 21,269
			<u>\$ 21,269</u>
ARRA State Fiscal Stabilization Funds 2010 (Phase III)	S394A090047	84.394	\$ 1,364,343
			<u>\$ 1,364,343</u>
ARRA Education Jobs Fund 2011	S410A100047	84.410	\$ 1,782,909
			<u>\$ 1,782,909</u>
<u>Department of Justice</u>			
Passed through City of Roanoke Police Department:			
Community Oriented Policing Services (COPS) Secure Our Schools Program	2011CKWX0003	16.710	\$ 8,026
			<u>\$ 8,026</u>
<u>Department of Medical Assistance Services</u>			
Passed Through Commonwealth of Virginia Department of Medical Assistance Services:			
FAMIS Reimbursement	--	93.767	\$ 29,314
			<u>\$ 29,314</u>
Medicaid Reimbursement	--	93.778	\$ 587,335
			<u>\$ 587,335</u>
Early Retiree Reinsurance Program		93.546	\$ 544,846
			<u>\$ 544,846</u>
<u>United States Environmental Protection Agency</u>			
Direct Program:			
EPA Environmental Education 2011	NE-97394401-0	66.951	\$ 4,531
			<u>\$ 4,531</u>
<u>United States National Science Foundation</u>			
Passed Through Virginia Commonwealth University:			
Math Specialist Expansion 2012	DRL-0918223	47.076	\$ 91,537
			<u>\$ 91,537</u>
Grand Total Federal Financial Assistance			<u>\$ 30,108,791</u>

Notes:

- (1) The value reported for disbursements, with respect to commodities distributed by the Federal government, is fair market value as furnished by the respective department of the Federal government.
- (2) Expenditures represent only the federally-funded portions of the program.
- (3) RCPS used the federal indirect cost rates as furnished by the Virginia Department of Education. The restricted and unrestricted rates are 2.7% and 18.2%, respectively.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Roanoke, Virginia (the "School Board"), a component unit of the City of Roanoke, Virginia, as of and for the year ended June 30, 2012 which collectively comprise the School Board's basic financial statements and have issued our report thereon dated October 31, 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 Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School Board'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 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over financial reporting.

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

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

We noted certain matters that we reported to management of the School Board in a separate letter dated October 31, 2012.

This report is intended solely for the information and use of management, the School Board, 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 31, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the School Board of the City of Roanoke, Virginia (the "School Board"), a component unit of the City of Roanoke, Virginia, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School Board's major federal programs for the year ended June 30, 2012. The School Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Board's management. Our responsibility is to express an opinion on the School Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Board's compliance with those requirements.

In our opinion, the School Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

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

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

This report is intended solely for the information and use of management, the School Board, others within the entity, 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.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 31, 2012

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2012

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

STATE COMPLIANCE MATTERS

Code of Virginia

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

State Agency Requirements

Education

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

THE SCHOOL BOARD OF THE CITY OF ROANOKE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

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

Name of Program	CFDA #
School Breakfast Program	10.553
National School Lunch Program	10.555
Title I-A School Improvement 1003(g)	84.377
ARRA Title I-A School Improvement 1003(g)	84.388
ARRA State Fiscal Stabilization Funds	84.394
ARRA Education Jobs Fund	84.410

8. The threshold for distinguishing Type A and B programs was \$903,264.
9. The School Board of the City of Roanoke was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

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