

ROANOKE COUNTY PUBLIC SCHOOLS

(A Component Unit of County of Roanoke, Virginia)

Comprehensive Annual Financial Report Year Ended June 30, 2011



Roanoke County Public Schools

Comprehensive Annual Financial Report For the Year Ended June 30, 2011

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



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Roanoke County Public Schools

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Roanoke County Public Schools

5937 Cove Road
Roanoke, VA 24019

November 14, 2011

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Roanoke County Public Schools for the fiscal year ended June 30, 2011. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. Roanoke County Public Schools (School System) is a component unit of the County of Roanoke, Virginia (County), which is a general-purpose local government. This report has been prepared by the Department of Budget and Finance in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the Auditor of Public Accounts of the Commonwealth of Virginia (APA).

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

The auditing firm of KPMG LLP, a firm of independent certified public accountants, has issued an unqualified opinion on Roanoke County Public Schools' basic financial statements as of and for the year ended June 30, 2011, contained in this report. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of the School System

Roanoke County Public Schools is the 17th largest of 132 school systems in the Commonwealth of Virginia. The County of Roanoke is located in the southwestern part of the state and is the suburban hub of the Roanoke Valley, with a provisional population of 92,376¹ and a Metropolitan Statistical Area (MSA) population of approximately 300,000. Located in the largest urban area west of Richmond, the School System is the largest employer in Roanoke County. The School Board consists of five members elected to four-year terms who serve the citizens of Roanoke County.

The School System provides a broad spectrum of general, special, gifted, career and technical education opportunities for 14,636 students (including pre-kindergarten) between the ages of 3 and 21 at seventeen elementary schools, five middle schools, five high schools, and one specialty center.

Roanoke County had its best performance ever on state standardized tests in the 2010-2011 school year. The division exceeded the state average on all 33 state Standards of Learning (SOL) assessments. All 26 of Roanoke

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

County schools are fully accredited. While three schools earned the coveted Governor's Award for Educational Excellence last year, we anticipate that at least eight schools will qualify this year based on results from Spring 2011 testing.

In 2011, Dr. Lorraine Lange was named the Virginia Superintendent of the Year. Dr. Lange was selected from among eight Regional Superintendent's of the Year by the State Superintendent of Public Instruction and the leaders of four Virginia educational organizations.

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

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

Local Economy

Fiscal year 2011 continued to pose economic challenges. Unemployment was 5.7%² as of June 30, 2011 down from 6.3% in 2010, and though it compares favorably with the State average of 6.1%, economic conditions continue at historic lows throughout the nation and many of the County's major revenue sources do not show significant signs of recovery from the recession.

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

Along with the local, state, and national economic struggles, the School System is also experiencing declining student enrollment which negatively impacts the level of state funding. For the past three years, the number of graduating seniors has exceeded the number of incoming kindergarten students by 172-207 students. Indications are that this may continue for the next several years and seems to reflect lower birth rates in the community. The enrollment decline results in reductions in state funding as the state aid for education formula is driven by K-12 enrollment. The enrollment projection for 2012 is 14,074 (excluding pre-kindergarten) reflecting the anticipated variance in the graduating seniors and incoming kindergarten students.

From an infrastructure standpoint, the School System operates 27 school buildings with an average age of 48 years. The School Board has been diligently financing major renovations of the schools and is currently renovating three elementary schools and one high school as well as building a replacement elementary school and middle school. Despite the harsh economic times, the School Board has made a financial commitment to address the infrastructure needs in a steady and methodical manner and, accordingly, has been able to take advantage of competitive construction bids in the past two years resulting in lower overall costs to the citizens.

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

² Virginia Employment Commission statistics

investment and activity, declining consumer confidence, and the instability of the stock market have prolonged declines in the governmental revenue sources throughout the Roanoke region.

Long-Term Financial Planning

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

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

Additionally, the School Board implemented a laptop computer initiative eight years ago to provide a laptop computer to every student in grades 9 through 12. The School Board has provided the laptop program for eight years without incurring any debt. However, with the budget pressures at the national, state, and local levels over the past two years, the program was scaled back for the 2010 and 2011 school years and more laptop computers on carts were used in grades 9 and 10. During 2011, the School Board approved the allocation of stimulus funds, grant funds, and operating funds to fund the first year of a multiyear technology assessment plan. This funding will reinstate the grades 9 and 10 laptop program and address other technology needs across the division. The significant investment in technology in recent years warrants the need for a replacement funding plan to ensure the sustainability of this important tool in instruction.

Relevant Financial Policies

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

In addition, the School Board and County Board of Supervisors adopted a revenue sharing agreement in 2010 that identifies the methodology for allocating revenues between the local government and the school system. New incremental revenues are combined from both entities and used to address salary and benefit increases for all employees, jointly funded programs (including the capital financing plan), and then split equally to fund remaining school and county budgetary needs. The methodology has been used in practice for many years but was formally adopted in 2010 in response to the significant revenue challenges facing the School Board.

Major Initiatives

Technology Initiative – The School System completed the eighth year of a technology initiative rollout providing a laptop computer to high school students in grades 10 through 12. The laptop computers allow flexible access to educational resources and online classes and are integrated into the daily classroom lessons while incorporating technology education into all subject areas. The School System has invested heavily in providing interactive white board technology throughout the School System with an emphasis on elementary classrooms. Each classroom has been equipped with an interactive white board at the four schools under renovation this year.

Standards of Learning – The General Assembly and the Board of Education of the Commonwealth of Virginia believe that the fundamental goal of the public schools must be to enable each student to develop the skills that are necessary for success in school and preparation for life in the years beyond. The current educational objectives are known as the Standards of Learning (SOL). Based on results from the Spring 2011 testing window, Roanoke County exceeded the state average on all 33 SOL tests administered. All of our schools also met the state requirements for full state accreditation for the 2011-12 school year based on their 2010-11 SOL performance.

Capital Improvement Plan – The School Board and the County continue to place a major emphasis on the capital needs in the School System. In February 2011, the School Board adopted an annual list of capital projects, at a total cost of \$91 million, to be funded under the School Capital Improvement Plan. The funding will come from both the Major Capital Reserve created with the year-end balance policy adopted by the School Board in 2005 and bond proceeds issued by the County government. The School System continued major renovations at three elementary schools and one high school and the construction of a replacement elementary school this year as well as began the construction of a replacement middle school. These projects, with the exception of the replacement middle school, are expected to be completed in late 2011.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Roanoke County Public Schools for its CAFR for the fiscal year ended June 30, 2010. This was the tenth consecutive year that the School System has received this prestigious national award.

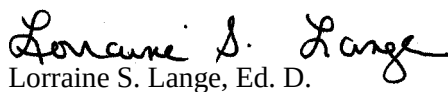
In addition, the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the School System for its CAFR for the fiscal year ended June 30, 2010. This certificate was also awarded for the tenth consecutive year. The Certificate of Excellence program is similar to the GFOA Certificate of Achievement program and is an international award recognizing excellence in the preparation and issuance of school system financial reports.

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

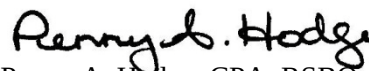
The GFOA Certificate of Achievement and the ASBO Certificate of Excellence are valid for a period of one year only. We believe our current report continues to meet the requirements of the GFOA Certificate of Achievement and ASBO Certificate of Excellence programs, and we are submitting it to both associations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

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

Respectfully submitted,



Lorraine S. Lange, Ed. D.
Superintendent



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

Roanoke County Public Schools
Principal Officials
June 30, 2011

School Board Members



David M. Wymer
Chairman
Catawba District



H. Odell Minnix
Vice Chairman
Cave Spring District



Jerry L. Canada
Hollins District



Michael W. Stovall
Vinton District



C. Drew Barrineau
Windsor Hills District

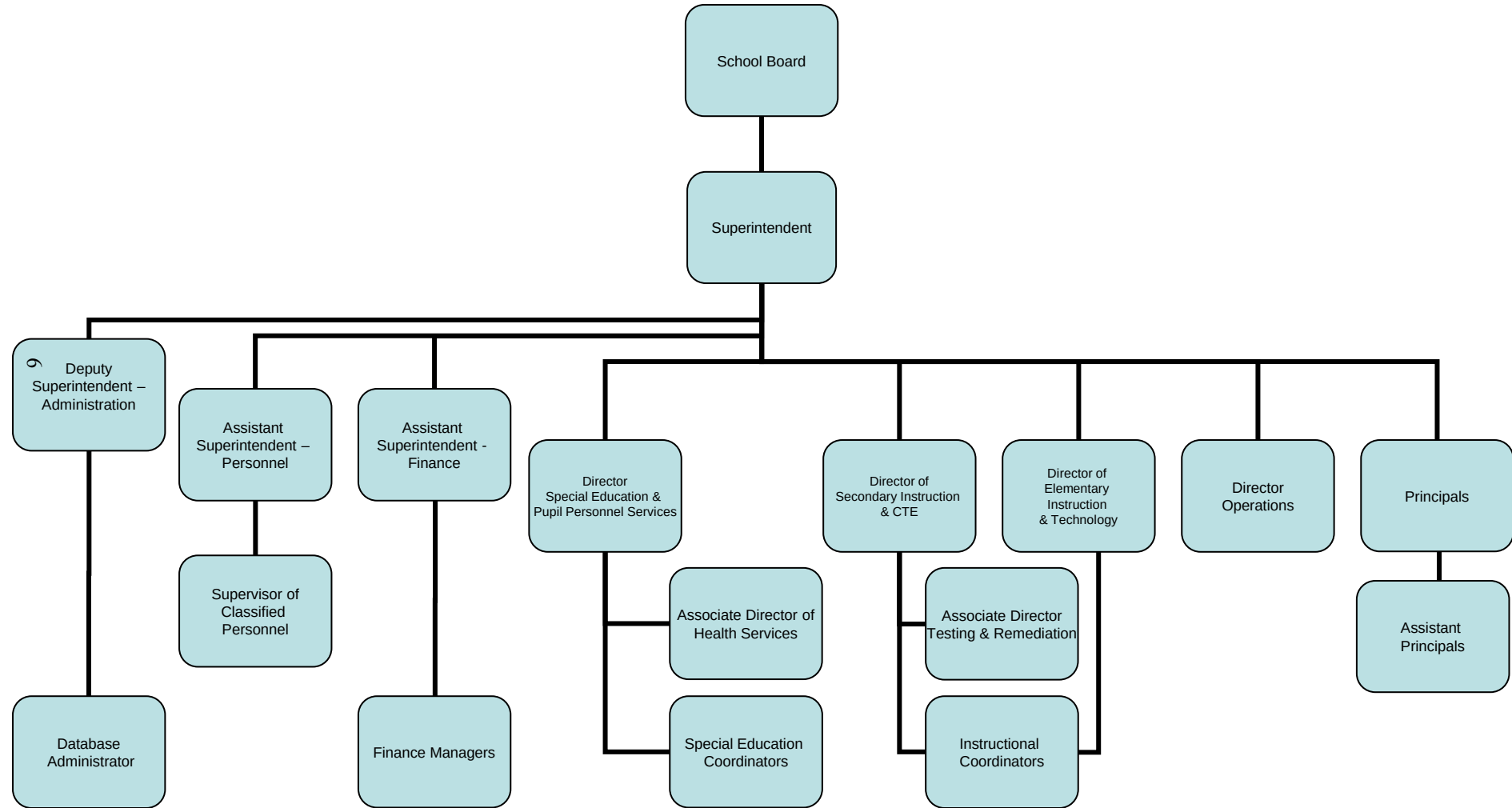
School Administration

Lorraine S. Lange, Superintendent of Schools

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

Roanoke County Public Schools

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to
Roanoke County Public Schools
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



President

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

ROANOKE COUNTY PUBLIC SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2010

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Roanoke County Public Schools (the School System), a component unit of the County of Roanoke, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the School System's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the School System's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School System as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the basic financial statements, the School System adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011 on our consideration of the School System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The accompanying Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Special Revenue Fund – Grant Fund, Schedule of Funding Progress – Virginia Retirement System, and Schedules of Funding Progress and Employer Contributions – Other Postemployment Benefits Plan on pages 11 through 20, 50 through 51, 52 through 53, and 54 through 55, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School System's basic financial statements. The accompanying Introductory Section, Budgetary Comparison Schedule – Capital Projects Fund, Budgetary Comparison Schedule – Special Revenue Fund – School Nutrition Fund, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Budgetary Comparison Schedule – Special Revenue Fund – School Nutrition Fund, and the Budgetary Comparison Schedule – Capital Projects Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 14, 2011

**Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2011**

The management of Roanoke County Public Schools (the School System) presents the following discussion and analysis as an overview of the financial activities of the School System for the year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report, and the School System's basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

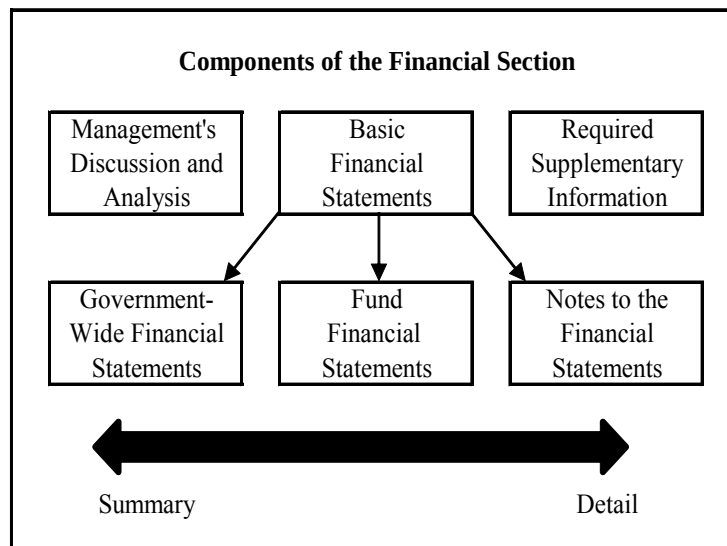
- The assets of the School System exceeded its liabilities as of June 30, 2011 by \$73.4 million (*net assets*). Of this amount, \$29.6 million (*unrestricted net assets*) may be used to meet the School System's future obligations to citizens and creditors (Exhibit A).
- On a government-wide basis for governmental activities, the School System had expenses, net of program revenues, of \$125.2 million, which were \$10.1 million more than general revenues of \$115.1 million (Exhibit B).
- At the end of the current fiscal year, committed fund balance for the general fund was \$11.8 million or 9.5% of total general fund expenditures for fiscal year 2011 (Exhibits C and D). Due to School Board policy, the fund balance in the general fund rolls over to the Capital Fund at year-end so there is no unassigned fund balance at year-end.
- The general fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources (uses) of \$2.8 million for fiscal year 2011 (Exhibit D).

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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



Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Government-wide Financial Statements

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

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

The government-wide financial statements can be found beginning on page 22 of this report.

Fund Financial Statements

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

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

The governmental fund financial statements can be found beginning on page 24 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 31 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the School System's budgetary comparisons and progress in funding its obligations to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 49 of this report. The combining statements for internal service funds and fiduciary funds are presented immediately following the required supplementary information on pensions and other postemployment benefits. Combining and individual fund statements and schedules can be found beginning on page 63 of this report.

Roanoke County Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2011

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM

Summary of Net Assets

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

Table 1 Summary of Net Assets As of June 30, 2011 and 2010			
	Governmental Activities 2011	2010	Percentage Change
Current and other assets	\$ 42,353,688	\$ 49,477,162	(14.4)%
Capital assets, net	44,139,908	44,665,708	(1.2)%
Total assets	86,493,596	94,142,870	(8.1)%
Current and other liabilities	8,281,163	6,739,515	22.9%
Long-term liabilities	4,812,480	5,010,942	(4.0)%
Total liabilities	13,093,643	11,750,457	11.4%
Invested in capital assets, net of related debt	41,651,583	41,830,203	(0.4)%
Restricted	2,157,951	2,856,160	(24.4)%
Unrestricted	29,590,419	37,706,050	(21.5)%
Total net assets	\$ 73,399,953	\$ 82,392,413	(10.9)%

In the case of the School System, assets exceed liabilities by \$73.4 million at the close of fiscal year 2011. This decrease of \$9 million reflects an overall decline in the School System's financial position and is the result of a combination of factors including state revenue reductions of \$5.4 million due to state budget cuts to public education and the increase in capital contributions to the County government of \$11.6 million for school capital building projects funded with school funds and Virginia Public School Authority bonds. The reductions were partially offset by the ongoing hiring and spending freeze and the recognition of \$4 million in federal grants authorized by the American Recovery and Reinvestment Act (ARRA) and distributed to the School System during fiscal year 2011. The ARRA funds were allocated to School Systems to stimulate the economy by funding new jobs and/or preserving existing jobs that were otherwise likely to be eliminated due to severe economic conditions at the national, state, and local levels.

Expenditure savings came primarily from the reduction in personnel under the hiring freeze continued for the second year to mitigate ongoing state revenue reductions. Positions vacated through voluntary retirements and resignations were reorganized among remaining personnel and the position remained vacant for the remainder of the fiscal year. Likewise, a spending freeze on operating costs was in place during the year in which departments evaluated the necessity of each purchase prior to spending. The installation of energy efficient systems and equipment in recent renovation projects continues to result in significant utility savings and lower than anticipated fuel prices during the year resulted in cost savings in the operating budget. The funds budgeted for expenses that did not materialize will be used for future capital purchases in accordance with the adopted year-end balance policy.

The Commonwealth of Virginia requires counties to issue general obligation debt for all financially dependent component units. The County reports in its basic financial statements the majority of the debt related to the School System's capital assets. However, the School System is responsible for capital leases of \$2.5 million as of June 30, 2011 for capital leases entered into during fiscal years 2007 and 2009 related to an energy management project and internet filtering equipment, respectively.

The largest portion of the School System's net assets (56.7%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment), net of related capital leases. The School System uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The School System maintains an emergency contingency fund authorized by the County Board of Supervisors and restricted to use for unexpected revenue shortfalls or

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unanticipated expenditure increases. The amount in excess of the approved limit of \$2 million was reallocated by the School Board to school capital projects this year. The remaining balance of *unrestricted net assets* (\$29.6 million) may be used to meet the School System's future obligations to citizens and creditors. At the end of the current fiscal year, the School System is able to report positive balances in both categories of net assets. The same situation applied for the prior year.

Changes in Net Assets

The following chart shows the revenues and expenses of the governmental activities:

Table 2 Changes in Net Assets For the Years Ended June 30, 2011 and 2010			
	Governmental Activities 2011	2010	Percentage Change
Program revenues:			
Charges for services	\$ 4,466,888	\$ 4,597,808	(2.8)%
Operating grants and contributions	32,456,049	28,973,555	12.0%
Capital grants and contributions	1,588,677	1,512,936	5.0%
General revenues:			
County appropriation	64,559,361	63,597,776	1.5%
State aid	50,182,318	53,945,620	(7.0)%
Miscellaneous	425,020	357,303	19.0%
Total revenues	153,678,313	152,984,998	0.5%
Instruction	104,091,890	104,853,420	(0.7)%
Administration	2,362,580	2,878,527	(17.9)%
Attendance and health	2,598,603	2,910,184	(10.7)%
Transportation	6,964,180	5,833,078	19.4%
Operations and maintenance	11,436,014	12,378,003	(7.6)%
Technology	6,121,084	4,511,121	35.7%
School nutrition	5,572,527	5,622,545	(0.9)%
Capital lease interest	187,855	122,565	53.3%
Payment of interest and other charges for County capital projects	24,413,643	10,871,639	124.6%
Total expenses	163,748,376	149,981,082	9.2%
Excess (deficit) in net assets before capital contribution and special items	(10,070,063)	3,003,916	(435.2)%
Special item - capital contribution	1,077,603	-	100.0%
Special item - gain on sale of building	-	674,143	(100.0)%
Change in net assets	(8,992,460)	3,678,059	(344.5)%
Net assets, beginning of year	82,392,413	78,714,354	4.7%
Net assets, end of year	\$ 73,399,953	\$ 82,392,413	(10.9)%

The County appropriation and general state aid accounted for most of the School System revenue, contributing 70 cents of every dollar of expenses. The remaining 30 cents of every dollar of expenses are funded with federal and state aid for specific programs, charges for services, and miscellaneous revenues.

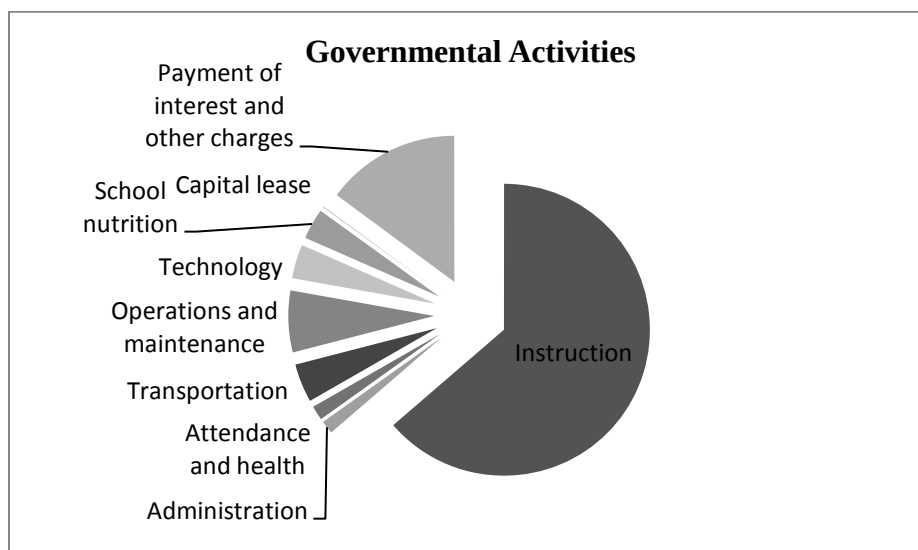
The School System's total revenues increased by 0.5% to \$153.7 million and expenses for all programs and services increased by 9.2% to \$163.7 million. Most of the School System's expenses, or 77 cents of every dollar spent, are directly related to the provision of services to students, including classroom instruction, attendance and health, transportation, technology, and school

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nutrition. The balance of every dollar spent goes for administrative costs (1 cent), operations and maintenance (7 cents), and interest and other charges for the school portion of County debt payments on school construction and renovations (15 cents).

Governmental Activities

Governmental activities, including special items, decreased the School System's net assets by \$9 million. Revenues for governmental activities increased \$693,315 (0.5%) and total expenses increased \$13.8 million (9.2%) when compared to the prior year.



Key elements of these changes during fiscal year 2011 were as follows:

- Operating grants and contributions increased by 12% due to the receipt of federal stimulus funds under the American Recovery and Reinvestment Act.
- Capital grants and contributions increased by 5% with the receipt of federal stimulus funds allocated for school capital projects.
- State aid decreased by 7% due to the decrease in basic aid allocated to the School System by the General Assembly.
- Capital contributions increased 100% and included tenancy in common assets to be transferred to the School System from the County in the amount of \$1.1 million; there were no transfers in the prior year.
- Miscellaneous revenues increased by 19% due to increases in investment income and insurance reimbursements.
- Instruction costs decreased by 0.7% reflecting the freezing of salaries at the 2008-09 levels, the hiring freeze in effect all year which resulted in a significant number of positions remaining vacant as employees voluntarily retired or resigned from the School System, and the reclassification of physical and occupational therapist positions from the attendance and health category in alignment with state guidelines. In addition, an overall spending freeze during the year contributed to a reduction in operating costs from the prior year across all functional areas.
- Administrative costs decreased by 17.9% due to the spending freeze as well as fewer employees enrolling in the group health insurance plan.
- Attendance and health expenditures decreased by 10.7% due to the reclassification of physical and occupational therapist positions to the instruction category.
- Transportation expenses increased by 19.4% as a result of the combining of the bus fund, previously reported as a Nonmajor Special Revenue Fund, with the General Fund this year. The School System purchased 10 buses and 9 support vehicles during the fiscal year.
- Technology expenses increased by 35.7% reflecting the investment of \$1.5 million of local funds in year one of the Technology Assessment Plan approved by the School Board during the year.
- Capital lease interest increased by 53.3% reflecting the accrual of nine months of interest in the government-wide statements.
- Payment of interest and other charges for County capital projects increased by 124.6% reflecting a combination of the adopted financial policy to reserve \$300,000 in new funds each year for funding of future debt related to the Capital Improvement Plan, the transfer for interest on County debt outstanding (and related to school assets), and the transfer

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of major capital reserves to capital projects recorded on the local government books in conjunction with bonds issued to fund the full project costs. The financial policy was adopted by the School Board and Roanoke County Board of Supervisors in 2005.

- Overall, governmental activities increased due to the significant amount of school funds transferred to the County government for school renovations and despite the hiring and spending freezes in place for the entire year.

Tables 2 and 3 present the cost of eight major School System activities and shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided by specific programs). The net cost reflects the financial burden that was placed on the taxpayers by each of these functions.

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2011	2010	Change	2011	2010	Change
Instruction	104,091,890	\$ 104,853,420	(0.7)%	\$ 72,205,631	\$ 76,161,314	(5.2)%
Administration	2,362,580	2,878,527	(17.9)%	2,362,283	2,874,752	(17.8)%
Attendance and health	2,598,603	2,910,184	(10.7)%	2,598,603	2,910,184	(10.7)%
Transportation	6,964,180	5,833,078	19.4%	6,964,180	5,833,078	19.4%
Operations and maintenance	11,436,014	12,378,003	(7.6)%	10,546,142	11,573,207	(8.9)%
Technology	6,121,084	4,511,121	35.7%	6,121,084	4,511,121	35.7%
School nutrition	5,572,527	5,622,545	(0.9)%	(162,659)	38,923	(517.9)%
Capital lease interest	187,855	122,565	53.3%	187,855	122,565	53.3%
Payment of interest and other charges for County capital projects	24,413,643	10,871,639	124.6%	24,413,643	10,871,639	124.6%
Total expenses	\$ 163,748,376	\$ 149,981,082	9.2%	\$ 125,236,762	\$ 114,896,783	9.0%

Key elements of total and net cost of governmental activities during fiscal year 2011 were as follows:

- The cost of all governmental activities this year was \$163.7 million.
- Roanoke County citizens paid for these activities through local taxes in the amount of \$64.6 million.
- Some of the costs were paid by those who directly benefited from the programs (\$4.5 million), entitlements from state and federal aid (\$32.5 million), and miscellaneous payments (\$1.6 million).

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM'S FUNDS

Governmental Funds. Governmental funds consist of the General Fund, Special Revenue Fund – Grant Fund, Capital Projects Fund, and Nonmajor Governmental Fund and account for the general operations of the School System. As noted earlier, the School System uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the School System's governmental funds is on near-term inflows, outflows, and balances of spendable resources. For fiscal year 2011, the School System implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which replaced the traditional fund balance components. The new components of fund balance include nonspendable, restricted, committed, assigned, and unassigned. The School System has fund balances in all components at year-end with the exception of unassigned fund balance.

As of the end of the current fiscal year, the School System's governmental funds reported combined fund balances of \$20.7 million, a decrease of \$8.7 million in comparison with fiscal year 2010. Of this amount, 1.2% (\$248,774) constitutes *nonspendable fund balance* which reflects inventories that are in a non-liquid form and cannot be spent, 10.4% (\$2.2 million) constitutes *restricted fund balance* which is externally restricted for an emergency contingency fund and grants, 85.1% (\$17.6 million) constitutes *committed fund balance* which is designated for future capital projects in accordance with the adopted Use of Year-End Balance policy, and 3.2% (\$669,502) constitutes *assigned fund balance* which is designated for outstanding encumbrances at year-end. These funds are accounted for using the modified accrual basis of accounting. The fund balance in

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the General Fund increased as a result of expenditure savings generated by a hiring and spending freeze throughout the fiscal year and the collapsing of the Bus Fund and Textbook Fund into the General Fund. These funds had been previously reported as Special Revenue Funds and historically carry a year-end balance which is committed to future purchases of buses and textbooks by the School Board.

The Grant Fund is used to account for federal, state, and local grants restricted for specified school purposes by the grantor. During fiscal year 2011, federal grant funding increased by \$1 million reflecting the inflow of funds authorized by the American Recovery and Reinvestment Act (ARRA) authorized by Congress in 2009. Most federal grants are awarded for a period of slightly more than two years and therefore, the spending is spread across fiscal years. At the end of the current fiscal year, the Grant Fund balance consisted of \$157,951 restricted for the purposes specified in the grant awards.

The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities. At the end of the current fiscal year, the Capital Projects Fund balance consisted of \$4.7 million committed for future school capital projects. The fund balance decreased by \$11.7 million related to the transfer of cash reserves to the County government to be used in partnership with a Virginia Public School Authority bond issue on major school capital projects. Expenditures from the capital reserve were incurred this year to complete the renovations of Cave Spring Elementary, Green Valley Elementary, Mount Pleasant Elementary, William Byrd High, and the new Mason's Cove Elementary School. These projects are part of the School Capital Improvement Plan and were funded primarily with the remaining bond proceeds from a 2009 Virginia Public School Authority bond issue and cash reserves from the School Capital Reserve.

The Nonmajor Governmental Fund is used to account for the preparation and serving of student breakfasts and lunches. At the end of the fiscal year, the School Nutrition fund balance reflected \$102,237 in nonspendable fund balance for inventory, \$1 million in committed fund balance for school nutrition operations, and \$195,552 in assigned fund balance for outstanding encumbrances of the program. The overall fund balance of the fund increased by \$320,250 from the prior year and reflects the financial stability of this self-funded operation.

Proprietary Funds. The School System's Internal Service Fund, a proprietary fund type, is presented on the same basis as the government-wide financial statements but is presented in more detail in the fund financial statements.

Unrestricted net assets of the Health Insurance, Dental Insurance, Risk Management, and Laptop Insurance Reserve Funds at the end of the year amounted to \$12.5 million. The increase (decrease) in net assets for all four funds was \$76,742, \$34, \$(325,599), and \$75,169, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The School System budget is prepared in accordance with the Code of Virginia. Table 4 presents a condensed version of the budgetary comparison of the original budget, final budget, and actual amounts for fiscal year 2011.

	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental	\$ 63,543,357	\$ 64,559,361	\$ 64,559,361
Other	65,733,321	71,897,650	72,985,421
Total	129,276,678	136,457,011	137,544,782
Expenditures	(129,299,678)	(137,487,654)	(124,139,180)
Other financing sources	48,000	-	27,134
Transfers out	(25,000)	(10,652,961)	(10,652,961)
Net change in fund balance	<u>\$ -</u>	<u>\$ (11,683,604)</u>	<u>\$ 2,779,775</u>

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

- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2010 but not paid by that date.
- To reappropriate grants, donations and other revenues authorized in fiscal year 2010 or earlier, but not expended or encumbered as of June 30, 2010.
- To appropriate grants, donations, and other revenues accepted or adjusted in fiscal year 2011 when official notice of approval was received.
- To appropriate the designated general fund balance to capital projects.

The increase in the amended budget of \$7.2 million is primarily due to the appropriation of funds from the federal stimulus program for the Education Jobs Act and the second year award for state fiscal stabilization. These funds were appropriated by the School Board during the fiscal year for one time expenditures. Due to the overall spending freezes for the year and an increase in sales tax revenue, the School System increased the ending fund balance at June 30, 2011 by \$2.8 million compared to the prior year-end. Actual General Fund revenues were higher than budgeted by \$1.1 million primarily due to improved state-wide sales tax collections allocated to public education. Expenditures were less than budgetary estimates by \$13.3 million, including the \$2 million emergency reserve, and \$2.1 million in committed bus fund and textbook fund balances at year-end. The remainder of the expenditure savings is the result of specific savings in health insurance participation, utilities, fuel, and continued reduction in personnel costs as a result of the hiring and spending freeze in place throughout the school year. The School Board and County Board of Supervisors have a jointly adopted financial policy designating year-end balances for major and minor capital projects.

CAPITAL ASSETS AND LEASES

At the end of the fiscal year, the School System had land, buildings and improvements, furniture and equipment, and construction in progress in governmental activities with a total historical cost of \$101.8 million. Total accumulated depreciation on these assets was \$57.7 million. Table 5 shows capital asset balances (net of accumulated depreciation) for fiscal years 2011 and 2010. More detailed information about capital assets can be found in Note 6 to the basic financial statements.

Table 5 Capital Assets (net of accumulated depreciation) As of June 30, 2011 and 2010			
	Governmental Activities 2011 2010		Percentage Change
Land	\$ 5,726,229	\$ 5,222,784	9.6%
Construction in progress	50,151	242,627	(79.3)%
Buildings and improvements	27,706,828	28,930,056	(4.2)%
Furniture and equipment	10,656,700	10,270,241	3.8%
Totals	\$ 44,139,908	\$ 44,665,708	(1.2)%

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

- Purchase of land parcel adjacent to Cave Spring Middle School at a cost of \$503,445.
- Commencement and/or continuing construction in progress of \$208,503.
- Transfer of tenancy in common assets from Roanoke County in the amount of \$1,077,603.
- Completion of various building improvements at a cost of \$171,943.
- Purchase of 10 school buses and 9 support vehicles at a cost of \$1,063,204.
- Purchase of equipment at a cost of \$1,928,815.

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As of June 30, 2011, the School System had outstanding capital leases of \$2,488,325 million related to capital leases initiated in fiscal years 2007 and 2009. More detailed information about the capital leases can be found in Note 8 to the basic financial statements.

CAPITAL ASSETS FINANCED THROUGH DEBT

According to the Code of Virginia, whenever a local government incurs a financial obligation, payable over more than one fiscal year, to fund the acquisition, construction or improvement of public school property the local government acquires title to such school property as a tenant in common with the local school board for the term of the financial obligation. For financial reporting purposes, the local government may report the school property and related financial obligation. At the time the financial obligation has been paid in full, the net value of the school property is transferred to the school board as a special item on both government-wide financial statements. As of June 30, 2011, the County's government-wide financial statements included school capital assets and related debt outstanding of \$163.4 million and \$112.1 million, respectively.

FACTORS INFLUENCING FUTURE BUDGETS

Key factors that are expected to impact future budgets include:

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

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

The School System implemented Statement No. 45 of the Governmental Accounting Standard Board - *Accounting for Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) in 2008. For the School System, other postemployment benefits (OPEB) include medical coverage extended to retirees. Currently, the School System funds these benefits on a pay-as-you-go basis. For government-wide reporting purposes, GASB 45 requires the School System to actuarially determine the value of these benefits and recognize the costs of OPEB as they are incurred. Also, the School System is required to disclose the extent to which these benefits have been funded. The School System has conducted an actuarial valuation of its OPEB liability. The actuarial study reflects an actuarially accrued liability of \$14 million, an annual required contribution of \$1.8 million, and a total other postemployment benefit asset of \$205,810. More detailed information about the OPEB costs can be found in Note 11 to the basic financial statements. Subsequent to the end of the fiscal year, the School Board voted to participate in a joint trust arrangement with the local governing body for the purpose of accumulating and investing assets to fund other postemployment benefits other than pensions. The School Board will begin to make contributions to the trust in 2012.

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Management's Discussion and Analysis
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ECONOMIC FACTORS

During fiscal year 2011, the state economy mirrored the slow to recover national economy. Sales tax collections, representing 11% of the school budget, improved over the preceding year reflecting some improvement in personal consumption. State aid, including sales taxes, represents 47% of the general fund revenues for 2011 which is down from 50% in 2010. With the significant reliance on state funding, the ongoing state budget reductions occurring since 2009 are expected to impact the school budget for the foreseeable future.

The County provided approximately 47.3% of the School System's operating budget needs in fiscal year 2011. State education funding reductions continue to place a burden on the local government to fund the existing educational programs and services and have a direct impact on the School System's ability to sustain the quality of education expected by our citizens. The County is experiencing flat revenue growth in the local tax base further challenging the ability to maintain existing school and county services. The remainder of the general fund revenue was funded by federal and other revenue sources totaling 5.3% of general fund revenues.

In February 2009, the federal government authorized the American Recovery and Reinvestment Act (ARRA) resulting in the significant infusion of new federal money for education targeted primarily at state fiscal stabilization funds (SFSF), disadvantaged students, preschool, and special education. The Virginia General Assembly used the SFSF allocated to Virginia in the fiscal 2010 and 2011 state budgets to offset significant declines in state revenues. Federal stimulus funds of \$4 million were used in fiscal year 2011 to subsidize the operating fund and offset reductions in state aid under the SFSF section of the federal legislation. Access to this new funding source provides a temporary means of addressing budget shortfalls due to declining revenue sources but also creates a challenge in addressing the "stimulus cliff" with the ARRA funds ending in 2011.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Roanoke County Public Schools
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 24,505,988
Investments	11,362,082
Accounts receivable	264,706
Due from other governments	5,766,328
Inventory	248,774
Other postemployment benefit asset	205,810
<i>Capital assets:</i>	
Land and construction in progress	5,776,380
Other capital assets, net	38,363,528
Capital assets, net	<u>44,139,908</u>
Total assets	<u>86,493,596</u>
Liabilities	
Accounts payable	2,391,805
Accrued liabilities	1,303,644
Unearned revenue	1,608,697
<i>Long-term liabilities due or payable within one year:</i>	
Claims payable	1,773,740
Compensated absences	733,980
Capital leases	373,940
Pollution remediation obligation	95,357
<i>Long-term liabilities due or payable after one year:</i>	
Claims payable	602,328
Compensated absences	2,095,767
Capital leases	2,114,385
Total liabilities	<u>13,093,643</u>
Net Assets	
Invested in capital assets, net of related debt	41,651,583
<i>Restricted for:</i>	
Instructional grants	157,951
Emergency contingency	2,000,000
Unrestricted	29,590,419
Total net assets	<u><u>\$ 73,399,953</u></u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net Expense and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Instruction	\$ 104,091,890	\$ 877,818	\$ 30,256,411	\$ 752,030	\$ (72,205,631)
<i>Support services:</i>					
Administration	2,362,580	297	-	-	(2,362,283)
Attendance and health	2,598,603	-	-	-	(2,598,603)
Transportation	6,964,180	-	-	-	(6,964,180)
Operations and maintenance	11,436,014	53,225	-	836,647	(10,546,142)
Technology	6,121,084	-	-	-	(6,121,084)
School nutrition	5,572,527	3,535,548	2,199,638	-	162,659
Capital lease interest	187,855	-	-	-	(187,855)
Payment of interest and other charges for County capital projects	24,413,643	-	-	-	(24,413,643)
Total governmental activities	<u>\$ 163,748,376</u>	<u>\$ 4,466,888</u>	<u>\$ 32,456,049</u>	<u>\$ 1,588,677</u>	<u>(125,236,762)</u>
<i>General revenues:</i>					
Roanoke County					64,559,361
Non-categorical state aid					50,182,318
Gain on sale of capital assets					27,134
Miscellaneous					397,886
Total general revenues					<u>115,166,699</u>
<i>Special item:</i>					
Capital contribution					1,077,603
Change in net assets					<u>(8,992,460)</u>
Net assets, beginning					82,392,413
Net assets, ending					<u>\$ 73,399,953</u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Exhibit C
Balance Sheet
Governmental Funds
June 30, 2011

	General	Grant	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,603,418	\$ -	\$ 2,016,293	\$ 498,251	\$ 8,117,962
Investments	7,842,668	-	2,822,050	697,364	11,362,082
Accounts receivable	107,964	120	-	2,635	110,719
Due from other governments	3,049,802	2,551,893	124,354	40,279	5,766,328
Due from other funds	1,266,524	-	-	-	1,266,524
Inventory	146,447	-	-	102,327	248,774
Total assets	<u>\$ 18,016,823</u>	<u>\$ 2,552,013</u>	<u>\$ 4,962,697</u>	<u>\$ 1,340,856</u>	<u>\$ 26,872,389</u>
Liabilities					
Accounts payable	\$ 957,986	\$ 1,120,678	\$ 264,434	\$ 3,526	\$ 2,346,624
Accrued liabilities	1,217,553	6,860	-	4,631	1,229,044
Deferred revenue	1,377,905	-	-	-	1,377,905
Due to other funds	-	1,266,524	-	-	1,266,524
Total liabilities	<u>3,553,444</u>	<u>2,394,062</u>	<u>264,434</u>	<u>8,157</u>	<u>6,220,097</u>
Fund balances					
Nonspendable	146,447	-	-	102,327	248,774
Restricted	2,000,000	157,951	-	-	2,157,951
Committed	11,842,982	-	4,698,263	1,034,820	17,576,065
Assigned	473,950	-	-	195,552	669,502
Total fund balances	<u>14,463,379</u>	<u>157,951</u>	<u>4,698,263</u>	<u>1,332,699</u>	<u>20,652,292</u>
Total liabilities and fund balances	<u>\$ 18,016,823</u>	<u>\$ 2,552,013</u>	<u>\$ 4,962,697</u>	<u>\$ 1,340,856</u>	

Reconciliation to the Statement of Net Assets:

Internal service funds are used to charge the cost of health, dental, and worker's compensation insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (Exhibit F).	12,517,562
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds (Note 6).	44,139,908
Revenues earned but not considered available are not current financial resources and, therefore, are not reported in the governmental funds (Note 7).	1,372,410
Long-term assets or liabilities are not due and payable in the current period and, therefore, are not reported as assets or liabilities in the governmental funds (Notes 11, 13 and 14).	
Other postemployment benefit asset	205,810
Accrued interest on capital leases	(74,600)
Compensated absences	(2,829,747)
Capital leases	(2,488,325)
Pollution remediation obligation	(95,357)
Net assets of governmental activities	<u>\$ 73,399,953</u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit D

	General	Grant	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
Revenues					
<i>Intergovernmental:</i>					
Roanoke County	\$ 64,559,361	\$ -	\$ 391,907	\$ -	\$ 64,951,268
Commonwealth of Virginia	64,103,729	938,215	752,030	91,741	65,885,715
Federal government	8,209,271	7,517,589	444,740	2,107,897	18,279,497
Charges for services	476,275	106,600	48,000	3,535,548	4,166,423
Investment income	107,392	-	-	4,032	111,424
Miscellaneous	88,754	8,167	80,298	51,600	228,819
Total revenues	<u>137,544,782</u>	<u>8,570,571</u>	<u>1,716,975</u>	<u>5,790,818</u>	<u>153,623,146</u>
Expenditures					
<i>Current:</i>					
Instruction	92,094,364	8,238,429	1,042,360	-	101,375,153
Administration	2,269,955	-	-	-	2,269,955
Attendance and health	2,207,280	385,357	-	-	2,592,637
Transportation	7,054,463	-	-	-	7,054,463
Operations and maintenance	10,868,321	-	502,131	-	11,370,452
Technology	3,059,017	9,704	3,039,874	-	6,108,595
School nutrition	-	-	-	5,563,659	5,563,659
<i>Capital lease debt service:</i>					
Principal	347,180	-	-	-	347,180
Interest	113,255	-	-	-	113,255
<i>Capital outlay:</i>					
Facilities	-	-	1,112,358	-	1,112,358
<i>Intergovernmental:</i>					
Roanoke County	6,125,345	-	18,288,298	-	24,413,643
Total expenditures	<u>124,139,180</u>	<u>8,633,490</u>	<u>23,985,021</u>	<u>5,563,659</u>	<u>162,321,350</u>
Excess (deficiency) of revenues over (under) expenditures	13,405,602	(62,919)	(22,268,046)	227,159	(8,698,204)
Other financing sources (uses)					
Proceeds from sale of property	27,134	-	-	-	27,134
Transfers in	-	36,000	10,523,870	93,091	10,652,961
Transfers out	(10,652,961)	-	-	-	(10,652,961)
Total other financing sources (uses)	<u>(10,625,827)</u>	<u>36,000</u>	<u>10,523,870</u>	<u>93,091</u>	<u>27,134</u>
Net change in fund balances	2,779,775	(26,919)	(11,744,176)	320,250	(8,671,070)
Fund balances, beginning	11,683,604	184,870	16,442,439	1,012,449	29,323,362
Fund balances, ending	<u>\$ 14,463,379</u>	<u>\$ 157,951</u>	<u>\$ 4,698,263</u>	<u>\$ 1,332,699</u>	<u>\$ 20,652,292</u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit E

Net change in fund balances - total governmental funds (Exhibit D) \$ (8,671,070)

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

Internal service funds are used by the School System to charge the costs of health, dental, and workers' compensation insurance to individual funds. The change in net assets of the internal service funds are reported with governmental activities (Exhibit G). (173,654)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate the cost of those assets over the life of the assets (Note 6).

Capital outlay	3,470,246
Capital contribution from Roanoke County	1,077,603
Capital donated	4,685
Depreciation expense	(5,078,334)

Revenues reported in the Statement of Activities, such as certain unearned revenues, are not considered available current financial resources and therefore are not reported as revenues in governmental funds. This is the amount by which the current year unearned amount exceeds the prior year available resources. (42,442)

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

Other postemployment benefit asset	178,100
Accrued interest on capital leases	(74,600)
Compensated absences	65,183
Capital leases	347,180
Pollution remediation obligation	(95,357)

Change in net assets of governmental activities (Exhibit B) \$ (8,992,460)

Roanoke County Public Schools
Statement of Net Assets
Proprietary Funds
June 30, 2011

Exhibit F

	<u>Internal Service Funds</u>
Assets	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 16,388,026
Accounts receivable	<u>153,987</u>
Total assets	<u>16,542,013</u>
Liabilities	
<i>Current liabilities:</i>	
Accounts payable	45,181
Unearned revenue	1,603,202
<i>Long-term liabilities due or payable within one year:</i>	
Claims payable	1,773,740
<i>Long-term liabilities due or payable after one year:</i>	
Claims payable	<u>602,328</u>
Total liabilities	<u>4,024,451</u>
Net Assets	
Unrestricted	12,517,562
Total net assets	<u><u>\$ 12,517,562</u></u>

Roanoke County Public Schools
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

Exhibit G

	<u>Internal Service Funds</u>
Operating revenues	
Charges for services	\$ 17,300,989
Other operating revenues	<u>208,850</u>
Total operating revenues	<u>17,509,839</u>
Operating expenses	
Claims	17,739,245
Administrative charges	<u>10,038</u>
Total operating expenses	<u>17,749,283</u>
Operating loss	<u>(239,444)</u>
Nonoperating revenues	
Interest and dividend income	<u>65,790</u>
Total nonoperating revenues	<u>65,790</u>
Change in net assets	(173,654)
Net assets, beginning	12,691,216
Net assets, ending	<u><u>\$ 12,517,562</u></u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

Exhibit H

	<u>Total</u>
Operating activities	
Cash received from interfund services provided	\$ 17,165,150
Payments to suppliers	(46,510)
Payments from suppliers	12,091
Claims paid	(17,259,251)
Other receipts	288,164
Net cash provided by operating activities	<u>159,644</u>
Investing activities	
Interest and dividends	<u>65,790</u>
Net cash provided by investing activities	<u>65,790</u>
 Net increase in cash and cash equivalents	 225,434
 Cash and cash equivalents, beginning	 <u>16,162,592</u>
Cash and cash equivalents, ending	<u><u>\$ 16,388,026</u></u>
 <u>Reconciliation of operating loss to net cash provided by operating activities</u>	
Operating loss	\$ (239,444)
<i>Adjustments to reconcile operating loss to net cash provided by operating activities:</i>	
<i>Decrease (increase) in assets:</i>	
Accounts receivable	(135,839)
<i>Increase (decrease) in liabilities:</i>	
Accounts payable	(24,381)
Unearned revenue	79,314
Claims payable	479,994
 Net cash provided by operating activities	 <u><u>\$ 159,644</u></u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit I

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,447,694
Total assets	<u>\$ 2,447,694</u>
Liabilities	
Accounts payable	\$ 115,082
Due to student groups	2,332,612
Total liabilities	<u>\$ 2,447,694</u>

See accompanying notes to basic financial statements.

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

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

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

A summary reconciliation of the difference between the net change in governmental fund balances and change in net assets for governmental activities is presented in an accompanying schedule to the governmental funds statement of

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2011

revenues, expenditures and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

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

Basis of Presentation

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

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

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

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

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

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

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

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2011

- **General Fund** – This is the primary operating fund of the School System. It is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from state and federal aid and transfers from the County of Roanoke.
- **Grant Fund** – This is a special revenue fund used to account for proceeds of specific grants that are restricted to expenditures for specific purposes. This fund includes transactions related to the federal, state, and private grants that are not specifically reported in another fund. The Grant Fund is considered a major fund for fund financial statement reporting purposes.
- **Capital Projects Fund** – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by the general fund. The Capital Projects Fund is considered a major fund for fund financial statement reporting purposes.
- **Nonmajor Governmental Fund** – This is a special revenue fund used to account for revenues internally restricted to expenditures for certain purposes specifically for the School Nutrition Fund. In the prior year, the Textbook Fund and School Bus Fund were also reported as nonmajor special revenue funds. However, these funds have been combined with the General Fund in the current year as the primary revenue source for these two funds is provided by the General Fund.
- **Proprietary Funds:** Proprietary funds are used to account for operations that are financed in a manner similar to a private business enterprise. The measurement focus is based on determination of change in net assets, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services. All revenues and expenses not meeting these definitions, such as interest and dividend income, are reported as nonoperating revenues and expenses.
- **Internal Service Funds** – These funds account for employee health, dental, and risk management coverage provided to other departments on a cost-reimbursement basis. The internal service funds derive their funding from charges assessed to the user departments and employees. They are included in the governmental activities for government-wide reporting purposes. The effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund have been allocated to the appropriate functional activity.
- **Fiduciary Funds:** Fiduciary funds are used to account for assets held by the School System in a purely custodial capacity. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the student activity funds in each school and the financial resources of the Regional Alternative School.

Basis of Accounting

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

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

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

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2011

Cash and Cash Equivalents – The School System’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Deposits and Investments – The County maintains all School System funds except for those of the agency fund, which are maintained by school principals. Monies that are legally required to be maintained individually, such as trust balances and contractor escrows are deposited and maintained in individual segregated bank accounts. All other monies of the School System are deposited with the County Treasurer in a pool of bank accounts and are used to purchase investments which are specifically allocated to the appropriate funds. Short-term investments are stated at cost (which approximates fair value). Each fund with monies deposited in the pooled accounts has an equity interest therein. Interest earned is allocated based on average monthly balance.

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

Due from Other Governments and Other Funds – Local sales taxes and governmental accounts receivable are recorded in the School System’s accounts as due from other governments. Transactions between funds and other entities that are representative of the recognition of revenues or expenditures are referred to as “due to/from” the other funds or entities.

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

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

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

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

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

According to the Code of Virginia, whenever a local government incurs a financial obligation, payable over more than one fiscal year, to fund the acquisition, construction or improvement of public school property the local government acquires title to such school property as a tenant in common with the local school board for the term of the financial obligation. For financial reporting purposes, the local government may report the school property and related financial obligation. At the time the financial obligation has been paid in full, the net value of the school property is transferred to the school board as a special item on both government-wide financial statements.

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

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2011

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

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

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

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

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

Payment of Interest and Other Charges for County Capital Projects – Payments made to the County for interest costs and direct expenditures for tenancy in common assets. This is pursuant to the School System's Year-End Balance Policy that authorizes the allocation of all year-end balances to school capital.

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

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

New Accounting Pronouncements – The School System adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. This Statement provides guidance on how to identify, account for, and report fund balance categories as well as clarification of the governmental fund type definitions. Certain nonmajor governmental funds for textbooks and school buses were moved from special revenue funds into the general fund to more closely align with this guidance. See note 2 for further information regarding the School System's adoption of GASB Statement No. 54.

Reclassifications – Certain reclassifications have been made to the prior period's balances appearing in the notes to the basic financial statements to place them on a basis comparable with the current period's presentation in the notes to the basic financial statements.

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

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2011

(2) Fund Balances

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

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

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

Fund balances by classification as of June 30, 2011 are as follows:

	General	Grant	Capital Projects	Nonmajor Governmental Fund	Total
Nonspendable:					
Inventory	\$ 146,447	\$ -	\$ -	\$ 102,327	\$ 248,774
	146,447	-	-	102,327	248,774
Restricted for:					
School grants	-	157,951	-	-	157,951
Emergency contingency	2,000,000	-	-	-	2,000,000
	2,000,000	157,951	-	-	2,157,951
Committed to:					
School capital projects	9,737,396	-	4,698,263	-	14,435,659
School vehicles	1,361,526	-	-	-	1,361,526
School textbooks	744,060	-	-	-	744,060
School nutrition	-	-	-	1,034,820	1,034,820
	11,842,982	-	4,698,263	1,034,820	17,576,065
Assigned to:					
Instruction	421,793	-	-	-	421,793
Administration	2,822	-	-	-	2,822
Transportation	16,558	-	-	-	16,558
Operations and maintenance	5,015	-	-	-	5,015
Technology	27,762	-	-	-	27,762
School nutrition	-	-	-	195,552	195,552
	473,950	-	-	195,552	669,502
Total fund balances	\$ 14,463,379	\$ 157,951	\$ 4,698,263	\$ 1,332,699	\$ 20,652,292

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2011

(3) Deposits and Investments

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

The fair value and maturity of the School System's share of deposits and investments as of June 30, 2011 is as follows:

	<u>Original Investment Maturity</u>		<u>Fair Value</u>	<u>Credit Rating</u>
	<u>< 1 year</u>	<u>1-2 years</u>		
Demand and time deposits	\$ 10,409,288	\$ -	\$ 10,409,288	N/A
Money market mutual funds	12,650,229	-	12,650,229	AAAm
Virginia LGIP	3,894,165	-	3,894,165	AAAm
Federal agency bonds and notes	-	11,362,082	11,362,082	AAA
	<u>\$ 26,953,682</u>	<u>\$ 11,362,082</u>	<u>\$ 38,315,764</u>	

The carrying value of the School System's share of deposits and investments as of June 30, 2011 is as follows:

	<u>Cash and Cash</u>		<u>Total</u>
	<u>Equivalents</u>	<u>Investments</u>	
Roanoke County Public Schools	\$ 24,505,988	\$ 11,362,082	\$ 35,868,070
Agency Funds	2,447,694	-	2,447,694
	<u>\$ 26,953,682</u>	<u>\$ 11,362,082</u>	<u>\$ 38,315,764</u>

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

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

Investments – Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligation of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, Banker's acceptances, and repurchase agreements.

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

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2011

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

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

As of June 30, 2011, the portion of the County and School System's portfolio, excluding the Virginia LGIP, Virginia State Non-Arbitrage Program (SNAP), and U.S. Government guaranteed obligations that exceed 5% of the total portfolio are as follows:

Issuer	% of Portfolio
Federal Home Loan Bank	16.96%
Federal Farm Credit Bank	15.72%
Federal National Mortgage Association	5.03%
Federal Home Loan Mortgage Corporation	6.29%

Custodial Credit Risk – The Policy requires that all investment securities purchased by the County or held as collateral on deposits or investments shall be held by the County or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2011, all of the County's investments are held by the County or in a bank's trust department in the County's name.

Interest Rate Risk – The Policy requires maturity scheduling be timed to anticipated need and scheduled to coincide with projected cash flow needs. All funds shall be considered short-term except those reserved for capital projects and prepayment funds being held for debt retirement. As of June 30, 2011, the County had no investments with a maturity greater than 30 months.

(4) Due from Other Governments

Amounts due from other governments at June 30, 2011 are as follows:

	General	Grant	Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
Federal	\$ 264,334	\$ 2,526,396	\$ 124,354	\$ 40,279	\$ 2,955,363
Commonwealth of Virginia	2,781,992	25,497	-	-	2,807,489
Local	3,476	-	-	-	3,476
	<u>\$ 3,049,802</u>	<u>\$ 2,551,893</u>	<u>\$ 124,354</u>	<u>\$ 40,279</u>	<u>\$ 5,766,328</u>

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

Roanoke County Public Schools

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Amounts due to the Grant Fund are attributed primarily to the Individuals with Disabilities Education Act (IDEA) and the Titles I, II and III federal grants. IDEA is designed to ensure that all school age handicapped children are provided a free, appropriate public education. Titles I, II and III programs enhance the instruction for disadvantaged children. Amounts due to the Capital Projects Fund are primarily attributed to reimbursements for capital projects funded with federal stimulus grants. Amounts due to the Nonmajor Governmental Fund are attributable primarily to federal reimbursements for the school lunch program.

(5) Interfund Balances and Transfers

Interfund balances as of June 30, 2011 consisted of the following:

<u>Payable to</u>	<u>Receivable from General Fund</u>
Grant Fund	\$ 1,266,524
	<u>\$ 1,266,524</u>

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

Interfund transfers for the year ended June 30, 2011 consisted of the following amounts:

<u>Transfers to</u>	<u>Transfers from General Fund</u>
Grant Fund	\$ 36,000
Capital Projects Fund	10,523,870
Nonmajor Governmental Fund	93,091
	<u>\$ 10,652,961</u>

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

(6) Capital Assets

Components of the School System's capital assets, net, at June 30, 2011 are summarized as follows:

Land	\$ 5,726,229
Construction in progress	50,151
Buildings and improvements	67,472,837
Furniture and equipment	28,565,293
Subtotal	<u>101,814,510</u>
Accumulated depreciation	<u>(57,674,602)</u>
Capital assets, net	<u>\$ 44,139,908</u>

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2011

The School System's capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets, nondepreciable:				
Land	\$ 5,222,784	\$ 503,445	\$ -	\$ 5,726,229
Construction in progress	242,627	208,503	(400,979)	50,151
Capital assets, nondepreciable	<u>5,465,411</u>	<u>711,948</u>	<u>(400,979)</u>	<u>5,776,380</u>
Capital assets, depreciable:				
Buildings and improvements	66,223,291	1,249,546	-	67,472,837
Furniture and equipment	26,161,387	2,992,019	(588,113)	28,565,293
Capital assets, depreciable	<u>92,384,678</u>	<u>4,241,565</u>	<u>(588,113)</u>	<u>96,038,130</u>
Accumulated depreciation:				
Buildings and improvements	(37,293,235)	(2,472,774)	-	(39,766,009)
Furniture and equipment	(15,891,146)	(2,605,560)	588,113	(17,908,593)
Accumulated depreciation	<u>(53,184,381)</u>	<u>(5,078,334)</u>	<u>588,113</u>	<u>(57,674,602)</u>
Capital assets, depreciable, net	<u>39,200,297</u>	<u>(836,769)</u>	<u>-</u>	<u>38,363,528</u>
Capital assets, net	<u>\$ 44,665,708</u>	<u>\$ (124,821)</u>	<u>\$ (400,979)</u>	<u>\$ 44,139,908</u>

Depreciation expense for the year ended June 30, 2011 was charged to School System activities as follows:

Instruction	\$ 4,000,992
Administration	85,881
Transportation	949,684
Operations and maintenance	29,727
School nutrition	12,050
	<u>\$ 5,078,334</u>

As of June 30, 2011, the County's government-wide financial statements included school capital assets and related debt outstanding of \$163.4 million and \$112.1 million, respectively related to tenancy in common assets. During the fiscal year, the County transferred buildings and improvements in the amount of \$1,077,603, net of accumulated depreciation, to the schools related to current year debt payoff for tenancy in common assets. A capital contribution of this amount has been recognized as a special item in the Statement of Activities.

(7) Unearned and Deferred Revenue

Unearned and deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. To comply with the requirements of GASB Statement No. 33, assets and unearned and deferred revenue related to certain non-exchange transactions are recorded in the basic financial statements. Unearned and deferred revenue as of June 30, 2011 is comprised of the following:

	Governmental Activities	Governmental Funds
Internal service revenue	\$ 1,603,202	\$ -
Sales tax	-	1,372,410
Other	5,495	5,495
Total unearned and deferred revenue	<u>\$ 1,608,697</u>	<u>\$ 1,377,905</u>

- Unearned Internal Services revenue - Unearned revenue in the Internal Service Funds representing the premiums collected in June for July insurance coverage.

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- Deferred sales tax - Deferred revenue representing June sales taxes collected by the state in July and remitted to the School System in August.
- Unearned and deferred other revenue – Unearned and deferred revenue representing tuition for online courses collected in June for programs conducted in July and August and equipment refunds spent in the subsequent year.

(8) Capital Leases

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

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

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

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

The future minimum lease payments under the capital leases as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2012	\$ 473,103
2013	447,978
2014	461,418
2015	475,260
2016	489,517
2017	<u>504,203</u>
Total minimum lease payments	2,851,479
Less: Amount representing interest	<u>(363,154)</u>
Present value of minimum lease payments	<u>\$ 2,488,325</u>

(9) Risk Management

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

Health Insurance – The School System implemented a self-insured health insurance program on July 1, 1990. Monthly contributions are paid into the Internal Service fund from all other funds and school employees. These contributions are based upon estimates from the claims processor that should cover administrative expenses, stop loss insurance premiums, and claims. An excess coverage insurance policy covers each individual's pooled claims in excess of \$200,000. At June 30, 2011, incurred but not yet reported claims for the School System are estimated to be \$1,489,068. Interfund premiums are based upon the employees within that fund that are enrolled in the plan.

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June 30, 2011

Risk Management – The School System established a self-insured workers' compensation program on July 1, 1990. Premiums are paid into the Internal Service Fund by the General Fund and are available to pay claims, claims reserves, and administrative costs of the programs. An excess coverage insurance policy covers each accident in excess of \$400,000 for the School System, with statutory limits. At June 30, 2011, the School System has accrued liabilities for workers' compensation of \$887,000, based upon an estimate by a qualified actuary. Interfund premiums are based upon the insured funds' claims experience and are reported as interfund services provided and used. At June 30, 2011, the School System had cash reserves of \$1,097,089 for workers' compensation to cover school employees.

Laptop Insurance Reserve – On July 1, 2003, the School System established a self-insured program for claims arising from the loss or damage of student laptop computers. Student computer use fees and computer warranty reimbursements are paid into the Internal Service Fund and are available to pay claims, claims reserves, and administrative costs of the program. At June 30, 2011, the School System had cash reserves of \$793,624.

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

	Health Insurance	Risk Management	Laptop Insurance Reserve	Total
Unpaid claims, June 30, 2009	\$ 1,258,822	\$ 697,000	\$ -	\$ 1,955,822
Incurring claims (including IBNR and changes in estimates)	13,432,688	364,371	404,717	14,201,776
Claim payments	(13,492,436)	(364,371)	(404,717)	(14,261,524)
Unpaid claims, June 30, 2010	1,199,074	697,000	-	1,896,074
Incurring claims (including IBNR and changes in estimates)	15,486,948	738,765	275,928	16,501,641
Claim payments	(15,196,954)	(548,765)	(275,928)	(16,021,647)
Unpaid claims, June 30, 2011	\$ 1,489,068	\$ 887,000	\$ -	\$ 2,376,068

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

(10) Defined Benefit Pension Plan

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

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

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

Funding Policy – Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. The School System has assumed this 5.00% member contribution. In addition, the School System is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The contribution requirements for the School System were equal to the actual contributions for 2011 for both the non-professional and professional employees. The School System's contribution rate for non-professional employees was 8.29% of annual covered payroll (including the employee share of 5.00% paid by the employer).

Total contributions made by the School System to the VRS statewide teacher cost-sharing pool for professional employees for the fiscal year ended June 30, 2011 was \$6,046,360 of total annual covered payroll of \$67,652,004. The contributions were 8.93% and included the employee share of 5.00% paid by the employer. For the fiscal year ended June 30, 2010, total contributions were \$8,065,421 of total annual covered payroll of \$71,434,718. The contributions were only 5.00% for March – June 2010 due to a VRS holiday and 13.81% for July – April 2010 and included the employee share of 5.00% paid by the employer. For the fiscal year ended June 30, 2009, total contributions were \$11,116,934 of total annual covered payroll of \$77,235,026. The contributions were 13.81% and included the employee share of 5.00% paid by the employer. During fiscal year ended June 30, 2009 a lump sum multi-year adjustment was made to reclassify a certain class of employees from the non-professional pool to the professional pool.

Annual Pension Cost – For fiscal year ended June 30, 2011, the School System's non-professional employee's annual pension cost of \$197,060 was equal to the required and actual contributions.

Three-Year Trend Information for Roanoke County Public Schools

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2011	197,060	100%
June 30, 2010	266,811	100%
June 30, 2009	302,343	100%

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The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Roanoke County Public Schools' assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

Funded Status and Funding Progress – As of June 30, 2010, the most recent actuarial valuation date, the plan was 97.49% funded. The actuarial accrued liability for benefits was \$29,133,145, and the actuarial value of assets was \$28,402,620, resulting in an unfunded actuarial liability (UAAL) of \$730,525. The covered payroll (annual payroll of active employees covered by the plan) was \$6,323,621, and the ratio of the UAAL to the covered payroll was (11.55%).

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

(11) Other Postemployment Benefit Plan

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

Plan Description – The School System administers and sponsors a single-employer defined benefit healthcare plan. Employees are eligible for this benefit if they retire after age 55 with at least 10 years of service and 12 months enrollment in the School System's self-insured health insurance program. The benefits, employee contributions, and employer contributions are governed by School Board policy and can be amended through School Board action. Required supplementary information and trend information are included in the School System's financial report and consequently, there is no separately issued report.

The School System contributes up to \$2,500 per year towards the total medical premium for each eligible retiree for up to five years after retiring under the Employee Extended Work Plan (see note Note 12). The total retiree medical premium is calculated as a blended rate based on the medical claims of all active and retired participants resulting in an implicit subsidy that benefits the retiree with a lower cost medical premium.

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

Funding Policy – The School System currently pays for other postemployment benefits on a pay-as-you-go basis. For the year ended June 30, 2011, the School System paid approximately \$1,938,700 in healthcare benefits, including \$522,371 in monthly health insurance premium payments for 210 school retirees. Expenditures for other postemployment benefits are recognized on a monthly basis as the employee premium becomes due.

Annual OPEB Costs and Net OPEB Obligation (Asset) – During 2011, the School System contributed \$1,760,600 to fund the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45, and the net OPEB asset at June 30, 2011 was \$205,810. The School System's annual OPEB cost (expense) of \$1,760,600 was equal to the ARC for the fiscal year. The ARC represents a level of funding that, if paid on

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an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years.

The required contribution was determined as part of the July 1, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included 4.0% investment rate of return and an initial healthcare cost trend rate of 9.0% reduced by 0.5% to 1.0% each year to arrive at an ultimate healthcare cost trend rate of 5.0%.

The School System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2011 and the preceding two years are as follows:

Three-Year Trend Information for Roanoke County Public Schools

Fiscal Year Ended	Beginning Net OPEB Obligation (Asset)	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Ending Net OPEB Obligation (Asset)
June 30, 2009	\$ 60,000	\$ 1,717,062	\$ 1,717,062	100.00%	\$ 60,000
June 30, 2010	60,000	1,726,490	1,814,200	105.08%	(27,710)
June 30, 2011	(27,710)	1,760,600	1,938,700	110.12%	(205,810)

The net OPEB asset as of June 30, 2011 was calculated as follows:

Annual Required Contribution	\$ 1,760,600
Interest on Net OPEB Obligation	1,100
Adjustment to Annual Required Contribution	(1,100)
Annual OPEB Cost	1,760,600
Contributions Made	1,938,700
Increase in Net OPEB Asset	(178,100)
Net OPEB Asset, Beginning of Year	(27,710)
Net OPEB Asset, End of Year	<u>\$ (205,810)</u>

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date, the School System's plan was 0.0% funded. The actuarial accrued liability for benefits was \$13,980,418 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,980,418. The covered payroll was \$73,695,601 and the ratio of the UAAL to the covered payroll was (18.97)%. As of June 30, 2011, the School System funds the plan on a pay-as-you-go basis so the actuarial value of plan assets at year-end was \$0.

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

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

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

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For the July 1, 2011 actuarial valuation, the methods and assumptions included:

- Projected unit credit actuarial cost method.
- An 8.0% investment rate of return. Because the School System joined the Virginia Pooled OPEB Trust Fund subsequent to year-end and expects to fully fund the annual required contribution, a higher investment rate of return was used in this actuarial valuation.
- An initial annual healthcare cost trend rate of 10.0% reduced by 0.5% to 1.0% each year to arrive at an ultimate health care cost trend rate of 5.0%.
- A payroll growth for the amortization of the unfunded liability of 3.00%.
- The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis over a period of 30 years.

(12) Defined Compensation Plan

The School Board participates in an Employee Extended Work Plan (the "Plan") for eligible employees. Any full-time employee who is a member of VRS and has ten consecutive years of full-time service in the Roanoke County Public School System is eligible to participate in the Plan at any time after age 55. Eligible retirees can be involuntarily removed from the Plan for disability or performance issues. The School Board renews the Plan on an annual basis and it can be terminated at any time.

Eligible retirees receive 20% of their final contract salary annually for five years in exchange for working 2.5 days per contract month (25 days for 10-month contracts and 30 days for 12-month contracts) in the School System. During the fiscal year ended June 30, 2011, the School System expended \$3,352,178 for the compensation paid to the 279 retirees participating in the Employee Extended Work Plan during the current year.

(13) Long-Term Liabilities

The change in the School System's long-term liabilities within the government-wide financial statements during the fiscal year ended June 30, 2011 consists of the following:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Claims payable	\$ 1,896,074	\$ 16,501,641	\$ (16,021,647)	\$ 2,376,068	\$ 1,773,740
Compensated absences	2,894,930	1,412,897	(1,478,080)	2,829,747	733,980
Capital leases	2,835,505	-	(347,180)	2,488,325	373,940
Pollution remediation obligation	-	176,913	(81,556)	95,357	95,357
Total long-term liabilities	<u>\$ 7,626,509</u>	<u>\$ 18,091,451</u>	<u>\$ (17,928,463)</u>	<u>\$ 7,789,497</u>	<u>\$ 2,977,017</u>

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

In June 2011, the School System began demolition projects at Mason's Cove Elementary and Cave Spring Middle Schools, which included asbestos abatement. The asbestos abatement is expected to be completed in September 2011. As of June 30, 2011 the estimated total obligation for remediation was \$176,913, with current expenses of \$81,556 and an outstanding obligation of \$95,357 representing work contracted but not completed until after the end of the fiscal year. Since this work was part of the planned demolitions, there are no outside recoveries expected.

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

Roanoke County Public Schools

Notes to Basic Financial Statements

June 30, 2011

(14) Commitments, Contingencies and Other Information

Construction Commitments – The School System has active construction projects being financed with Virginia Public School Authority bonds issued by the local government and school capital projects fund. As of June 30, 2011, the School System's commitments with contractors are as follows:

	Spent to Date	Remaining Contract
Cave Spring Elementary	\$ 7,179,251	\$ 192,959
Green Vally Elementary	6,763,497	177,040
Mount Pleasant Elementary	6,949,251	179,202
William Byrd High	11,086,977	288,880
Mason's Cove Elementary	8,639,638	1,373,369
Cave Spring Middle	360,708	23,033,292
	<u>\$ 40,979,322</u>	<u>\$ 25,244,742</u>

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

Encumbrances - The School System had outstanding encumbrances under the general, capital projects, and nonmajor governmental funds of \$1,437,750, \$396,964, and \$195,552, respectively.

Litigation – The School System may be contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. At June 30, 2011, management believes that the amount of loss, if any, is not material to the School System's financial position.

(15) Related Parties

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

(16) Subsequent Events

Subsequent to the end of the fiscal year, the School Board voted to participate in a joint trust arrangement with the local governing body for the purpose of accumulating and investing assets to fund other postemployment benefits other than pensions (See Note 11). The School Board will begin to make contributions to the trust in 2012 which will reduce the unfunded liability outlined in Exhibit M in future years.



REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

In accordance with the Governmental Accounting Standards Board Statements No. 34, No. 45, and 50, the following information is a required part of the basic financial statements.

GENERAL FUND

The **General Fund** reflects all revenues and expenditures of the School Board, which are not required to be accounted for in another fund. For the year ended June 30, 2011, the school textbooks and school bus special revenue funds were moved to the General Fund related to the implementation of Governmental Accounting Standards Board Statement No. 54. Revenues are primarily derived from the County local appropriation, the Virginia Department of Education, and the Federal Government. Major expenditures represent the costs of operating the County's public school system.

Roanoke County Public Schools
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

Exhibit J
Unaudited

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
<i>Intergovernmental:</i>				
Roanoke County	\$ 63,543,357	\$ 64,559,361	\$ 64,559,361	\$ -
Commonwealth of Virginia	63,184,925	63,249,515	64,103,729	854,214
Federal government	1,906,901	7,962,940	8,209,271	246,331
Charges for services	532,895	574,595	476,275	(98,320)
Investment income	100,000	100,000	107,392	7,392
Miscellaneous	8,600	10,600	88,754	78,154
Total revenues	<u>129,276,678</u>	<u>136,457,011</u>	<u>137,544,782</u>	<u>1,087,771</u>
Expenditures				
<i>Current:</i>				
Instruction	94,889,558	100,827,396	92,094,364	8,733,032
Administration	3,400,290	2,712,156	2,269,955	442,201
Attendance and health	2,573,484	2,195,796	2,207,280	(11,484)
Transportation	6,159,698	8,280,905	7,054,463	1,226,442
Operations and maintenance	12,758,470	13,823,204	10,868,321	2,954,883
Technology	2,907,398	3,062,417	3,059,017	3,400
<i>Capital lease debt service:</i>				
Principal	347,180	347,180	347,180	-
Interest	113,255	113,255	113,255	-
<i>Intergovernmental:</i>				
Roanoke County	<u>6,150,345</u>	<u>6,125,345</u>	<u>6,125,345</u>	<u>-</u>
Total expenditures	<u>129,299,678</u>	<u>137,487,654</u>	<u>124,139,180</u>	<u>13,348,474</u>
Excess (deficiency) of revenues over (under) expenditures	(23,000)	(1,030,643)	13,405,602	14,436,245
Other financing sources (uses)				
Proceeds from sale of property	48,000	-	27,134	27,134
<i>Operating transfers:</i>				
Transfers to grant fund	-	(36,000)	(36,000)	-
Transfers to capital projects fund	(25,000)	(10,523,870)	(10,523,870)	-
Transfers to nonmajor governmental fund	<u>-</u>	<u>(93,091)</u>	<u>(93,091)</u>	<u>-</u>
Total other financing sources (uses)	<u>23,000</u>	<u>(10,652,961)</u>	<u>(10,625,827)</u>	<u>27,134</u>
Net change in fund balances	-	(11,683,604)	2,779,775	14,463,379
Fund balances, beginning	-	11,683,604	11,683,604	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,463,379</u>	<u>\$ 14,463,379</u>

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

GRANT FUND

Special Revenue Fund

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

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

Roanoke County Public Schools
Budgetary Comparison Schedule
Special Revenue Fund - Grant Fund
For the Year Ended June 30, 2011

Exhibit K
Unaudited

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
<i>Intergovernmental:</i>				
Commonwealth of Virginia	\$ 873,098	\$ 943,181	\$ 938,215	\$ (4,966)
Federal government	8,116,142	8,870,488	7,517,589	(1,352,899)
Charges for services	25,158	130,112	106,600	(23,512)
Miscellaneous	-	8,167	8,167	-
Total revenues	<u>9,014,398</u>	<u>9,951,948</u>	<u>8,570,571</u>	<u>(1,381,377)</u>
Expenditures				
<i>Current:</i>				
Instruction	8,692,860	9,596,834	8,238,429	1,358,405
Attendance and health	438,769	514,972	385,357	129,615
Technology	10,006	10,006	9,704	302
Total expenditures	<u>9,141,635</u>	<u>10,121,812</u>	<u>8,633,490</u>	<u>1,488,322</u>
Deficiency of revenues under expenditures	(127,237)	(169,864)	(62,919)	106,945
Other financing sources				
<i>Operating transfers:</i>				
Transfers from general fund	-	36,000	36,000	-
Total other financing sources	<u>-</u>	<u>36,000</u>	<u>36,000</u>	<u>-</u>
Net change in fund balances	(127,237)	(133,864)	(26,919)	106,945
Fund balances, beginning	127,237	133,864	184,870	51,006
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,951</u>	<u>\$ 157,951</u>

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

Roanoke County Public Schools
Schedule of Funding Progress
Virginia Retirement System
For the Year Ended June 30, 2011

Exhibit L
Unaudited

Roanoke County Public Schools Non-Professional Employees

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Over funded (Unfunded) Actuarial Accrued Liability (O/UAAL)	Funded Ratio	Annual Covered Payroll	O/UAAL as a Percentage of Covered Payroll
June 30, 2008	\$ 29,040,574	\$ 26,489,508	\$ 2,551,066	109.63%	\$ 6,948,926	36.71%
June 30, 2009	28,670,508	27,075,002	1,595,506	105.89%	6,735,037	23.69%
June 30, 2010	28,402,620	29,133,145	(730,525)	97.49%	6,323,621	(11.55)%

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

Roanoke County Public Schools
Schedules of Funding Progress and Employer Contributions
Other Postemployment Benefits Plan
For the Year Ended June 30, 2011

Exhibit M
Unaudited

Schedule of Funding Progress

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

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 1,717,000	\$ 1,717,062	100.00%
2010	1,726,490	1,814,200	105.08%
2011	1,760,600	1,938,700	110.12%

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

(1) Summary of Significant Accounting Policies

Annual Budget Adoption – Annual budgets are legally adopted for the General Fund, Grant Fund, and Capital Projects Fund, and School Nutrition Fund. Supplemental capital budgets are approved by the School Board during the fiscal year as funding is identified and designated for capital projects. Budgetary Comparison Schedules for General and Major Special Revenue Funds, as required by GASB Statement No. 34, are presented as required supplementary information. All appropriations are legally controlled at the fund level. The Code of Virginia requires adoption of a balanced budget by June 30 of each year. The School Board formally adopted the fiscal year 2010-11 budget appropriation on March 25, 2010. The County Board of Supervisors adopted the original school budget on April 13, 2010. Budget revisions were approved throughout fiscal year 2011.

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

(2) Material Violations

There were no material violations of the annual appropriated budget for the General and Grant Funds for the fiscal year ended June 30, 2011. In addition, there were no excesses of budgetary expenditures for the period.

SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

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

Roanoke County Public Schools
Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended June 30, 2011

Schedule 1
Unaudited

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
<i>Intergovernmental:</i>				
Roanoke County	\$ -	\$ 391,907	\$ 391,907	\$ -
Commonwealth of Virginia	752,000	752,030	752,030	-
Federal government	-	526,993	444,740	(82,253)
Charges for services	48,000	48,000	48,000	-
Miscellaneous	-	80,000	80,298	298
Total revenues	800,000	1,798,930	1,716,975	(81,955)
Expenditures				
<i>Current:</i>				
Instruction	-	1,298,272	1,042,360	255,912
Administration	-	12,827	-	12,827
Operations and maintenance	48,000	935,939	502,131	433,808
Technology	812,933	3,433,689	3,039,874	393,815
<i>Capital outlay:</i>				
Facilities	25,000	4,796,214	1,112,358	3,683,856
<i>Intergovernmental:</i>				
Roanoke County	-	18,288,298	18,288,298	-
Total expenditures	885,933	28,765,239	23,985,021	4,780,218
Deficiency of revenues under expenditures	(85,933)	(26,966,309)	(22,268,046)	4,698,263
Other financing sources				
<i>Operating transfers:</i>				
Transfers from general fund	25,000	10,523,870	10,523,870	-
Total other financing sources	25,000	10,523,870	10,523,870	-
Net change in fund balances	(60,933)	(16,442,439)	(11,744,176)	4,698,263
Fund balances, beginning	60,933	16,442,439	16,442,439	-
Fund balances, ending	\$ -	\$ -	\$ 4,698,263	\$ 4,698,263

See accompanying independent auditors' report.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

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

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

Roanoke County Public Schools
Budgetary Comparison Schedule
Special Revenue Fund - School Nutrition Fund
For the Year Ended June 30, 2011

Schedule 2

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
<i>Intergovernmental:</i>				
Commonwealth of Virginia	\$ 80,000	\$ 80,000	\$ 91,741	\$ 11,741
Federal government	1,700,000	2,031,037	2,107,897	76,860
Charges for services	3,800,000	3,800,000	3,535,548	(264,452)
Investment income	12,000	12,000	4,032	(7,968)
Miscellaneous	20,000	20,000	51,600	31,600
Total revenues	<u>5,612,000</u>	<u>5,943,037</u>	<u>5,790,818</u>	<u>(152,219)</u>
Expenditures				
<i>Current:</i>				
School nutrition	<u>5,612,000</u>	<u>7,048,577</u>	<u>5,563,659</u>	<u>1,484,918</u>
Total expenditures	<u>5,612,000</u>	<u>7,048,577</u>	<u>5,563,659</u>	<u>1,484,918</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,105,540)	227,159	1,332,699
Other financing sources				
<i>Operating transfers:</i>				
Transfers from general fund	<u>-</u>	<u>93,091</u>	<u>93,091</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>93,091</u>	<u>93,091</u>	<u>-</u>
Net change in fund balances	-	(1,012,449)	320,250	1,332,699
Fund balances, beginning	<u>-</u>	<u>1,012,449</u>	<u>1,012,449</u>	<u>-</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,332,699</u>	<u>\$ 1,332,699</u>

See accompanying independent auditors' report.

INTERNAL SERVICE FUNDS

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

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

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

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

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

Roanoke County Public Schools
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

Schedule 3

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total
Assets					
<i>Current assets:</i>					
Cash and cash equivalents	\$ 13,651,388	\$ 64,431	\$ 1,984,753	\$ 687,454	\$ 16,388,026
Accounts receivable	3,084	216	12,219	138,468	153,987
Total assets	<u>13,654,472</u>	<u>64,647</u>	<u>1,996,972</u>	<u>825,922</u>	<u>16,542,013</u>
Liabilities					
<i>Current liabilities:</i>					
Accounts payable	-	-	12,883	32,298	45,181
Unearned revenue	1,586,102	17,100	-	-	1,603,202
<i>Long-term liabilities due or payable within one year:</i>					
Claims payable	1,489,068	-	284,672	-	1,773,740
<i>Long-term liabilities due or payable after one year:</i>					
Claims payable	-	-	602,328	-	602,328
Total liabilities	<u>3,075,170</u>	<u>17,100</u>	<u>899,883</u>	<u>32,298</u>	<u>4,024,451</u>
Net Assets					
Unrestricted	10,579,302	47,547	1,097,089	793,624	12,517,562
Total net assets	<u>\$ 10,579,302</u>	<u>\$ 47,547</u>	<u>\$ 1,097,089</u>	<u>\$ 793,624</u>	<u>\$ 12,517,562</u>

See accompanying independent auditors' report.

Roanoke County Public Schools**Schedule 4****Combining Statement of Revenues, Expenses and Changes in Fund Net Assets****Internal Service Funds****For the Year Ended June 30, 2011**

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total
Operating revenues					
Charges for services	\$ 15,573,728	\$ 1,237,607	\$ 350,000	\$ 139,654	\$ 17,300,989
Other operating revenues	-	-	-	208,850	208,850
Total operating revenues	<u>15,573,728</u>	<u>1,237,607</u>	<u>350,000</u>	<u>348,504</u>	<u>17,509,839</u>
Operating expenses					
Claims	15,486,948	1,237,604	738,765	275,928	17,739,245
Administrative charges	10,038	-	-	-	10,038
Total operating expenses	<u>15,496,986</u>	<u>1,237,604</u>	<u>738,765</u>	<u>275,928</u>	<u>17,749,283</u>
Operating income (loss)	<u>76,742</u>	<u>3</u>	<u>(388,765)</u>	<u>72,576</u>	<u>(239,444)</u>
Nonoperating revenues					
Interest and dividend income	-	31	63,166	2,593	65,790
Total nonoperating revenues	<u>-</u>	<u>31</u>	<u>63,166</u>	<u>2,593</u>	<u>65,790</u>
Change in net assets	76,742	34	(325,599)	75,169	(173,654)
Net assets, beginning	10,502,560	47,513	1,422,688	718,455	12,691,216
Net assets, ending	<u>\$ 10,579,302</u>	<u>\$ 47,547</u>	<u>\$ 1,097,089</u>	<u>\$ 793,624</u>	<u>\$ 12,517,562</u>

See accompanying independent auditors' report.

Roanoke County Public Schools
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

Schedule 5

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total
Operating activities					
Cash received from interfund services provided	\$ 15,571,907	\$ 1,237,556	\$ 350,265	\$ 5,422	\$ 17,165,150
Payments to suppliers	(18,976)	(225)	-	(27,309)	(46,510)
Payments from suppliers	-	-	12,091	-	12,091
Claims paid	(15,196,954)	(1,237,604)	(548,765)	(275,928)	(17,259,251)
Other receipts	79,035	279	-	208,850	288,164
Net cash provided by (used in) operating activities	<u>435,012</u>	<u>6</u>	<u>(186,409)</u>	<u>(88,965)</u>	<u>159,644</u>
Investing activities					
Interest and dividends	-	31	63,166	2,593	65,790
Net cash provided by investing activities	<u>-</u>	<u>31</u>	<u>63,166</u>	<u>2,593</u>	<u>65,790</u>
Net increase (decrease) in cash and cash equivalents	435,012	37	(123,243)	(86,372)	225,434
Cash and cash equivalents, beginning	<u>13,216,376</u>	<u>64,394</u>	<u>2,107,996</u>	<u>773,826</u>	<u>16,162,592</u>
Cash and cash equivalents, ending	<u>\$ 13,651,388</u>	<u>\$ 64,431</u>	<u>\$ 1,984,753</u>	<u>\$ 687,454</u>	<u>\$ 16,388,026</u>

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

Operating income (loss)	\$ 76,742	\$ 3	\$ (388,765)	\$ 72,576	\$ (239,444)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>					
<i>Decrease (increase) in assets:</i>					
Accounts receivable	(1,821)	(51)	265	(134,232)	(135,839)
<i>Increase (decrease) in liabilities:</i>					
Accounts payable	(8,938)	(225)	12,091	(27,309)	(24,381)
Unearned revenue	79,035	279	-	-	79,314
Claims payable	289,994	-	190,000	-	479,994
Net cash provided by (used in) operating activities	<u>\$ 435,012</u>	<u>\$ 6</u>	<u>\$ (186,409)</u>	<u>\$ (88,965)</u>	<u>\$ 159,644</u>

FIDUCIARY FUNDS

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

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

The **Regional Alternative School Fund** is used to account for the financial resources held by Roanoke County for the regionally operated alternative school program.

Roanoke County Public Schools
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Schedule 6

	Student Activity Fund	Regional Alternative School	Total
Assets			
Cash and cash equivalents	\$ 2,332,612	\$ 115,082	\$ 2,447,694
Total assets	<u>\$ 2,332,612</u>	<u>\$ 115,082</u>	<u>\$ 2,447,694</u>
Liabilities			
Accounts payable	\$ -	\$ 115,082	\$ 115,082
Due to student groups	2,332,612	-	2,332,612
Total liabilities	<u>\$ 2,332,612</u>	<u>\$ 115,082</u>	<u>\$ 2,447,694</u>

See accompanying independent auditors' report.

Roanoke County Public Schools
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

Schedule 7

	Student Activity Fund	Regional Alternative School	Total
Assets			
Balance, beginning	\$ 2,153,241	\$ 115,082	\$ 2,268,323
Additions	7,206,799	-	7,206,799
Deductions	(7,027,428)	-	(7,027,428)
Balance, ending	<u>\$ 2,332,612</u>	<u>\$ 115,082</u>	<u>\$ 2,447,694</u>
Liabilities			
Balance, beginning	\$ 2,153,241	\$ 115,082	\$ 2,268,323
Additions	7,206,799	-	7,206,799
Deductions	(7,027,428)	-	(7,027,428)
Balance, ending	<u>\$ 2,332,612</u>	<u>\$ 115,082</u>	<u>\$ 2,447,694</u>

See accompanying independent auditors' report.



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

	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the School System's financial performance and well-being have changed over time.	70 - 73
Revenue Capacity	
These schedules contain information to help the reader assess the School System's most significant local revenue source.	74 - 78
Debt Capacity	
These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future for the School System.	79 - 81
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School System's financial activities take place.	82 - 83
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the School System's financial report relates understand how the information in the School System's financial report relates to the services the School System provided and the activities it performs.	84 - 96

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School System implemented GASB Statement No. 34 with the fiscal year beginning July 1, 2001; therefore, schedules presenting government-wide information include data beginning with fiscal year 2001-02.

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

Table 1
Unaudited

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in capital assets, net of related debt	\$ 31,363,009	\$ 31,226,875	\$ 31,267,460	\$ 32,586,897	\$ 34,511,703	\$ 36,132,848	\$ 41,002,752	\$ 44,965,789	\$ 41,830,203	\$ 41,651,583
<i>Restricted for:</i>										
Instructional grants	-	-	-	-	-	-	-	-	-	157,951
Emergency contingency	-	-	-	-	-	-	-	-	-	2,000,000
Unrestricted	12,415,847	13,859,789	14,873,530	18,327,328	23,826,070	27,743,240	26,680,447	33,748,565	40,562,210	29,590,419
Total net assets	<u>\$ 43,778,856</u>	<u>\$ 45,086,664</u>	<u>\$ 46,140,990</u>	<u>\$ 50,914,225</u>	<u>\$ 58,337,773</u>	<u>\$ 63,876,088</u>	<u>\$ 67,683,199</u>	<u>\$ 78,714,354</u>	<u>\$ 82,392,413</u>	<u>\$ 73,399,953</u>

Source: Statement of Net Assets (Exhibit A)

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

Table 2
Unaudited

Governmental Activities	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Instruction	\$ 80,318,532	\$ 84,323,408	\$ 87,066,880	\$ 92,136,561	\$ 95,561,863	\$ 102,574,458	\$ 107,156,982	\$ 113,413,226	\$ 104,853,420	\$ 104,091,890
Administration	2,736,026	2,980,386	2,768,346	3,057,970	3,653,131	3,302,541	3,248,300	3,037,138	2,878,527	2,362,580
Attendance and health	2,894,124	2,995,779	2,618,104	3,018,482	2,255,095	2,624,041	2,960,709	2,915,739	2,910,184	2,598,603
Transportation	4,288,397	4,303,445	4,558,167	5,037,459	5,499,181	5,717,561	6,007,152	6,119,667	5,833,078	6,964,180
Operations and maintenance	9,150,109	9,865,178	10,255,449	10,177,817	10,685,364	11,958,229	10,970,831	12,138,884	12,378,003	11,436,014
Technology	-	1,240,912	2,974,664	3,475,534	3,631,136	4,693,570	5,527,484	5,754,612	4,511,121	6,121,084
School nutrition	3,735,912	3,969,333	4,027,007	4,356,509	4,708,752	5,198,160	5,376,635	5,894,703	5,622,545	5,572,527
Capital lease interest	-	-	-	-	-	-	141,582	132,312	122,565	187,855
Payment of interest and other charges for County capital	2,585,596	2,585,596	2,445,471	2,304,369	2,604,368	2,904,369	3,429,369	4,729,369	10,871,639	24,413,643
Facilities	547,006	865,423	275,548	282,315	675,571	982,443	3,559,558	-	-	-
Total expenses	<u>106,255,702</u>	<u>113,129,460</u>	<u>116,989,636</u>	<u>123,847,016</u>	<u>129,274,461</u>	<u>139,955,372</u>	<u>148,378,602</u>	<u>154,135,650</u>	<u>149,981,082</u>	<u>163,748,376</u>
Program revenues										
<i>Charges for services:</i>										
Instruction	630,367	432,255	686,934	639,639	670,240	908,028	796,490	853,738	806,398	877,818
Administration	6,175	-	144	-	4,149	-	210	2,728	3,775	297
Attendance and health	4,140	1,176	-	-	-	-	-	-	-	-
Transportation	6,934	-	-	-	-	-	-	-	-	-
Operations and maintenance	130,211	127,927	126,970	50,385	7,366	6,835	10,860	4,490	174,589	53,225
School nutrition	2,918,414	2,932,555	3,103,672	3,365,149	3,630,443	3,788,710	3,664,463	3,790,895	3,613,046	3,535,548
Operating grants and contributions	17,233,294	15,159,116	16,140,335	18,697,499	20,061,079	21,893,206	24,665,232	24,465,320	28,973,555	32,456,049
Capital grants and contributions	1,360,322	1,104,616	1,105,548	1,086,315	2,095,930	1,056,544	1,131,195	1,318,410	1,512,936	1,588,677
Total revenues	<u>22,289,857</u>	<u>19,757,645</u>	<u>21,163,603</u>	<u>23,838,987</u>	<u>26,469,207</u>	<u>27,653,323</u>	<u>30,268,450</u>	<u>30,435,581</u>	<u>35,084,299</u>	<u>38,511,614</u>
Net expense	<u>(83,965,845)</u>	<u>(93,371,815)</u>	<u>(95,826,033)</u>	<u>(100,008,029)</u>	<u>(102,805,254)</u>	<u>(112,302,049)</u>	<u>(118,110,152)</u>	<u>(123,700,069)</u>	<u>(114,896,783)</u>	<u>(125,236,762)</u>
General revenues and other changes in net assets										
Payments from										
Roanoke County	52,763,511	55,881,964	56,539,339	56,675,543	58,925,214	60,747,935	64,717,113	64,267,132	63,597,776	64,559,361
Non-categorical state aid	35,221,186	38,426,184	40,070,792	47,659,550	49,684,913	56,191,094	55,861,280	64,632,296	53,945,620	50,182,318
Gain on sale of capital assets	1,165	24,153	-	-	-	-	57,318	5,163	674,143	27,134
Miscellaneous	317,781	347,322	270,228	446,171	1,618,675	1,278,643	1,173,552	655,397	357,303	397,886
Capital donated to (from) Schools	-	-	-	-	-	(377,308)	108,000	5,171,236	-	1,077,603
Total general revenues and other changes in net assets	<u>88,303,643</u>	<u>94,679,623</u>	<u>96,880,359</u>	<u>104,781,264</u>	<u>110,228,802</u>	<u>117,840,364</u>	<u>121,917,263</u>	<u>134,731,224</u>	<u>118,574,842</u>	<u>116,244,302</u>
Change in net assets	<u><u>\$ 4,337,798</u></u>	<u><u>\$ 1,307,808</u></u>	<u><u>\$ 1,054,326</u></u>	<u><u>\$ 4,773,235</u></u>	<u><u>\$ 7,423,548</u></u>	<u><u>\$ 5,538,315</u></u>	<u><u>\$ 3,807,111</u></u>	<u><u>\$ 11,031,155</u></u>	<u><u>\$ 3,678,059</u></u>	<u><u>\$ (8,992,460)</u></u>

Source: Statement of Activities (Exhibit B)

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

Table 3
Unaudited

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ⁽¹⁾
General fund										
Reserved	\$ 39,354	\$ 71,305	\$ 100,770	\$ 156,181	\$ 289,423	\$ 339,662	\$ 471,515	\$ 179,035	\$ 273,752	
Unreserved, designated	-	-	-	5,229,506	7,293,555	6,653,171	4,816,548	4,472,007	6,675,386	
Unreserved, undesignated	4,008,279	4,118,851	3,569,754	-	-	1,300,000	2,000,000	1,000,000	2,671,290	
Nonspendable										\$ 146,447
Restricted										2,000,000
Committed										11,842,982
Assigned										473,950
Total fund balance	<u>\$ 4,047,633</u>	<u>\$ 4,190,156</u>	<u>\$ 3,670,524</u>	<u>\$ 5,385,687</u>	<u>\$ 7,582,978</u>	<u>\$ 8,292,833</u>	<u>\$ 7,288,063</u>	<u>\$ 5,651,042</u>	<u>\$ 9,620,428</u>	<u>\$ 14,463,379</u>
All other governmental funds										
Reserved	\$ -	\$ 189,814	\$ 652,884	\$ 221,056	\$ 871,824	\$ 2,498,765	\$ 569,989	\$ 207,206	\$ 257,908	
Unreserved, designated:										
Special Revenue Fund	3,059,910	1,537,095	2,171,039	1,491,624	1,737,157	1,822,817	1,934,391	2,483,733	3,171,196	
Capital Projects Fund	4,557,342	4,847,825	6,048,474	7,111,075	8,706,786	8,062,159	7,680,942	14,731,538	16,273,830	
Nonspendable										\$ 102,327
Restricted										157,951
Committed										5,733,083
Assigned										195,552
Total fund balance	<u>\$ 7,617,252</u>	<u>\$ 6,574,734</u>	<u>\$ 8,872,397</u>	<u>\$ 8,823,755</u>	<u>\$ 11,315,767</u>	<u>\$ 12,383,741</u>	<u>\$ 10,185,322</u>	<u>\$ 17,422,477</u>	<u>\$ 19,702,934</u>	<u>\$ 6,188,913</u>
Total fund balances - all governmental funds	<u>\$ 11,664,885</u>	<u>\$ 10,764,890</u>	<u>\$ 12,542,921</u>	<u>\$ 14,209,442</u>	<u>\$ 18,898,745</u>	<u>\$ 20,676,574</u>	<u>\$ 17,473,385</u>	<u>\$ 23,073,519</u>	<u>\$ 29,323,362</u>	<u>\$ 20,652,292</u>

Source: Balance Sheet - Governmental Funds (Exhibit C)

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

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

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

Table 4
Unaudited

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Roanoke County	\$ 54,621,646	\$ 55,881,963	\$ 56,539,339	\$ 56,675,543	\$ 59,582,458	\$ 60,747,935	\$ 64,717,113	\$ 64,292,132	\$ 63,622,776	\$ 64,951,268
Commonwealth of Virginia	47,813,899	50,076,198	51,942,418	61,360,969	64,902,941	72,785,446	74,870,079	83,349,243	71,309,332	65,885,715
Federal government	4,007,106	4,647,782	5,376,225	6,072,924	6,342,076	6,601,781	6,946,602	7,025,549	13,154,962	18,279,497
Charges for services	3,547,086	3,585,862	3,906,730	3,927,784	4,367,122	4,470,075	4,257,357	4,368,022	4,408,785	4,166,423
Other	328,445	137,680	112,357	318,083	496,781	667,732	600,683	490,488	257,273	340,243
Total revenue	<u>110,318,182</u>	<u>114,329,485</u>	<u>117,877,069</u>	<u>128,355,303</u>	<u>135,691,378</u>	<u>145,272,969</u>	<u>151,391,834</u>	<u>159,525,434</u>	<u>152,753,128</u>	<u>153,623,146</u>
Expenditures										
<i>Current:</i>										
Instruction	80,590,210	84,508,505	85,511,866	92,545,814	95,378,317	102,085,681	106,716,335	111,649,978	103,447,341	101,375,153
Administration	2,740,556	3,003,169	2,651,756	3,066,908	3,637,621	3,306,631	3,262,037	3,000,153	2,854,789	2,269,955
Attendance and health	2,917,110	3,039,483	2,592,377	3,058,951	2,262,051	2,647,551	2,987,391	2,918,544	2,946,828	2,592,637
Transportation	4,885,085	4,670,245	4,498,137	5,598,274	5,203,567	5,652,308	6,025,437	5,608,857	5,997,771	7,054,463
Operations and maintenance	9,234,500	10,057,434	10,141,257	10,305,382	10,705,207	12,055,177	11,071,884	12,125,394	12,507,630	11,370,452
Technology	-	1,240,912	2,952,265	3,503,144	3,639,226	4,723,754	5,567,218	5,766,371	4,556,074	6,108,595
School nutrition	3,726,946	3,961,100	4,024,520	4,352,589	4,704,297	5,191,962	5,367,882	5,885,913	5,615,301	5,563,659
<i>Capital lease debt service:</i>										
Principal	-	-	-	-	-	-	244,848	280,650	325,571	347,180
Interest	-	-	-	-	-	-	141,582	132,312	122,565	113,255
<i>Capital outlay:</i>										
Facilities	1,362,267	1,873,724	1,125,516	1,944,560	3,429,743	8,113,735	9,563,489	2,138,689	649,418	1,112,358
<i>Intergovernmental:</i>										
Roanoke County	<u>2,585,596</u>	<u>2,585,596</u>	<u>2,445,471</u>	<u>2,304,369</u>	<u>2,604,368</u>	<u>2,904,369</u>	<u>3,429,369</u>	<u>4,729,369</u>	<u>10,696,615</u>	<u>24,413,643</u>
Total expenditures	<u>108,042,270</u>	<u>114,940,168</u>	<u>115,943,165</u>	<u>126,679,991</u>	<u>131,564,397</u>	<u>146,681,168</u>	<u>154,377,472</u>	<u>154,236,230</u>	<u>149,719,903</u>	<u>162,321,350</u>
Excess (deficiency) of revenues over (under)	2,275,912	(610,683)	1,933,904	1,675,312	4,126,981	(1,408,199)	(2,985,638)	5,289,204	3,033,225	(8,698,204)
Other financing sources (uses)										
Transfers, net	-	(313,465)	(159,024)	(37,618)	(40,865)	(425,355)	(290,845)	183,250	1,205,142	-
Issuance of debt	-	-	-	-	-	3,564,057	-	122,517	-	-
Proceeds from refunding savings	-	-	-	-	581,774	-	-	-	-	-
Proceeds from sale of property	<u>1,165</u>	<u>24,153</u>	<u>3,151</u>	<u>28,827</u>	<u>21,413</u>	<u>47,326</u>	<u>73,294</u>	<u>5,163</u>	<u>2,011,476</u>	<u>27,134</u>
Total other financing sources (uses)	<u>1,165</u>	<u>(289,312)</u>	<u>(155,873)</u>	<u>(8,791)</u>	<u>562,322</u>	<u>3,186,028</u>	<u>(217,551)</u>	<u>310,930</u>	<u>3,216,618</u>	<u>27,134</u>
Change in fund balances	<u>\$ 2,277,077</u>	<u>\$ (899,995)</u>	<u>\$ 1,778,031</u>	<u>\$ 1,666,521</u>	<u>\$ 4,689,303</u>	<u>\$ 1,777,829</u>	<u>\$ (3,203,189)</u>	<u>\$ 5,600,134</u>	<u>\$ 6,249,843</u>	<u>\$ (8,671,070)</u>
Debt service as a percentage of non-capital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.26%	0.27%	0.30%	0.29%

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

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

Table 5
Unaudited

Fiscal Year	County of Roanoke			State Aid		
	Annual Appropriation	Increase (Decrease)	Percent Change	Annual Appropriation	Increase (Decrease)	Percent Change
2002	\$ 52,763,511	\$ 3,041,109	6.12%	\$ 45,414,146	\$ (1,064,087)	(2.29)%
2003	55,778,534	3,015,023	5.71%	47,774,574	2,360,428	5.20%
2004	56,539,339	760,805	1.36%	49,673,995	1,899,421	3.98%
2005	56,675,543	136,204	0.24%	59,182,836	9,508,841	19.14%
2006	58,925,214	2,249,671	3.97%	62,285,520	3,102,684	5.24%
2007	60,747,935	1,822,721	3.09%	70,197,695	7,912,175	12.70%
2008	64,717,113	3,969,178	6.53%	72,106,483	1,908,788	2.72%
2009	64,267,132	(449,981)	(0.70)%	80,195,499	8,089,016	11.22%
2010	63,597,776	(669,356)	(1.04)%	69,502,612	(10,692,887)	(13.33)%
2011	64,559,361	961,585	1.50%	64,103,729	(5,398,883)	(7.77)%

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

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

Fiscal Year	Real Property	Personal Property	Public Service Corporation	Total Taxable Assessed Value	Real Property Total Direct Tax Rate	Personal Property		Estimated Actual Taxable Value
						Tangible Tax Rate	Machinery & Tools Tax Rate	
2002	4,934,402,800	656,879,439	193,280,816	5,784,563,055	\$1.12	\$3.50	\$3.00	\$6,969,353,078
2003	5,219,760,400	685,832,531	209,248,724	6,114,841,655	1.12	3.50	3.00	7,367,279,102
2004	5,563,983,100	663,297,004	218,702,303	6,445,982,407	1.12	3.50	3.00	7,766,243,864
2005	5,969,476,500	725,053,654	207,774,445	6,902,304,599	1.12	3.50	3.00	8,316,029,637
2006	6,441,496,100	768,161,943	207,613,114	7,417,271,157	1.11	3.50	3.00	8,936,471,273
2007	7,052,990,600	778,899,217	202,045,580	8,033,935,397	1.09	3.50	3.00	9,679,440,237
2008	7,630,455,000	830,364,367	223,884,755	8,684,704,122	1.09	3.50	3.00	10,217,298,967
2009	7,929,158,898	766,339,671	224,653,310	8,920,151,879	1.09	3.50	3.00	10,494,293,975
2010	8,020,716,300	780,689,905	233,127,850	9,034,534,055	1.09	3.50	3.00	10,151,161,860
2011	8,053,281,600	782,346,945	223,646,000	9,059,274,545	1.09	3.50	3.00	9,847,037,549

Source: Roanoke County Real Estate Office

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

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

Table 7
Unaudited

Fiscal Year	Direct Rates ⁽¹⁾					Overlapping Rates ⁽¹⁾	
	County of Roanoke					Town of Vinton	
	Real Property			Personal Property		Real Property	Personal Property ⁽²⁾
	First Half	Second Half	Total	Tangible	Machinery & Tools		
2002	\$0.560	\$0.560	\$1.12	\$3.50	\$3.00	\$0.05	\$1.00
2003	0.560	0.560	1.12	3.50	3.00	0.03	1.00
2004	0.560	0.560	1.12	3.50	3.00	0.03	1.00
2005	0.560	0.560	1.12	3.50	3.00	0.03	1.00
2006	0.555	0.555	1.11	3.50	3.00	0.03	1.00
2007	0.545	0.545	1.09	3.50	3.00	0.03	1.00
2008	0.545	0.545	1.09	3.50	3.00	0.03	1.00
2009	0.545	0.545	1.09	3.50	3.00	0.03	1.00
2010	0.545	0.545	1.09	3.50	3.00	0.03	1.00
2011	0.545	0.545	1.09	3.50	3.00	0.03	1.00

Source: Roanoke County Real Estate Office

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

⁽¹⁾ All tax rates per \$100 of assessed value.
⁽²⁾ Applies to tangible personal property, machinery and tools.

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

Table 8
Unaudited

Taxpayer	2011			2002		
	Taxable Assessed Value (Millions)	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value (Millions)	Rank	Percentage of Total County Taxable Assessed Value
Appalachian Power Company	112	1	1.24%	92	1	1.80%
Roanoke Tanglewood LLC	41	2	0.45%	37	2	0.70%
Kroger Mid-Atlantic (formerly The Kroger Company)	40	3	0.44%	16	3	0.32%
Verizon Virginia, Inc.	40	4	0.44%	-	-	-
Wal-Mart Real Estate Business	29	5	0.32%	-	-	-
Integrity Windows, Inc.	19	6	0.21%	-	-	-
First States Investors 3300 LLC	18	7	0.20%	-	-	-
Roanoke Gas Company	17	8	0.19%	-	-	-
Lowes Home Centers Inc.	17	9	0.19%	-	-	-
Pebble Creek LLC	15	10	0.17%	13	5	0.26%
Hanover Realty	-	-	-	13	4	0.30%
R.R. Donnelley & Sons Company	-	-	-	13	6	0.26%
Roanoke Valleypointe LLC	-	-	-	12	7	0.24%
Occidental Development Limited	-	-	-	11	8	0.23%
First Union National Bank	-	-	-	11	9	0.20%
Allstate Insurance Company	-	-	-	11	10	0.22%
Total	348		3.85%	229		4.53%

Source: Roanoke County Real Estate Office

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

Table 9
Unaudited

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 80,088,427	\$ 77,434,626	96.69%	\$ 2,099,914	\$ 79,534,540	99.31%
2003	85,103,201	81,994,546	96.35%	2,177,234	84,171,780	98.91%
2004	87,904,924	84,798,976	96.47%	2,480,057	87,279,033	99.29%
2005	93,272,656	90,113,624	96.61%	1,933,102	92,046,726	98.69%
2006	99,049,526	95,857,523	96.78%	3,367,606	99,225,129	100.18%
2007	105,141,160	101,614,506	96.65%	3,192,385	104,806,891	99.68%
2008	112,429,173	107,449,039	95.57%	2,980,389	110,429,428	98.22%
2009	115,405,145	111,054,250	96.23%	3,225,700	114,279,950	99.03%
2010	116,489,107	111,980,936	96.13%	2,389,305	111,980,936	96.13%
2011	118,335,928	113,612,208	96.01%	-	113,612,208	96.01%

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

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

Table 10
Unaudited

Fiscal Year	Governmental Activities					Business-Type ⁽¹⁾		Total Primary Government	Component Unit
	General Obligation Debt	Lease Revenue Bonds	VPSA School Bonds	State Literary Bonds	Capital Leases	General Obligation Debt	Revenue Bonds		School Board Capital Leases
2002	\$ 25,860,000	\$ 5,425,149	\$ 59,864,797	\$ 10,390,658	\$ 1,649,004	\$ 2,463,334	\$ 68,749,021	\$ 174,401,963	\$ -
2003	25,538,398	4,899,194	56,144,053	9,506,626	932,495	2,188,857	66,965,385	166,175,008	-
2004	25,716,449	26,703,265	74,499,309	8,622,594	372,109	1,835,031	65,928,087	203,676,844	-
2005	23,287,203	26,281,871	69,708,272	7,738,562	-	-	-	127,015,908	-
2006	21,185,562	25,517,803	65,053,722	6,888,530	-	-	-	118,645,617	-
2007	19,040,454	24,724,570	60,490,721	6,038,498	-	-	-	110,294,243	3,564,057
2008	16,825,346	82,989,144	78,376,947	5,211,866	-	-	-	183,403,303	3,319,209
2009	14,560,238	80,954,308	120,748,501	4,524,181	-	-	-	220,787,228	3,161,076
2010	12,645,130	78,700,454	115,035,423	4,064,860	-	-	-	210,445,867	2,835,505
2011	10,655,022	76,376,966	107,150,919	3,617,043	1,148,037	-	-	198,947,987	2,488,325

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

Source: Roanoke County Finance Office

Notes:

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

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

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

Table 11
Unaudited

Fiscal Year	General Bonded Debt Outstanding - County Government					Percentage of Actual Value of Taxable Property ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Debt	Lease Revenue Bonds	VP SA School Bonds	State Literary Bonds	Total		
2002	\$ 25,860,000	\$ 5,425,149	\$ 59,864,797	\$ 10,390,658	\$ 101,540,604	1.76%	\$1,173
2003	25,538,398	4,899,194	56,144,053	9,506,626	96,088,271	1.57%	1,098
2004	25,716,449	26,703,265	74,499,309	8,622,594	135,541,617	2.10%	1,530
2005	23,287,203	26,281,871	69,708,272	7,738,562	127,015,908	1.84%	1,420
2006	21,185,562	25,517,803	65,053,722	6,888,530	118,645,617	1.60%	1,311
2007	19,040,454	24,724,570	60,490,721	6,038,498	110,294,243	1.37%	1,213
2008	16,825,346	82,989,144	78,376,947	5,211,866	183,403,303	2.11%	2,028
2009	14,560,238	80,954,308	120,748,501	4,524,181	220,787,228	2.48%	2,430
2010	12,645,130	78,700,454	115,035,423	4,064,860	210,445,867	2.33%	2,312
2011	10,655,022	76,376,966	107,150,919	3,617,043	197,799,950	2.18%	2,141

Source: Roanoke County Finance Office

Notes:

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

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

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

Table 12
Unaudited

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General bonded debt outstanding										
General Obligation Bonds	\$ 25,860,000	\$ 25,538,398	\$ 25,716,449	\$ 23,287,203	\$ 21,185,562	\$ 19,040,454	\$ 16,825,346	\$ 14,560,238	\$ 12,645,130	\$ 10,655,022
Lease Revenue Bonds	5,425,149	4,899,194	26,703,265	26,281,871	25,517,803	24,724,570	82,989,144	80,954,308	78,700,454	76,376,966
VPSA School Bonds	59,864,797	56,144,053	74,499,309	69,708,272	65,053,722	60,490,721	78,376,947	120,748,501	115,035,423	107,150,919
State Literary Bonds	10,390,658	9,506,626	8,622,594	7,738,562	6,888,530	6,038,498	5,211,866	4,524,181	4,064,860	3,617,043
Total net debt										
applicable to debt limits	<u>\$ 101,540,604</u>	<u>\$ 96,088,271</u>	<u>\$ 135,541,617</u>	<u>\$ 127,015,908</u>	<u>\$ 118,645,617</u>	<u>\$ 110,294,243</u>	<u>\$ 183,403,303</u>	<u>\$ 220,787,228</u>	<u>\$ 210,445,867</u>	<u>\$ 197,799,950</u>
Ratio of net debt to assessed taxable property value										
Actual	1.76%	1.57%	2.10%	1.84%	1.60%	1.37%	2.11%	2.48%	2.33%	2.18%
Debt limit per policy	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Ratio of net debt per capita										
Actual	\$1,173	\$1,098	\$1,530	\$1,420	\$1,311	\$1,213	\$2,028	\$2,430	\$2,312	\$2,141
Debt limit per policy	\$1,500	\$1,500	\$1,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Ratio of net debt to general fund governmental expenditures										
Actual	5.36%	5.24%	5.63%	6.63%	6.13%	5.48%	5.05%	7.30%	7.79%	8.51%
Debt limit per policy	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

Source: Roanoke County Finance Office

County of Roanoke, Virginia
Demographic Statistics
Last Ten Fiscal Years

Table 13
Unaudited

Fiscal Year	Population⁽¹⁾	Personal Income⁽²⁾ (Thousands)	Per Capita Personal Income⁽²⁾	School Enrollment⁽³⁾	Unemployment Rate⁽⁴⁾
2002	86,600	\$3,654,128	\$32,887	13,930	3.4%
2003	87,500	3,669,268	32,860	14,127	2.5%
2004	88,600	3,844,855	34,296	14,279	2.7%
2005	89,469	3,955,970	34,823	14,365	3.1%
2006	90,482	4,128,137	35,978	14,728	2.8%
2007	90,902	4,303,761	37,324	14,777	2.6%
2008	90,420	4,750,916	41,019	14,802	2.8%
2009	90,867	4,561,791	39,315	14,650	4.6%
2010	91,011	4,561,791	39,315	14,474	6.3%
2011	92,376	4,561,791	39,315	14,259	5.7%

Sources:

⁽¹⁾ From VaStat, a service of the Weldon Cooper Center for Public Service.

⁽²⁾ Per Capita Personal Income from the Bureau of Economic Analysis. The latest information available is for 2009; subsequent years have not been updated.

⁽³⁾ Average daily membership as of March 31 (Roanoke County Public Schools Office of Pupil Assignment).

⁽⁴⁾ Virginia Employment Commission and the U. S. Bureau of Labor Statistics.

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

Table 14
Unaudited

Employer	2011				2002			
	Rank	Ownership	Number of Employees ⁽¹⁾	Percentage of Total Employment	Rank	Ownership	Number of Employees ⁽¹⁾	Percentage of Total Employment
Roanoke County Public Schools	1	Local Govt.	1,000+	12.51 - 16.67%	3	Local Govt.	1,000+	10.00 - 13.33%
Wells Fargo Bank, N.A.	2	Private	1,000+	12.51 - 16.67%	-	-	-	-
County of Roanoke	3	Local Govt.	1,000+	12.51 - 16.67%	8	Local Govt.	1,000+	10.00 - 13.33%
Allstate Insurance Company	4	Private	1,000+	12.51 - 16.67%	5	Private	1,000+	10.00 - 13.33%
ITT Industries	5	Private	1,000+	12.51 - 16.67%	9	Private	500-999	6.67 - 10.00%
Friendship Retirement Community	6	Private	500-999	8.32 - 12.50%	-	-	-	-
Richfield Retirement Community	7	Private	500-999	8.32 - 12.50%	-	-	-	-
Friendship Manor, Inc.	8	Private	500-999	4.17 - 6.24%	-	-	-	-
Berkshire Health Care Center	9	Private	250-499	4.17 - 6.24%	-	-	-	-
Medeco High Security Locks	10	Private	250-499	4.17 - 6.24%	-	-	-	-
Carillion Health System	-	-	-	-	1	Private	1,000+	10.00 - 13.33%
First Union National Bank	-	-	-	-	2	Private	1,000+	10.00 - 13.33%
Kroger	-	-	-	-	4	Private	1,000+	10.00 - 13.33%
Manpower International	-	-	-	-	6	Private	1,000+	10.00 - 13.33%
Home Shopping Network	-	-	-	-	7	Private	1,000+	10.00 - 13.33%
Food Lion Stores, Inc.	-	-	-	-	10	Private	500-999	6.67 - 10.00%

Source: Virginia Employment Commission

Note:

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

Roanoke County Public Schools
Student Enrollment
Last Ten Fiscal Years

Table 15
Unaudited

Fiscal Year	Average Daily Membership ⁽¹⁾	Special Education Enrollment ⁽²⁾	English as a Second Language Enrollment ⁽³⁾	Per Pupil Cost ⁽⁴⁾
2002	13,930	2,323	106	7,354
2003	14,127	2,352	168	7,669
2004	14,279	2,369	179	7,778
2005	14,365	2,329	220	8,242
2006	14,728	2,202	270	8,343
2007	14,777	2,222	323	9,034
2008	14,802	2,218	327	9,487
2009	14,650	2,223	336	9,882
2010	14,474	2,192	401	9,348
2011	14,259	2,152	407	10,349

Sources:

⁽¹⁾ Roanoke County Public Schools Office of Pupil Assignment

⁽²⁾ Roanoke County Public Schools Special Education Office

⁽³⁾ Roanoke County Public Schools Instruction Office

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

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

Table 16
Unaudited

Grade	2007 ⁽¹⁾	2008 ⁽¹⁾	2009 ⁽¹⁾	2010 ⁽¹⁾	2011 ⁽¹⁾
Kindergarten	17	17	17	19	18
1	18.5	18	17	19	20
2	18	18	18	20	20
3	19	18	18	19	20
4	20	19	18	20	21
5	21	20	19	20	21
6	22	21	20	23	23
7	22	21	21	23	23
8	22	21	21	23	23
9	22.5	21	21	22	22
10	22	21	21	22	22
11	22	21	21	22	22
12	22	21	21	22	22

Source: Roanoke County Public Schools Personnel Office

Note: Only five years of data presented due to accessibility of comparative data.

⁽¹⁾ These ratios include teaching support provided by Elementary Assistant Principals and Language Arts Coordinators that teach 50% of the day.

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

Table 17
Unaudited

Level Course	2002		2003		2004		2005		2006		2007		2008		2009		2010		2011	
	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA	RCPS	VA
Elementary SOL's:																				
Grade 3 English RLR	79	72	75	72	75	71	78	77	88	84	89	80	90	84	90	86	87	83	94	83
Grade 3 Mathematics	86	80	87	83	92	87	89	88	91	90	95	89	94	89	94	89	96	92	96	91
Grade 3 History	84	76	85	82	88	87	90	89	92	91	94	92	95	93	95	93	97	93	91	90
Grade 3 Science	87	78	88	82	90	86	92	89	92	90	93	88	91	88	92	89	95	91	96	85
VA Studies	82	72	85	79	90	86	86	85	89	85	85	83	88	83	94	88	92	87	94	87
Grade 4 Reading (new in 2006)	-	-	-	-	-	-	-	-	91	86	91	87	93	88	91	89	94	88	93	89
Grade 4 Mathematics (new in 2006)	-	-	-	-	-	-	-	-	83	77	83	81	92	84	92	86	93	88	93	87
Grade 5 English RLR	84	78	88	82	90	85	90	85	91	87	91	87	92	89	91	92	93	90	94	89
Grade 5 English Writing	90	84	88	85	89	88	94	91	92	89	91	89	88	87	96	86	90	88	90	87
Grade 5 Mathematics	76	71	80	74	82	78	86	81	88	83	90	87	93	88	97	90	95	90	95	89
Grade 5 Science	88	76	89	79	89	84	90	81	91	85	92	88	92	88	95	88	95	88	93	87
Grade 6 Reading (new in 2006)	-	-	-	-	-	-	-	-	93	83	88	84	89	85	91	86	93	88	94	87
Grade 6 Mathematics (new in 2006)	-	-	-	-	-	-	-	-	66	51	64	60	74	68	72	73	77	77	85	73
Grade 6 U S History to 1865	-	-	-	-	-	-	-	-	-	-	-	-	77	74	81	74	83	78	91	81
Grade 7 Reading (new in 2006)	-	-	-	-	-	-	-	-	90	81	90	82	92	86	94	88	91	90	94	89
Grade 7 Mathematics (new in 2006)	-	-	-	-	-	-	-	-	68	44	70	55	79	65	78	71	81	75	89	77
Grade 7 U S History 1965 to present	-	-	-	-	-	-	-	-	-	-	-	-	94	92	94	92	91	91	89	85
Grade 8 English RLR	73	69	74	67	79	72	82	76	86	78	83	79	92	83	92	87	93	90	94	90
Grade 8 English Writing	81	76	85	74	82	77	81	74	93	91	90	86	91	87	92	89	92	91	90	88
Grade 8 Mathematics	78	71	77	72	86	78	90	81	92	76	86	77	92	83	93	85	93	87	89	82
Grade 8 History	80	78	83	80	n/a	83	n/a	82	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 8 Civics	-	-	-	-	-	-	-	-	-	-	-	-	92	84	92	84	92	86	91	89
Grade 8 Science	91	85	91	84	95	88	95	87	95	87	94	89	95	90	94	90	96	92	95	92
Secondary SOL's:																				
End of Course English RLR	87	86	97	93	94	89	93	85	95	90	96	94	95	94	97	95	95	94	96	94
End of Course English Writing	86	86	94	91	92	87	93	88	96	88	96	92	96	92	98	92	95	92	97	93
Algebra I	87	78	83	78	82	80	90	84	97	88	95	92	92	93	97	94	98	94	97	94
Algebra II	77	77	83	81	84	86	89	87	87	85	85	88	90	90	94	91	96	91	97	91
Geometry	81	76	86	79	86	87	92	81	91	83	92	86	89	87	95	87	92	88	92	87
Earth Science	82	70	85	73	86	71	86	75	90	82	91	84	88	86	94	87	94	88	94	89
Biology	91	83	91	82	89	80	91	79	91	83	93	87	92	88	92	88	94	89	93	90
Chemistry	88	78	90	84	91	86	91	86	95	87	91	91	88	92	95	93	95	93	97	93
World History to 1500	90	86	93	86	90	83	94	82	91	85	97	89	96	91	92	93	98	93	94	81
World History from 1500	96	79	92	82	90	83	97	86	96	89	96	92	94	92	98	93	95	92	85	82
World Geography	85	74	86	76	84	71	85	70	90	77	86	83	n/a	n/a	91	86	87	86	n/a	n/a
US History	80	72	86	75	90	87	94	88	96	92	95	93	95	94	97	95	96	95	92	83

Source: Roanoke County School Office of Testing and Remediation

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

Table 18
Unaudited

Fiscal Year	Participation Rate	Roanoke County Schools				Virginia	National
		Verbal	Math	Writing	Combined		
2002	52%	514	519	-	1,033	1,016	1,020
2003	56%	532	531	-	1,063	1,024	1,016
2004	50%	530	533	-	1,063	1,024	1,024
2005	49%	527	528	-	1,055	1,030	1,028
2006	46%	524	530	519	1,573	1,561	1,520
2007	48%	524	526	507	1,557	1,516	1,511
2008	47%	514	522	507	1,543	1,517	1,523
2009	60%	515	517	504	1,536	1,521	1,509
2010	50%	515	525	507	1,547	1,521	1,509
2011	44%	518	523	516	1,557	1,521	1,509

Source: Roanoke County School Counseling Services Office

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

Table 19
Unaudited

Positions	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
School Board Member	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Assistant Superintendent	2.0	2.0	2.0	2.0	2.0	2.7	2.7	3.0	2.7	2.7
Administrator	25.1	27.3	28.0	30.5	29.7	30.9	29.7	31.3	20.5	16.8
Principal	31.0	28.8	28.8	29.0	29.0	29.0	29.0	29.0	29.0	27.0
Assistant Principal	27.0	28.0	30.0	33.0	32.0	27.1	27.5	28.5	28.0	26.9
Teacher	1,080.5	1,079.6	1,116.9	1,144.3	1,176.5	1,188.5	1,193.5	1,201.7	1,153.6	1,096.9
Guidance Counselor	48.9	55.7	55.6	54.1	54.4	57.9	57.6	59.9	43.4	42.9
Librarian	27.0	25.5	29.0	28.2	26.0	26.0	25.9	25.0	26.3	28.0
Social Worker	3.0	3.0	3.0	3.0	3.0	3.0	3.2	4.0	4.0	4.0
Instructional Assistant	226.5	239.2	232.0	262.2	307.6	291.9	309.9	310.8	288.5	299.4
Secretary	59.5	62.0	71.4	75.3	75.5	74.7	74.7	75.5	75.5	69.9
Print Shop	3.0	3.0	3.0	3.0	2.9	-	-	-	-	-
School Nurse	12.0	15.8	17.3	24.0	24.3	24.7	27.9	27.8	26.0	25.9
School Psychologist	9.8	9.0	7.0	9.0	8.6	9.0	9.0	9.0	9.0	9.0
Other Attendance & Health	32.9	42.7	29.5	15.0	17.5	19.0	19.2	19.5	18.9	6.3
Bus Driver	157.9	156.5	157.5	157.9	161.0	162.4	168.5	176.5	170.9	170.8
Other Transportation	16.0	16.1	16.2	17.4	18.2	18.8	18.0	18.3	18.2	16.6
Custodian	106.0	119.0	124.2	118.3	118.0	118.0	121.3	118.3	127.1	114.1
Tradesman	32.0	31.9	32.7	32.8	33.1	34.0	33.0	35.5	31.8	30.2
Other Maintenance	7.9	7.0	6.0	7.0	7.0	6.0	6.5	6.9	5.3	4.0
Construction	2.0	2.6	2.0	3.5	3.9	4.0	6.0	6.4	5.2	4.0
Technology	25.5	23.0	37.0	37.5	48.5	49.0	50.5	50.0	47.0	40.9
School Nutrition	124.5	135.4	135.6	134.1	130.6	135.5	142.4	145.2	136.8	128.7
Total	<u>2,066.0</u>	<u>2,119.1</u>	<u>2,170.7</u>	<u>2,227.1</u>	<u>2,315.3</u>	<u>2,318.1</u>	<u>2,361.9</u>	<u>2,388.1</u>	<u>2,273.6</u>	<u>2,170.9</u>

Source: Annual School Report filed with Department of Education.

Roanoke County Public Schools
Teacher Salary Information
Last Ten Fiscal Years

Table 20
Unaudited

Degree	Level	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Bachelors	Min	\$30,500	\$30,500	\$31,000	\$32,100	\$33,000	\$34,000	\$34,500	\$35,000	\$35,000	\$35,700
	Max	44,160	44,895	45,500	48,600	50,301	52,565	54,404	57,125	57,125	58,268
Bachelors + 12 hrs	Min	30,805	30,805	31,310	32,421	33,321	34,321	34,821	35,321	35,321	36,021
	Max	44,602	45,344	45,955	49,055	50,756	53,020	54,859	57,580	57,580	58,723
Bachelors + 24 hrs	Min	30,958	30,958	31,465	32,582	33,482	34,482	34,982	35,482	35,482	36,182
	Max	44,822	45,568	46,183	49,283	50,984	53,248	55,087	57,808	57,808	58,951
Masters	Min	32,025	32,025	32,550	33,705	34,605	35,605	36,105	36,605	36,605	37,305
	Max	46,368	47,140	47,775	50,875	52,576	54,840	56,679	59,400	59,400	60,543
Masters + 12 hrs	Min	32,178	32,178	32,705	33,866	34,766	35,766	36,266	36,766	36,766	37,466
	Max	46,589	47,364	48,003	51,103	52,804	55,068	56,907	59,628	59,628	60,771
Masters + 24 hrs	Min	32,330	32,330	32,860	34,026	34,926	35,926	36,426	36,926	36,926	37,626
	Max	46,810	47,589	48,230	51,330	53,031	55,295	57,134	59,855	59,855	60,998
Doctorate	Min	33,550	33,550	34,100	35,310	36,210	37,210	37,710	38,210	38,210	38,910
	Max	48,576	49,384	50,050	53,150	54,851	57,115	58,954	61,675	61,675	62,818
Annual salary increase approved by School Board		4.0%	Avg. 3.5%	Avg. 2.0%	Avg. 2.5%	Avg. 4.0%	4.5%	3.5%	5.0%	0.0%	0.0%
Roanoke County Schools Average Salary		\$43,253	\$44,139	\$44,792	\$45,957	\$45,891	\$46,734	\$47,698	\$49,221	\$48,656	\$48,712
Virginia Average Salary		\$41,731	\$42,677	\$43,936	\$45,377	\$47,248	\$49,152	\$50,511	\$52,309	\$52,149	\$51,903

Source: Annual Budget and Salary Scales publication.

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

Table 21
Unaudited

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction	\$ 74,762,515 78.8%	\$ 77,996,983 78.4%	\$ 79,981,449 77.8%	\$ 85,510,916 77.5%	\$ 88,864,911 77.6%	\$ 94,875,331 77.1%	\$ 99,117,153 76.5%	\$103,689,529 76.1%	\$ 94,148,008 75.5%	\$ 92,094,364 74.2%
Administration	2,715,424 2.9%	3,003,169 3.0%	2,651,756 2.6%	3,050,670 2.8%	3,310,389 2.9%	3,304,531 2.7%	3,261,460 2.5%	3,000,153 2.2%	2,852,598 2.3%	2,269,955 1.8%
Attendance and health	2,089,468 2.2%	2,174,067 2.2%	2,367,095 2.3%	2,939,374 2.7%	2,262,051 2.0%	2,435,385 2.0%	2,751,056 2.1%	2,670,042 2.0%	2,716,220 2.2%	2,207,280 1.8%
Transportation	3,653,953 3.8%	3,699,267 3.7%	3,716,512 3.6%	4,280,768 3.9%	4,475,495 3.9%	4,830,524 3.9%	5,233,994 4.0%	5,300,869 3.9%	5,314,350 4.3%	7,054,463 5.7%
Operations and maintenance	9,016,829 9.5%	9,972,752 10.0%	9,531,658 9.3%	10,053,066 9.1%	10,224,875 8.9%	11,279,126 9.2%	11,192,791 8.6%	12,125,394 8.9%	11,591,085 9.3%	10,868,321 8.8%
Technology	- 0.0%	- 0.0%	2,060,804 2.0%	2,005,413 1.8%	2,630,820 2.3%	3,126,761 2.5%	4,020,246 3.1%	4,012,055 2.9%	3,359,628 2.7%	3,059,017 2.5%
Capital lease debt service	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	246,264 0.2%	412,506 0.3%	448,136 0.4%	460,435 0.4%
Facilities	92,513 0.1%	97,080 0.1%	111,602 0.1%	179,357 0.2%	201,675 0.2%	225,099 0.2%	322,763 0.2%	340,810 0.3%	292,422 0.2%	- 0.0%
Intergovernmental	2,585,596 2.8%	2,585,596 2.7%	2,445,471 2.4%	2,304,369 2.2%	2,604,368 2.4%	2,904,369 2.6%	3,429,369 3.0%	4,729,369 3.7%	4,029,369 3.3%	6,125,345 4.8%
Total expenditures	<u>\$ 94,916,298</u>	<u>\$ 99,528,914</u>	<u>\$102,866,347</u>	<u>\$110,323,933</u>	<u>\$114,574,584</u>	<u>\$122,981,126</u>	<u>\$129,575,096</u>	<u>\$136,280,727</u>	<u>\$124,751,816</u>	<u>\$124,139,180</u>
March 31 ADM	13,930	14,127	14,279	14,365	14,728	14,777	14,802	14,650	14,474	14,259
Average expenditures per pupil	\$ 6,814	\$ 7,045	\$ 7,204	\$ 7,680	\$ 7,779	\$ 8,322	\$ 8,754	\$ 9,302	\$ 8,619	\$ 8,706

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

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

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

Table 22
Unaudited

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction	\$ 5,367 78.8%	\$ 5,521 78.4%	\$ 5,601 77.8%	\$ 5,953 77.5%	\$ 6,034 77.6%	\$ 6,420 77.1%	\$ 6,696 76.6%	\$ 7,078 76.3%	\$ 6,505 75.5%	\$ 6,459 74.2%
Administration	195 2.9%	213 3.0%	186 2.6%	212 2.8%	225 2.9%	224 2.7%	220 2.5%	205 2.2%	197 2.3%	159 1.8%
Attendance & health	150 2.2%	154 2.2%	166 2.3%	205 2.7%	154 2.0%	165 2.0%	186 2.1%	182 2.0%	188 2.2%	155 1.8%
Transportation	262 3.8%	262 3.7%	260 3.6%	298 3.9%	304 3.9%	327 3.9%	354 4.0%	362 3.9%	367 4.3%	495 5.7%
Operations & maintenance	647 9.5%	706 10.0%	668 9.3%	700 9.1%	694 8.9%	763 9.2%	756 8.7%	828 8.9%	801 9.3%	762 8.8%
Technology	- 0.0%	- 0.0%	144 2.0%	140 1.8%	179 2.3%	212 2.5%	272 3.1%	274 3.0%	232 2.7%	215 2.5%
Capital lease debt service	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	17 0.2%	28 0.3%	31 0.4%	32 0.4%
Facilities	7 0.1%	7 0.1%	8 0.1%	12 0.2%	14 0.2%	15 0.2%	22 0.2%	23 0.3%	20 0.2%	- 0.0%
Intergovernmental	186 2.8%	183 2.7%	171 2.4%	160 2.2%	177 2.4%	197 2.6%	232 2.8%	323 3.4%	278 3.3%	430 4.8%
Total expenditures	<u>\$ 6,814</u>	<u>\$ 7,045</u>	<u>\$ 7,204</u>	<u>\$ 7,680</u>	<u>\$ 7,779</u>	<u>\$ 8,322</u>	<u>\$ 8,737</u>	<u>\$ 9,274</u>	<u>\$ 8,619</u>	<u>\$ 8,706</u>
March 31 ADM	13,930	14,127	14,279	14,365	14,728	14,777	14,802	14,650	14,474	14,259

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

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

Roanoke County Public Schools
School Nutrition Program
Last Ten Fiscal Years

Table 23
Unaudited

Fiscal Year	Lunch				Breakfast			Free and Reduced Eligibility
	Number Served Daily	Student Lunch Price			Number Served Daily	Student Breakfast Price	Number Breakfast Sites	
		Elementary School	Middle School	High School				
2002	7,023	\$1.50	\$1.75	\$1.75	461	\$0.75	8	13.2%
2003	6,865	1.50	1.75	1.75	466	0.75	8	13.5%
2004	6,924	1.60	1.75	1.75	524	0.85	13	15.1%
2005	7,162	1.60	1.75	1.75	772	0.85	13	16.3%
2006	7,351	1.75	1.75	1.75	893	0.85	13	16.0%
2007	7,520	1.75	1.75	1.75	1,023	0.85	17	17.0%
2008	7,516	1.75	1.75	1.75	1,107	0.85	17	18.5%
2009	7,449	2.00	2.00	2.00	1,106	1.00	17	20.0%
2010	7,517	2.00	2.00	2.00	1,229	1.00	19	21.0%
2011	7,477	2.00	2.00	2.00	1,367	1.00	19	23.8%

Source: Roanoke County Public Schools Nutrition Office

Roanoke County Public Schools
Capital Asset Statistics
Last Six Fiscal Years

Table 24
Unaudited

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

(Continued)

Roanoke County Public Schools
Capital Asset Statistics
Last Six Fiscal Years

Table 24
Unaudited
(Continued)

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

(Continued)

Roanoke County Public Schools
Capital Asset Statistics
Last Six Fiscal Years

Table 24
Unaudited
(Continued)

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

(Continued)

Roanoke County Public Schools
Capital Asset Statistics
Last Six Fiscal Years

Table 24
Unaudited
(Continued)

School / Statistic	2006	2007	2008	2009	2010	2011 ⁽¹⁾
Northside High (1961)						
Square feet	132,263	132,263	147,263	147,263	147,263	153,217
Capacity (student)	968	968	1,100	1,100	1,100	1,100
Enrollment	992	1,008	970	1,016	1,019	991
William Byrd High (1969)						
Square feet	169,720	169,720	169,720	169,720	169,720	183,169
Capacity (student)	950	950	950	950	950	1,400
Enrollment	1,145	1,235	1,207	1,177	1,158	1,157
Bent Mountain Elementary (1911)						
Square feet	18,876	18,876	18,876	18,876	18,876	19,815
Burton Center for Arts and Technology (1962)						
Square feet	84,232	84,232	84,232	84,232	84,232	96,148
Roanoke County Central Middle School (1932)						
Square feet	63,569	63,569	63,569	63,569	63,569	63,569
Roland E. Cook Alternative School (1915)						
Square feet	20,729	20,729	20,729	20,729	20,729	21,757
Administration Building (1972)						
Square feet	52,773	52,773	52,773	52,773	52,773	58,917
Warehouse (2006)						
Square feet	20,000	20,000	20,000	20,000	20,000	20,000
Maintenance (1967)						
Square feet	15,808	15,808	15,808	15,808	15,808	18,308
Bus Garage (1946)						
Square feet	16,134	16,134	16,134	16,134	16,134	17,074

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

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

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

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

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

OTHER REPORT OF INDEPENDENT AUDITORS



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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the Roanoke County Public Schools (the School System), a component unit of the County of Roanoke, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the School System's basic financial statements, and have issued our report thereon dated November 14, 2011, which included a paragraph describing the adoption by the School System of the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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



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

KPMG LLP

November 14, 2011



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

www.rcs.k12.va.us

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