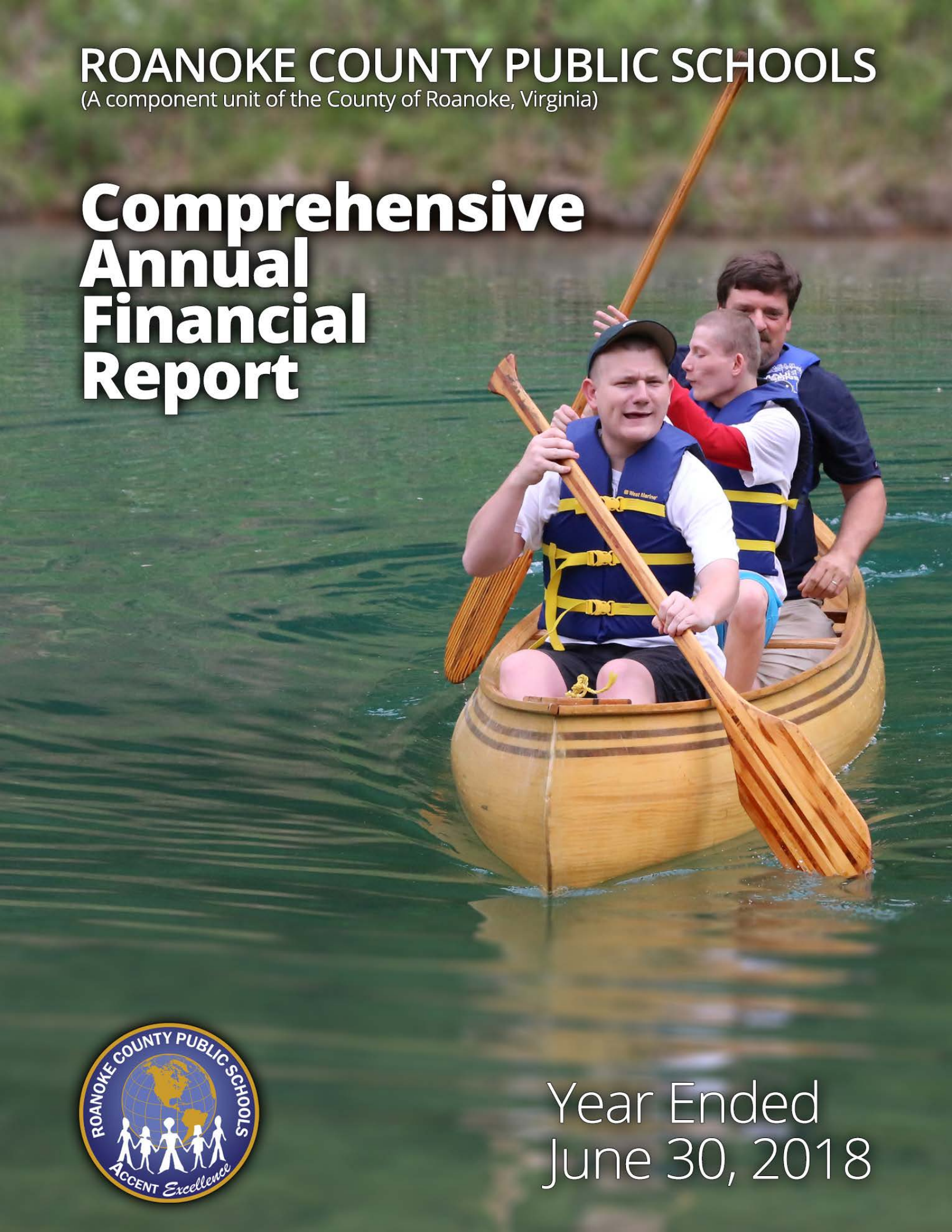
ROANOKE COUNTY PUBLIC SCHOOLS

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

Comprehensive Annual Financial Report



Year Ended
June 30, 2018

Special education students at Glenvar High School test out a real wood canoe they constructed throughout the course of the school year.
~Cover photo courtesy Chuck Lionberger

Roanoke County Public Schools

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

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Prepared by the Finance Department

Penny A. Hodge, CPA, SFO, Assistant Superintendent of Finance
Susan L. Peterson, CPA, MA, Director of Finance
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Benjamin Z. Hoyt, Finance Manager

5937 Cove Road
Roanoke, Virginia 24019
www.rcps.us

Roanoke County Public Schools

Fostering a student-centered learning environment, ensuring world-class educational experience designed to equip all students with an innovative mindset and the skill to adapt and thrive in a changing global environment.



Roanoke County Public Schools
Table of Contents
June 30, 2018

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal 3

School Board Members 9

School Administration 10

Organizational Chart 11

Government Finance Officers Association Award 12

Association of School Business Officials International Award 13

FINANCIAL SECTION

Report of Independent Auditor 17

Management's Discussion and Analysis (Unaudited) 19

Basic Financial Statements

Government-wide Financial Statements

Exhibit A Statement of Net Position 36
Exhibit B Statement of Activities 37

Governmental Funds' Financial Statements

Exhibit C Balance Sheet 38
Exhibit D Reconciliation of the Balance Sheet to the Statement of Net Position 39
Exhibit E Statement of Revenues, Expenditures and Changes in Fund Balances 40
Exhibit F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 41

Proprietary Funds' Financial Statements

Exhibit G Statement of Net Position 42
Exhibit H Statement of Revenues, Expenses and Changes in Net Position 43
Exhibit I Statement of Cash Flows 44

Fiduciary Funds' Financial Statements

Exhibit J Statement of Fiduciary Net Position 45
Exhibit K Statement of Changes in Fiduciary Net Position 46

Notes to Basic Financial Statements 47

Roanoke County Public Schools
Table of Contents
June 30, 2018

Required Supplementary Information

Budgetary Comparison Schedules
Exhibit L General Fund 95
Exhibit M Special Revenue Fund – Grant Fund 97
Exhibit N Special Revenue Fund – Nutrition Fund 99

Virginia Retirement System Teacher Retirement Plan
Exhibit O Schedule of Employer's Share of Net Pension Liability 100
Exhibit P Schedule of Employer Contributions 101

Virginia Retirement System Non-Professional Plan
Exhibit Q Schedule of Changes in the Net OPEB Liability 102
Exhibit R Schedule of Employer Contributions 103

Virginia Retirement System Health Insurance Credit Program
Exhibit S Schedule of Employer's Share of Net OPEB Liability 104
Exhibit T Schedule of Employer Contributions 105

Virginia Retirement System Group Life Insurance Program
Exhibit U Schedule of Employer's Share of Net OPEB Liability 106
Exhibit V Schedule of Employer Contributions 107

Roanoke County Public Schools Other Postemployment Benefits Plan
Exhibit W Schedule of Changes in the Net OPEB Liability 108
Exhibit X Schedule of Employer Contributions 109
Exhibit Y Schedule of Investment Returns 110

Notes to Required Supplementary Information 111

Supplementary Information

Budgetary Comparison Schedules
Schedule 1 Capital Projects Fund 115

Internal Service Funds' Financial Statements
Schedule 2 Combining Statement of Net Position 117
Schedule 3 Combining Statement of Revenues, Expenses and Changes in Net Position 118
Schedule 4 Combining Statement of Cash Flows 119
Schedule 5 Budgetary Comparison Schedule – Internal Service Fund – Laptop Insurance Reserve Fund 120

Agency Fund Financial Statements
Schedule 6 Statement of Changes in Fiduciary Assets and Liabilities 122

Roanoke County Public Schools
Table of Contents
June 30, 2018

STATISTICAL SECTION (UNAUDITED)

Table 1 Net Position by Component 126
Table 2 Changes in Net Position 127
Table 3 Fund Balance of Governmental Funds 128
Table 4 Changes in Fund Balance of Governmental Funds 129
Table 5 Major Local Revenue Sources – General Fund 130
Table 6 Assessed Value and Estimated Actual Value of Taxable Property 131
Table 7 Direct and Overlapping Property Tax Rates 132
Table 8 Principal Property Tax Payers 133
Table 9 Property Tax Levies and Collections 134
Table 10 Ratios of Outstanding Debt by Type 135
Table 11 Ratios of General Bonded Debt Outstanding 136
Table 12 Debt Policy Information 137
Table 13 Demographic Statistics 138
Table 14 Principal Employers 139
Table 15 Student Enrollment 140
Table 16 Number of Students Per Teacher 141
Table 17 Standards of Learning Test Scores (SOL's) 142
Table 18 Scholastic Achievement Tests (SAT's) 143
Table 19 Full-time Equivalent (FTE) Positions 144
Table 20 Teacher Salary Information 145
Table 21 Expenditures by Function – General Fund 146
Table 22 Expenditures by Function Per Pupil – General Fund 147
Table 23 Nutrition Program 148
Table 24 Capital Asset Statistics 149

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 157

Schedule of Expenditures of Federal Awards 159

Notes to Schedule of Expenditures of Federal Awards 161


ROANOKE COUNTY PUBLIC SCHOOLS
Accent Excellence

INTRODUCTORY SECTION




Learning Culture
Balance
School Climate
Support Services
Professional Growth
Citizenship
Communication
Collaboration
Critical Thinking
Creativity
DEEPER LEARNING

ROANOKE COUNTY PUBLIC SCHOOLS
Office of Assistant Superintendent of Finance & Operations
5937 Cove Rd. Roanoke, VA 24019 ♦ (540) 562-3900 Ext 10161

November 30, 2018

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, 2018. State law requires that every general-purpose local government publish a complete set of audited financial statements within six months of the close of the fiscal year. Roanoke County Public Schools (School System) is a component unit of the County of Roanoke, Virginia (County), which is a general-purpose local government. This report has been prepared by the School System's Finance Department in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA).

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

The auditing firm of Cherry Bekaert LLP, a firm of independent certified public accountants, has issued unmodified opinions on Roanoke County Public Schools' basic financial statements as of and for the year ended June 30, 2018, contained in this report. The report of independent auditors is located at the front of the financial section of this report.

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

PROFILE OF THE SCHOOL SYSTEM

Roanoke County Public Schools is the 19th largest of 132 school systems in the Commonwealth of Virginia. The County of Roanoke is located in the southwestern part of the State and is the suburban hub of the Roanoke Valley, with a provisional population of 93,735[1] and a Metropolitan Statistical Area (MSA) population of approximately 308,707. 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 14,096 students (including pre-kindergarten) between the ages of 3 and 21 at sixteen elementary schools, five middle schools, five high schools, and one specialty center.

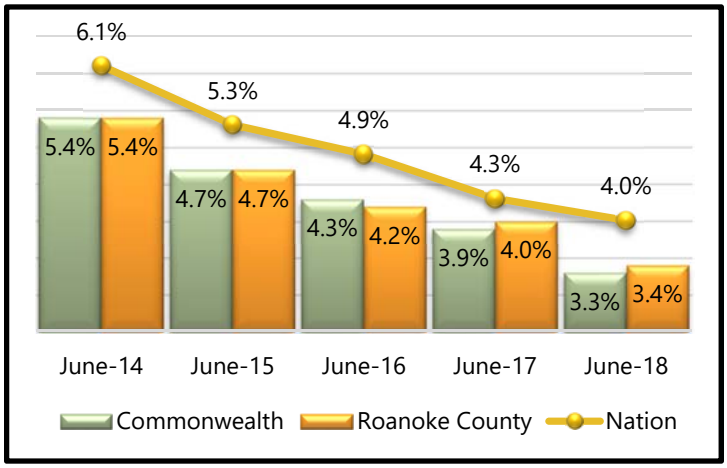
[1] Population source: VaStat, a service of the Weldon Cooper Center for Public Service

Roanoke County Public Schools had a strong year in terms of SOL performance. The School System again had all of its 26 schools fully accredited for the 2018-2019 school year based on 2017-2018 results. Furthermore, the School System exceeded the state average on 28 of 29 SOL tests and significantly increased overall performance in 5th Grade Mathematics, Biology, and World History II. The School System excels in all areas, but secondary mathematics is a particular highlight. The Math 7 results were 3rd in the state and Algebra I – one of the keys to high school graduation - was 8th in the state (out of 132 school divisions). Additionally the School System's overall reading and mathematics results exceed most divisions of similar size and demographics. We had the highest SOL results in our region.

Roanoke County Public Schools has been recognized for 15 years by the NAMM Foundation as one of the "Best Communities for Music Education" in America. The School System was chosen as 1 of 14 school divisions in the Commonwealth of Virginia. The award is based on a survey of the School System and its commitment to providing a wide range of musical opportunities and supporting them financially.

Local Economy

In order to provide quality educational programs to its students, the School System is largely dependent upon the economy of its largest funding sources, which include the Commonwealth of Virginia (47.4% of revenue), the County of Roanoke (42.3% of revenue) and the Federal government (5.3% of revenue).



One measure of the health of an economy is the level of unemployment. This is a graph of the unemployment trend for the past five years for the Commonwealth, the County of Roanoke, and the nation as a whole. The unemployment rates at all levels of the government have shown continuous improvement.

Another factor that indicates how well the State economy is recovering is the personal income level. The personal income level is strongly correlated to income tax and sales tax income. Not only does this provide greater revenue to be passed to the local government, but state-wide sales tax collections are a line item revenue for the School System. The School System experienced an increase in sales tax revenue of 1.26% this year.

Overall, the Commonwealth's economy is continuing to slowly improve although it still lags behind the nation as a whole. The Commonwealth is currently ranked at #30 of all the states by US News and World Report for 2018 for economy due to the limited growth. This is related to the decline in Federal government spending and reflects the significant reliance on Federal contracts in the Northern Virginia and Tidewater areas of the state, which continue to impact state revenue sources post-recession. State revenue declines ultimately impact the state funding for public education and the School System directly.

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

The School System has experienced a declining student enrollment in eight of the last nine years which negatively impacts the level of State funding while not directly reducing the cost of education services on a one-to-one basis. Indications are that this trend reflects lower birth rates in the community and limited growth in the County population. Enrollment declines result in reductions in State funding as the State aid for education formula is driven by K-12 enrollment. The enrollment projection for fiscal year 2019 is 13,700 (excluding pre-kindergarten). The School System conducted a demographic study in 2017 which reflects a slight decline in enrollment over the next ten years.

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

From an infrastructure standpoint, the School System operates 27 school buildings with an average age of 48 years. The School Board has made a financial commitment to address the infrastructure needs in a steady and methodical manner through a joint financing program with the local governing body and, accordingly, has been able to take advantage of competitive construction bids over the past 13 years resulting in lower overall costs to the citizens.

LONG-TERM FINANCIAL PLANNING

The School System annually updates a Capital Improvement Plan (CIP). The CIP serves as a planning tool for efficient, effective, and equitable distribution of public improvements throughout the School System. The CIP represents a balance between finite resources and an ever-increasing number of competing school projects. This balance is achieved using the priorities and objectives established by the School Board. The CIP serves as a long-range planning tool to schedule anticipated capital projects and coordinate capital financing in a way that manages future debt service requirements.

In addition to school building needs, the School System has a dedicated funding stream for ongoing capital needs related to school bus replacement. The school bus replacement schedule, based on age and condition of the fleet, necessitates the replacement of approximately ten school buses per year. The annual budget includes funds earmarked specifically towards this purpose which allows the School Board to accumulate a bus replacement reserve and pay cash for the bus purchases each year rather than borrowing funds and incurring the additional financing charges. The School Board reduced the annual funding stream from $783,219 to $533,219 in fiscal year 2018. Additional funding for the replacement of buses will continue to impact future budget cycles until full funding for bus replacements is restored.

Another dedicated funding stream for ongoing capital needs relates to school technology replacement. On an annual basis, the School System updates a multi-year Technology Assessment Plan to plan for obsolescence of technology equipment and identify funding streams for replacements. The School Board continues to be a frontrunner in the integration of technology throughout the instructional program. The

laptop computer initiative implemented 15 years ago to provide a laptop computer to every student in grades 9 through 12 has been sustained through difficult budget years and continues to be funded through a recurring operating lease. The School Board expanded the program to the middle schools by adding grades 6 through 8 in fiscal years 2017 and 2018. With the budget pressures at the national, State, and local levels in recent years, the technology program has been funded with a combination of sources including Federal stimulus funds, grant funds, and operating funds. The ongoing significant investment in technology warrants the need for a replacement funding plan to ensure the sustainability of this important tool which is an integral part of classroom instruction in the school system.

Relevant Financial Policies

The School Board is required to submit an adopted budget to the County Board of Supervisors by April 1 of each year for the fiscal year beginning July 1. The County legally 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 budget control. The budget is prepared by fund, function (e.g., instruction, attendance and health, nutrition), and department (e.g., transportation, technology, human resources) 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.

The School Board and County Board of Supervisors utilize a revenue sharing agreement that identifies the methodology for allocating revenues between the local government and the School System. The agreement factors in fluctuations in County population and student enrollment, a payroll element reflecting the labor-intensive nature of public education, and the calculation of a net allocation percentage which is then applied to total general property and other local taxes of the local governing body to arrive at the allocation of local revenues for public education. This formula has been used since the fiscal year 2015 school budget.

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

Major Initiatives

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 2018 testing window, the school system exceeded the state average on 28 of the 29 SOL tests administered. We are also pleased that Roanoke County is among a minority of school divisions in the state in which all of our schools met Virginia's requirements for full state accreditation for the 2018-2019 school year based on the 2017-2018 SOL performance.

Technology Initiative – The integration of technology into all facets of the instructional program is instrumental to the vision of the School System to "foster a student-centered learning environment, ensuring world-class educational experiences designed to equip all students with an innovative mindset and the skills to adapt and thrive in a changing global environment." The School System completed the 15th year of a technology initiative, which provides laptop computers to all students in grades 6 to 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. In addition, the School System has invested heavily in providing interactive technology throughout the School System with all classrooms equipped with an interactive white board. All schools have wireless connections to the internet and broadband was expanded in fiscal year 2014 to adequately support the heavy utilization of technology throughout the district. The School System also conducted an independent evaluation of all aspects of information technology in fiscal year 2015 to optimize the investment in technology infrastructure and identify financial savings opportunities.

Capital Improvement Plan – The School Board and the County Board of Supervisors continue to place a major emphasis on the capital needs in the School System. The School Board has identified a priority list of capital projects to be funded under the School Capital Improvement Plan with $2.9 million funded in the most recent plan for 2018-2019. The funding is derived from Major Capital Reserve, created with the year-end balance policy, general fund operating transfer, and debt proceeds from the County. Of this balance, $1.5 million is slated for renovations at William Byrd High School and $1.0 million is reserved for the Capital Maintenance Plan to maintain school facilities.

The School Board conducted a district-wide Facility and Demographic study in 2017 to identify population and enrollment trends that will guide the development of the Capital Improvement Plan in the coming years. A follow-up in-depth facility review was also conducted in order to help prioritize renovation needs. The School Board adopted an updated Capital Improvement Plan in March 2018 which identified the next seven schools slated for renovation.

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, 2017. This was the 17th 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, 2017. This certificate was also awarded for the 17th consecutive year. The Certificate of Excellence program is similar to the GFOA Certificate of Achievement program and is an international award recognizing excellence in the preparation and issuance of school system financial reports.

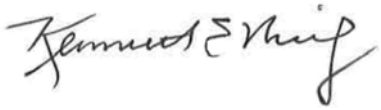
In order to be awarded the GFOA Certificate of Achievement or the ASBO Certificate of Excellence, a school system must publish an easily readable and efficiently organized comprehensive annual financial report, whose content conforms to the standards of both programs. The CAFR must also satisfy the standards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

The GFOA Certificate of Achievement and the ASBO Certificate of Excellence are valid for a period of one year only. We believe our current report continues to meet the requirements of the GFOA Certificate of

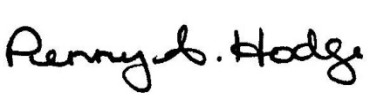
Achievement and ASBO Certificate of Excellence programs, and we are submitting it to both associations to determine its eligibility for another certificate.

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

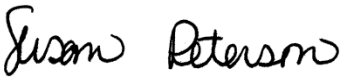
Respectfully yours,



Kenneth E. Nicely, Ed.D.
Superintendent



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



Susan Peterson, CPA, MA
Director of Finance

Roanoke County Public Schools
School Board Members
June 30, 2018



Mr. Jason B. Moretz
Chairman
Windsor Hills District



Mr. Donald T. Butzer
Vice-Chairman
Catawba District



Mr. Timothy D. Greenway
Vinton District



Mr. David M. Linden
Hollins District



Mr. Michael A. Wray
Cave Spring District

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

Roanoke County Public Schools
School Administration
June 30, 2018



Dr. Gregory N. Killough
Superintendent of Schools

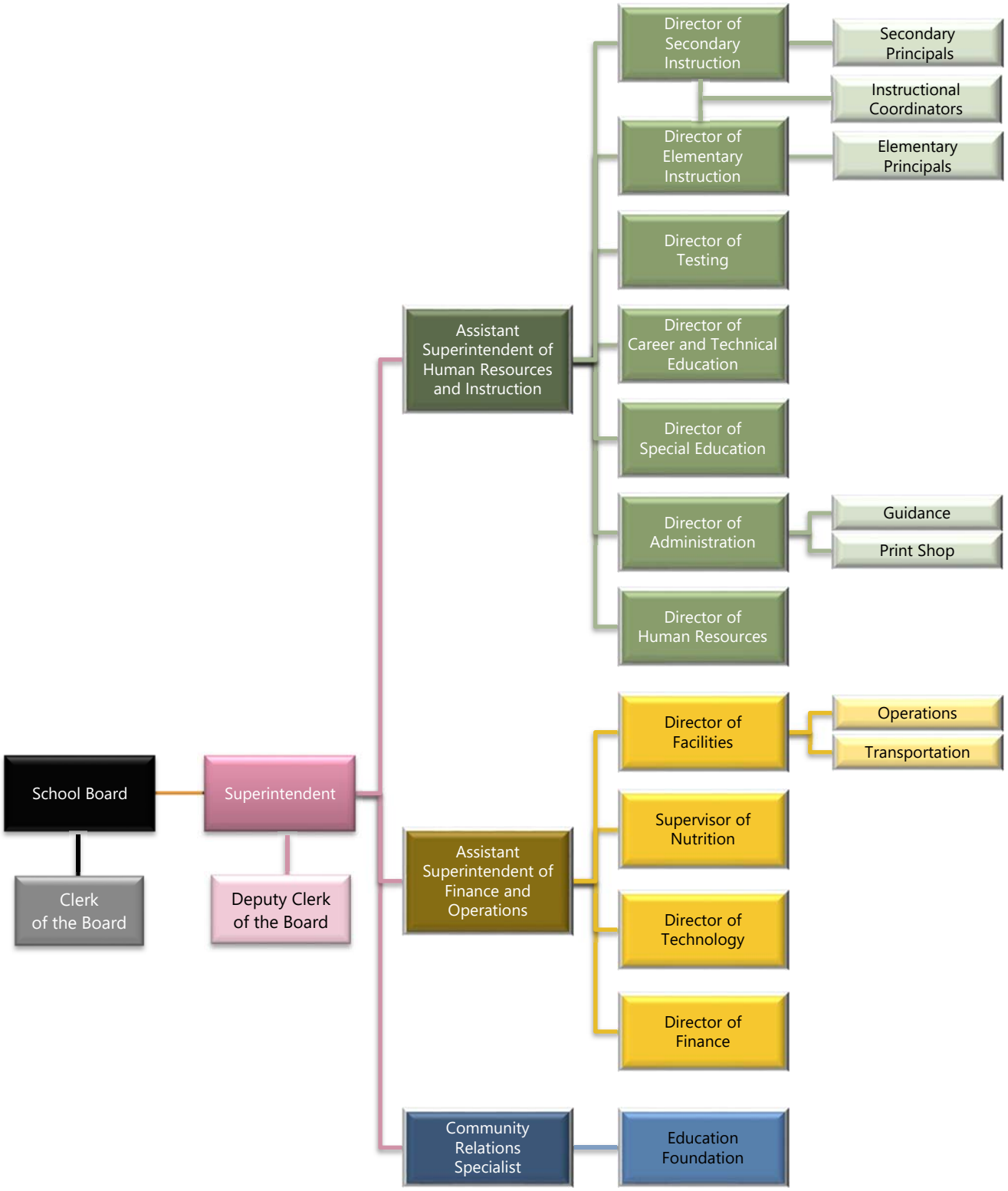
Dr. Rebecca G. Eastwood
Assistant Superintendent of Human Resources and Instruction

Director of Secondary Instruction ..... Dr. Rhonda W. Stegall
Director of Elementary Instruction ..... Dr. Linda F. Wright
Director of Testing ..... Mr. Ben J. Williams
Director of Career and Technical Education ..... Mr. Jason D. Suhr
Director of Special Education ..... Dr. Jessica M. McClung
Director of Administration ..... Dr. Kenneth E. Nicely
Director of Human Resources ..... Mr. James R. Bradshaw
Community Relations Specialist ..... Mr. Chuck D. Lionberger

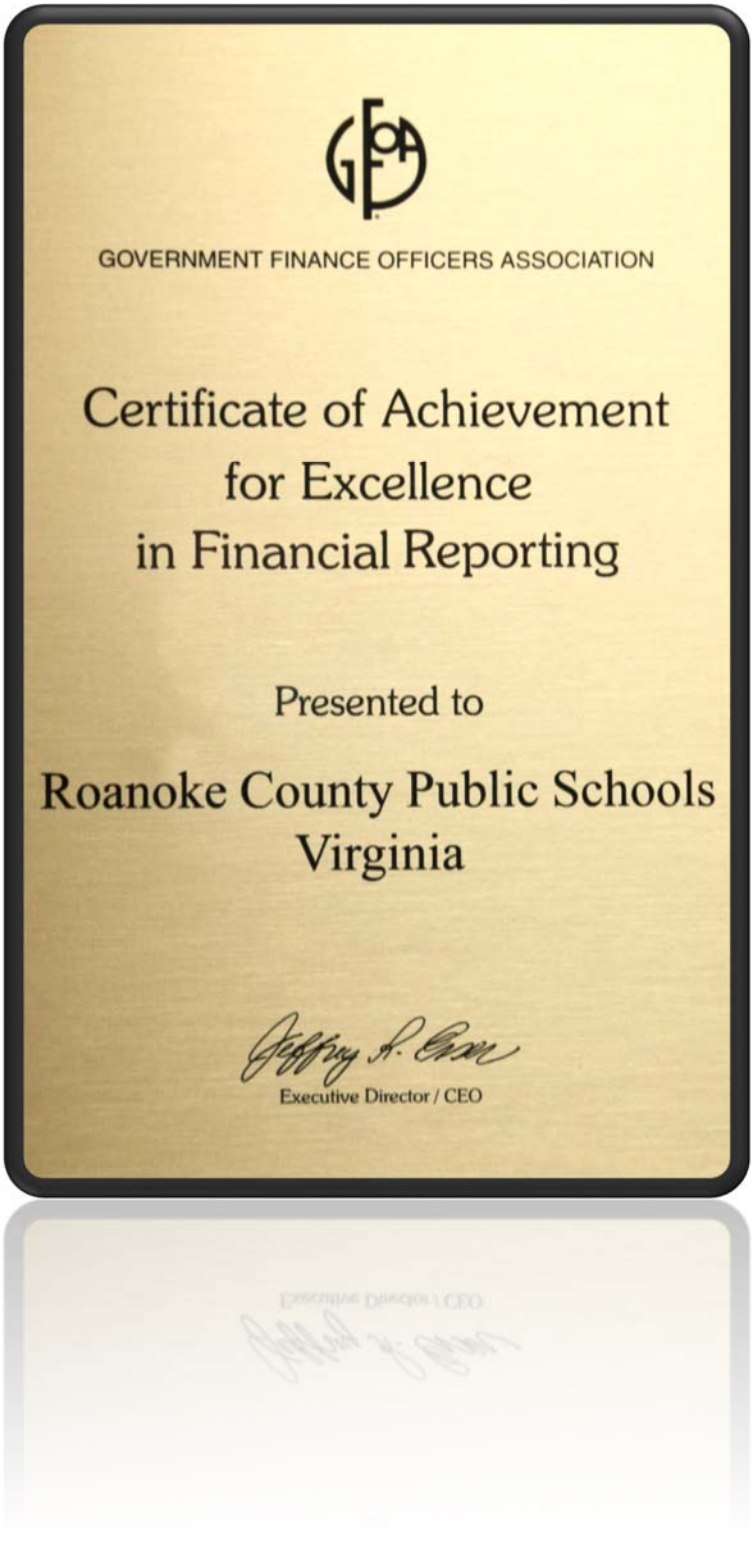
Mrs. Penny A. Hodge, CPA, SFO
Assistant Superintendent of Finance and Operations

Director of Facilities ..... Mr. George G. Assaid
Director of Finance ..... Mrs. Susan L. Peterson, CPA, MA
Supervisor of Nutrition ..... Mrs. Rhonda R. Huffman
Director of Technology ..... Mr. Jeff A. Terry

Roanoke County Public Schools
Organizational Chart
June 30, 2018



Roanoke County Public Schools
Government Finance Officers Association Award
June 30, 2018



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Roanoke County Public Schools for its Comprehensive Annual Financial Report for the 17th consecutive year ended June 30, 2017. The Certificate of Achievement for Excellence in Financial Reporting is a prestigious, national award, which recognizes conformance with the highest standards for preparation of state and local government CAFRs.

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



Roanoke County Public Schools
Association of School Business Officials International Award
June 30, 2018



The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to Roanoke County Public Schools for its CAFR for the 17th consecutive year ended June 30, 2017. This nationally recognized program was established by ASBO to encourage school business officials to achieve a high standard of financial reporting. The award is the highest recognition for school division financial operations offered by ASBO, and it is only conferred upon school systems that have met or exceeded the standards of the program. Participation in the Certificate of Excellence in Financial Reporting program validates the School System's commitment to fiscal and financial integrity and enhances the credibility of the School System's operations with the School Board and the community. The program reviews the accounting practices and reporting procedures used by the School System in its CAFR based upon specific standards established within GAAP.


ROANOKE COUNTY PUBLIC SCHOOLS
Accent Excellence

FINANCIAL SECTION




Learning Culture
Balance
School Climate
Professional Growth
Support Services
Citizenship
Communication
Collaboration
Critical Thinking
Creativity
DEEPER LEARNING

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Roanoke County Public Schools (the "School System"), a component unit of Roanoke County, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School System, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and presented in Note 16 to the financial statements, the School System adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the School System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the School System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School System's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
November 30, 2018

Roanoke County Public Schools
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report, and the School System's basic financial statements and notes thereto, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The total liabilities and deferred inflows exceeded the total assets and deferred outflows of the School System as of June 30, 2018 by $71.1 million (*net position*). This net position is a deficit due to recognizing a $120.2 million liability related to the Virginia Retirement System Pension and $33.9 million liability related to other postemployment benefits. Of this amount, $(120.1) million is unrestricted net position. (Exhibit A).

- On a government-wide basis for governmental activities, the School System had expenses, net of program revenues, of $120.7 million, which were $3.3 million less than general revenues of $123.9 million (Exhibit B).

- At the end of the current fiscal year, committed fund balance for the General Fund was $6.0 million or 4.1% of total General Fund expenditures for fiscal year 2018 (Exhibits C and E). Due to School Board policy, the fund balance in the General Fund rolls over to the capital fund at year-end so there is no unassigned fund balance at year-end.

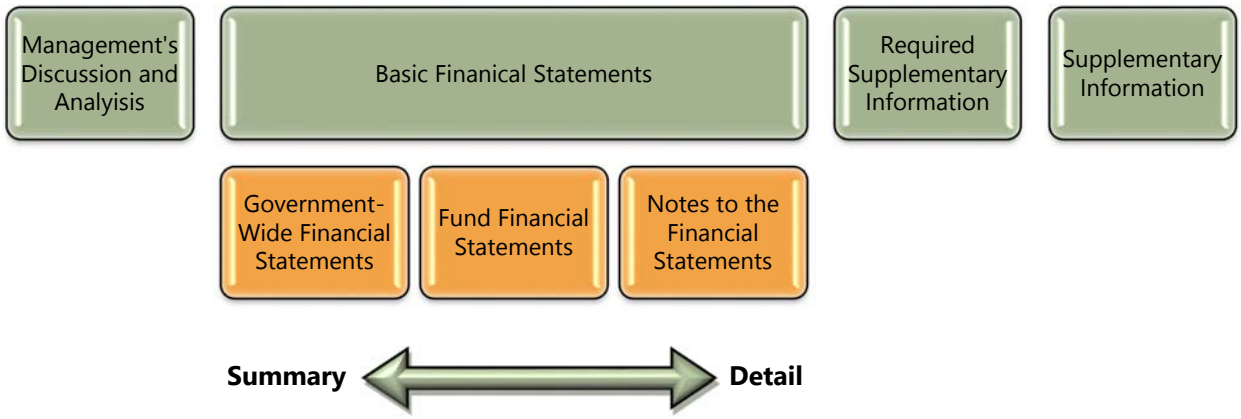
- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources (uses) by $828,954 for fiscal year 2018 (Exhibit E).

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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



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

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

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

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

The government-wide financial statements (Exhibits A and B) can be found beginning on page 36 of this report.

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

- ***Governmental funds***: Most of the School System's activities are reported in governmental funds, which focus on how resources flow into and out of these funds and the balances at year-end available to spend in future periods. Consequently, the governmental funds statements (Exhibits C and E) 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 (Exhibits D and F) is provided immediately following the governmental funds statement that explains the relationship (or differences) between the statements.

- ***Proprietary funds***: Services for which the School System charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The School System uses Internal Service Funds to account for the financing of services provided by one department to other departments of the school system on a cost reimbursement basis. The School System uses Internal Service Funds for health insurance, dental insurance, risk management, and laptop insurance reserves. (Exhibits G, H, and I)

- ***Fiduciary funds***: Assets held either by a trustee or in an agency capacity are reported in fiduciary funds. These funds cannot be used to support the School System's activities and are reported in a separate statement of fiduciary assets and liabilities. They are not included in the government-wide financial statements. The School System reports an OPEB Trust and student activity funds as fiduciary funds. (Exhibits J and K)

The fund financial statements can be found beginning on page 38 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 47 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the School System's budgetary comparisons for the General Fund, Grant Fund, Nutrition Fund, and progress in funding its obligations to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 93 of this report.

Certain additional *supplementary information* is presented immediately following the required supplementary information. Supplementary information includes budgetary comparisons for the Capital Projects Fund and Laptop Insurance Reserve Fund, combining statements for Internal Service Funds, and the statement of changes in fiduciary assets and liabilities. Supplementary information can be found beginning on page 113 of this report.



FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM

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

Summary of Net Position **Table 1**
As of June 30, 2018 and 2017

	Governmental Activities		Percentage
	2018	2017	Change
Current and other assets	$ 42,223,483	$ 43,293,158	(2.5)%
Capital assets, net	46,943,444	46,765,379	0.4
Total assets	89,166,927	90,058,537	(1.0)
Deferred outflows of resources	20,468,559	19,794,703	3.4
Current and other liabilities	6,927,570	7,255,655	(4.5)
Long-term liabilities	156,576,173	136,093,787	15.1
Total liabilities	163,503,743	143,349,442	14.1
Deferred inflows of resources	17,206,066	8,718,000	97.4
Net investment in capital assets	46,943,444	46,765,379	0.4
Restricted	2,086,568	2,077,309	0.4
Unrestricted	(120,104,335)	(91,056,890)	31.9
Total net position	$ (71,074,323)	$ (42,214,202)	68.4
Prior period adjustments for beginning net other post employment benefit liabilities		(32,124,800)	
Total net position, as restated, June 30, 2017		$ (74,339,002)	

For fiscal year 2018, the School System's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by $71.1 million. Net position decreased $28.9 million from the prior year balance, including the prior period adjustments for beginning net other postemployment benefit liabilities of $32.1 million. A detailed description of the changes in revenues and expenses that create the differences in net position is discussed in the next section.

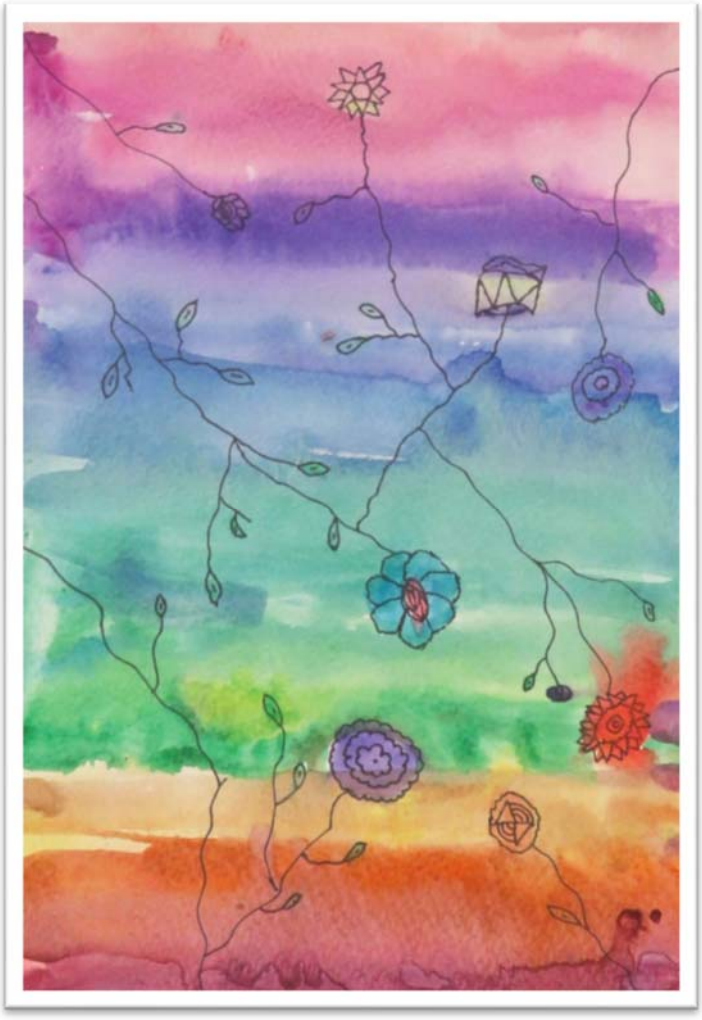
For fiscal year 2018, $46.9 million of the School System's net position reflects its *net investment in capital assets* (i.e., land, buildings, furniture and equipment). The School System uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Commonwealth of Virginia requires counties to issue general obligation debt for all financially dependent component units. The County reports in its basic financial statements the majority of the debt related to the School System's capital assets.

A significant portion of the *restricted net position* includes the School System's $2.0 million emergency contingency fund authorized by the County Board of Supervisors and restricted to use for unexpected

revenue shortfalls or unanticipated expense increases. The remaining balance includes grant balances restricted by grant agencies for specified purposes.

The remaining balance of *unrestricted net position* of $(120.1) million is a result of recognizing the School System's proportionate share of the Virginia Retirement System's (VRS) net pension liability and recognizing the school system's liabilities for other postemployment benefit liabilities.

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



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

Summary of Changes in Net Position **Table 2**
For the Years Ended June 30, 2018 and 2017

	Governmental Activities 2018	Governmental Activities 2017	Percentage Change
Program revenues:			
Charges for services	$ 4,563,331	$ 4,531,519	0.7%
Operating grants and contributions	31,676,933	27,839,282	13.8%
Capital grants and contributions	3,513,954	3,089,261	13.7%
General revenues:			
County appropriation	69,307,937	68,763,376	0.8%
Non-categorical State aid	53,896,466	54,914,899	(1.9)%
Miscellaneous	723,560	549,507	31.7%
Total revenues	163,682,181	159,687,844	2.5%
Program expenses:			
Instruction	117,622,278	116,721,895	0.8%
Administration	3,328,192	3,315,935	0.4%
Attendance and health	2,359,421	2,276,599	3.6%
Transportation	5,431,735	6,403,743	(15.2)%
Operations and maintenance	13,860,087	11,480,475	20.7%
Technology	6,256,710	6,679,719	(6.3)%
School nutrition	5,233,734	5,027,956	4.1%
Capital lease interest	-	4,864	(100.0)%
Debt Service	6,325,345	6,347,576	(0.4)%
Total expenses	160,417,502	158,258,762	1.4%
Change in net position	3,264,679	1,429,082	128.4%
Total net position, beginning of year	(74,339,002)	(43,643,284)	70.3%
Total net position, end of year	$ (71,074,323)	$ (42,214,202)	68.4%
Prior period adjustments for beginning net other post employment benefit liabilities		(32,124,800)	
Total net position, as restated, June 30, 2017		$ (74,339,002)	

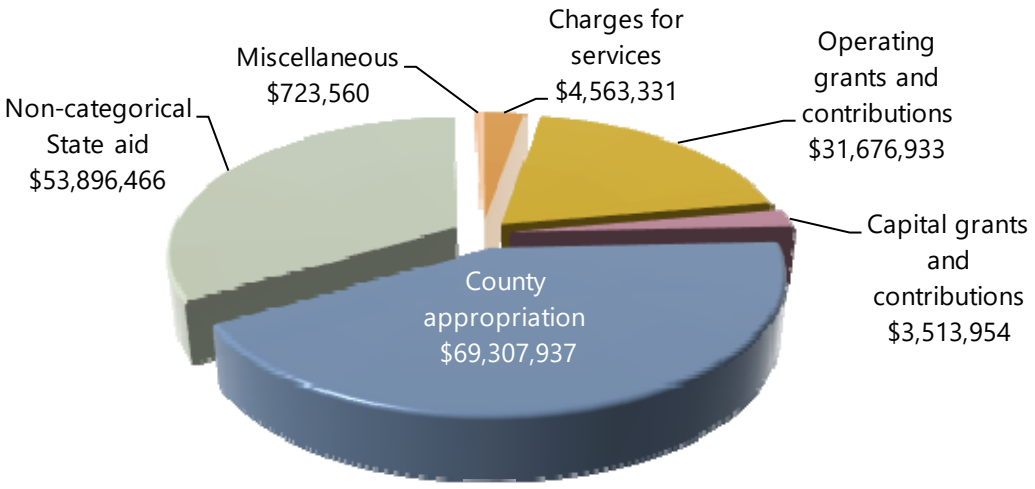
Governmental activities decreased the School System's net position by $28.9 million. Revenues for governmental activities increased $4.0 million (2.5%) and total expenses increased $2.2 million (1.4%) when compared to the prior year. Included in the reduction of net position are the prior period adjustments for beginning net other postemployment benefit liabilities of $32.1 million.

The County appropriation and general State aid accounted for most of the School System revenue, contributing 77¢ of every dollar of expenses. The remaining 23¢ of every dollar of expenses are funded with Federal and State aid for specific programs, charges for services, and miscellaneous revenues.

Most of the School System's expenses, or 85¢ of every dollar spent, are directly related to the provision of services to students, including classroom instruction, attendance and health, transportation, technology, and nutrition. The balance of every dollar spent goes for administrative costs (2¢), operations and maintenance (9¢), and interest and other charges for the school portion of County debt payments on school construction and renovations (4¢).

Governmental Activities – Revenues

Revenues of the governmental activities are shown by category below:



Charges for services, which were 2.8% of total government revenues, include school breakfast and lunch sales, tuition fees, Medicaid reimbursements, and other miscellaneous fees for services provided. These revenues increased $31,812 from prior year primarily due to a slight increase in Medicaid reimbursements.

Operating grants and contributions, which were 19.4% of total government revenues, include 52.3% for non-Basic Aid Standards of Quality State revenues, 18.7% for Individuals with Disabilities Education Act (IDEA) and Titles I, II and III Federal grants, 8.8% for State and Federal nutrition funding, and 20.1% for State supplemental support for operating costs. These revenues increased $3.8 million from prior year primarily due to increases through additional assistance, a compensation supplement provided by the State, and full reimbursement of E-rate reimbursement requests.

Capital grants and contributions, which were 2.1% of total government revenues, include state technology grants and capital transfers from the County. These revenues increased $424,693 from prior year primarily with the transfer from the County debt service fund exceeding the transfer of buildings and improvements, net of accumulated depreciation, to the schools from the County related to debt payoff for tenancy in common assets in the prior year.

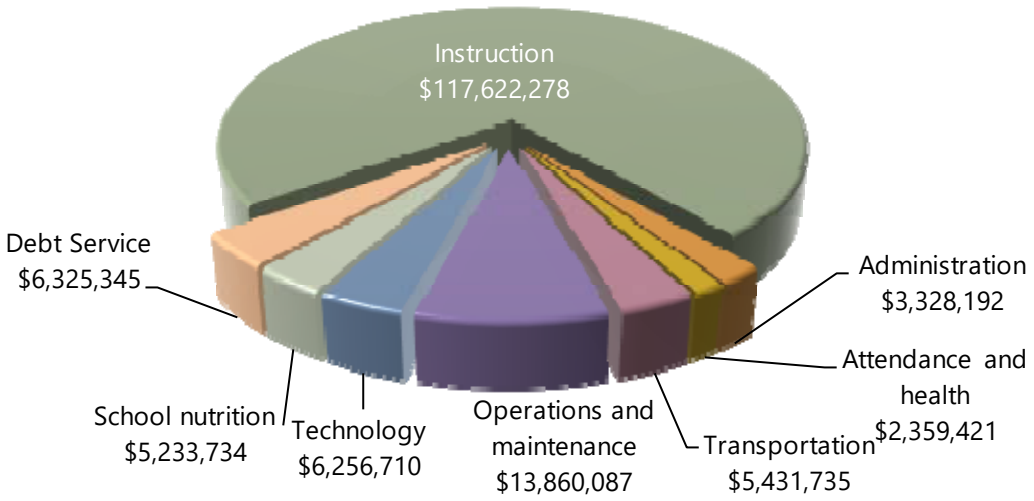
County appropriation, which is the largest funding source at 42.3% of total government revenues, includes local County support which is based on a revenue sharing formula. These revenues increased $544,561 from prior year and include a transfer of bond proceeds for capital projects.

State aid, which was 32.9% of total government revenues, includes State sales tax and the Basic Aid Standards of Quality State revenues. These revenues decreased $1.0 million from prior year primarily due to a reduction in the August sales tax payments related to amended language in the appropriation act affecting the June accelerated sales taxes previously distributed to school divisions in August but will be recovered later in the year.

Miscellaneous, which was 0.5% of total government revenues, includes investment income, soft drink commissions, rebates and refunds, donations, gain on sale of assets, and other miscellaneous items. These revenues increased $174,053 due to an increase in interest revenue earned and gain on sale of assets.

Governmental Activities – Expenses

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



Instruction, which was 73.3% of total government expenses, includes activities and programs to prepare all students to be productive citizens in a democratic and diverse society while enabling them to meet established standards of achievement and foster life-long learning. These expenses increased $900,383 from prior year primarily due to a 1-step salary increase for all employees, additional special education teacher and instructional aide positions, an increase in VRS rates, and the subsidization of a portion of the group health and dental premiums. These increases were offset by reductions in the change of the actuarial liabilities for the School Systems' VRS pension plan and the other postemployment benefits.

Administration, which was 2.1% of total government expenses, includes executive administration, personnel services, fiscal services, board services, reprographic services, planning services, and information services. These expenses increased $12,257 from prior year primarily due to a 1-step salary increase for all employees, an increase in VRS rates, and the subsidization of a portion of the group health and dental premiums. These increases were offset by reductions in the change of the actuarial liabilities for the School Systems' VRS pension plan and the other postemployment benefits.



Attendance and health, which was 1.5% of total government expenses, includes health, psychological, and attendance services. These expenses increased $82,822 from prior year primarily due to a 1-step salary increase for all employees, an increase in VRS rates, and the subsidization of a portion of the group health and dental premiums. These increases were offset by reductions in the change of the actuarial liabilities for the School Systems' VRS pension plan and the other postemployment benefits.

Transportation, which was 3.4% of total government expenses, includes vehicle operation, monitoring, and maintenance services. These expenses decreased $972,008 from prior year primarily due to a 1-step salary increase for all employees, an increase in VRS rates, and the subsidization of a portion of the group health and dental premiums. These increases were offset by reductions in the change of the actuarial liabilities for the School Systems' VRS pension plan and the other postemployment benefits.

Operations and maintenance, which was 8.6% of total government expenses, includes custodial, maintenance, utilities, and security services for buildings and grounds at all 27 schools, central office, maintenance, garage, and warehouse. These expenses increased $2.4 million from prior year primarily due to a 1-step salary increase for all employees, an increase in VRS rates, the subsidization of a portion of the group health and dental premiums, and completing projects from inception of the capital maintenance plan. These increases were offset by reductions in the change of the actuarial liabilities for the School Systems' VRS pension plan and the other postemployment benefits.

Technology, which was 3.9% of total government expenses, includes noncapital equipment, software, operating and maintenance costs for all classrooms, administration, and attendance and health. These expenses decreased $423,009 from prior year primarily due to a 1-step salary increase for all employees, an increase in VRS rates, and the subsidization of a portion of the group health and dental premiums. These increases were offset by reductions in the change of the actuarial liabilities for the School Systems' VRS pension plan and the other postemployment benefits.

Nutrition, which was 3.3% of total government expenses, includes all costs associated with operating and maintaining school cafeterias. These expenses increased $205,778 from prior year primarily due to a 1-step salary increase for all employees, an increase in VRS rates, and the subsidization of a portion of the group health and dental premiums. These increases were offset by reductions in the change of the actuarial liabilities for the School Systems' VRS pension plan and the other postemployment benefits.

Debt Service, which was 3.9% of total government expenses, includes a transfer for interest on County debt outstanding related to school assets, a transfer of major capital reserves to capital projects recorded on the local government books in conjunction with bonds issued to fund the full project costs, and funding of future debt related to the Capital Improvement Plan. These expenses decreased $22,231 from prior year.

Governmental Activities – Total Cost and Net Cost

Table 3 presents the cost of the School System's functions and shows the net cost (total expenses less program revenues). The net cost reflects the financial burden that was placed on the taxpayers by each of these functions.

Total Cost and Net Cost of Governmental Activities **Table 3**
For the Years Ended June 30, 2018 and 2017

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2018	2017	Change	2018	2017	Change
Instruction	$ 117,622,278	$ 116,721,895	0.8%	$ 83,663,306	$ 89,194,953	(6.2)%
Administration	3,328,192	3,315,935	0.4%	3,328,192	3,315,935	0.4%
Attendance and health	2,359,421	2,276,599	3.6%	2,359,421	2,276,599	3.6%
Transportation	5,431,735	6,403,743	(15.2)%	5,431,735	6,403,743	(15.2)%
Operations and maintenance	13,860,087	11,480,475	20.7%	13,721,393	9,040,037	51.8%
Technology	6,256,710	6,679,719	(6.3)%	6,256,710	6,679,719	(6.3)%
School nutrition	5,233,734	5,027,956	4.1%	(422,818)	(464,726)	(9.0)%
Capital lease interest	-	4,864	(100.0)%	-	4,864	(100.0)%
Debt Service	6,325,345	6,347,576	(0.4)%	6,325,345	6,347,576	(0.4)%
Total expenses	$ 160,417,502	$ 158,258,762	1.4%	$ 120,663,284	$ 122,798,700	(1.7)%

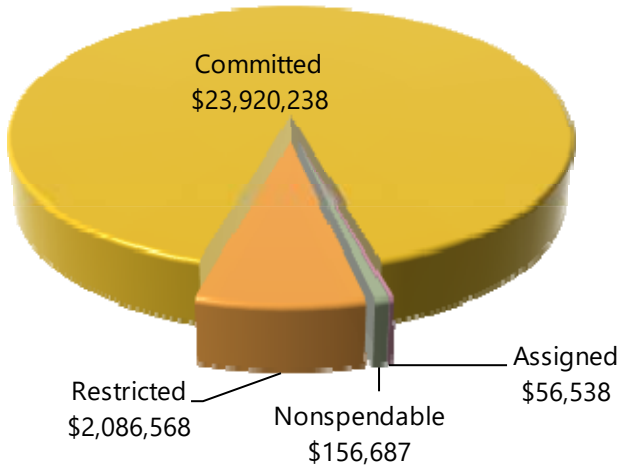
Key elements of total and net cost of governmental activities during fiscal year 2018 were as follows:

- The cost of all governmental activities this year was $160.4 million.
- Roanoke County citizens paid for these activities through local taxes in the amount of $69.3 million.
- Some of the costs were paid by those who directly benefited from the programs ($4.6 million), entitlements from State and Federal aid ($31.7 million), and other receipts for capital investments ($3.5 million).



FINANCIAL ANALYSIS OF THE FUNDS

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



As of the end of the current fiscal year, the School System's governmental funds reported combined fund balances of $26.2 million, an increase of $1.2 million in comparison with fiscal year 2017. Of this amount, 0.6% constitutes *nonspendable fund balance*, which reflects inventories that are in a non-liquid form and cannot be spent; 8.0% constitutes *restricted fund balance*, which is externally restricted for an emergency contingency fund and grants; 91.2% constitutes *committed fund balance*, which is designated for future capital projects in accordance with the adopted Use of Year-End Balance policy; and 0.2% constitutes *assigned fund balance*, which is designated for outstanding operating encumbrances at year-end.

The General Fund is the primary operating fund used to account for all financial transactions and resources except those required to be accounted for in another fund. The fund balance in the General Fund increased by $828,954 primarily due to increases through additional assistance, a compensation supplement provided by the State, full E-rate reimbursement, and a National Clean Diesel Emissions Reduction Program grant, which were used to fund a 1-step salary increase for all employees, an increase in VRS rates, a portion of the group health and dental premiums, and the purchase of 18 school buses.

The Grant Fund is used to account for Federal, State, and local grants restricted for specified school purposes by the grantor. During fiscal year 2018, Federal grant funding increased by $98,019 related to increases in IDEA, Title I, and Title II Federal funding. At the end of the current fiscal year, the Grant Fund balance consisted of $86,568 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 $14.7 million committed

for future school capital projects. The fund balance decreased by $122,966 related to completing projects from inception of the capital maintenance plan, offset mostly by an increase in transfers from the General Fund during the year as a result of the Year-End Balance policy and prior year allocation.

The Nutrition Fund is used to account for the preparation and serving of student breakfasts and lunches. At the end of the fiscal year, the Nutrition Fund balance reflected $3.2 million in committed fund balance for nutrition operations. The overall fund balance of the fund increased by $534,089 from the prior year primarily due to an increase in participation rates for the free and reduced meal programs.

Proprietary Funds – The School System's Internal Service Fund, a proprietary fund type, is presented on the same basis as the government-wide financial statements but is presented in more detail in the fund financial statements. Unrestricted net position of the health insurance, dental insurance, risk management, and laptop insurance reserve funds at the end of the year amounted to $7.4 million. The increase (decrease) in net position for all four funds was $(1.8) million, $(103,535), $40,705, and $(224,340), respectively. The decrease in the health insurance fund relates to higher health insurance claims expenses than expected, an increase in wellness and HRA subsidies, and the use of reserves for operational needs.

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 2018.

Budgetary Highlights - General Fund **Table 4**
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental-Roanoke County	$ 68,078,937	$ 69,307,937	$ 69,307,937
Intergovernmental-State and Federal	76,506,094	76,964,752	78,161,712
Other	1,313,828	1,223,900	1,397,674
Total	145,898,859	147,496,589	148,867,323
Expenditures	(145,697,878)	(151,655,511)	(144,915,048)
Other financing sources	-	-	67,715
Transfers out	(534,655)	(3,191,035)	(3,191,036)
Net change in fund balance	$ (333,674)	$ (7,349,957)	$ 828,954

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, 2017 but not paid by that date.
- To reappropriate grants, donations and other revenues authorized in fiscal year 2017 or earlier, but not expended or encumbered as of June 30, 2017.

- To appropriate grants, donations, and other revenues accepted or adjusted in fiscal year 2018 when official notice of approval was received.
- To appropriate the designated General Fund balance to capital projects.

The increase in the amended budget revenues of $1.6 million is related to the transfer of additional funds from the County for comprehensive services along with grants received in excess of budgeted grants.

Actual revenues were more than the final budget by $1.4 million. The variance primarily relates to slightly higher SOQ-based revenues than budgeted, E-rate reimbursements received higher than budgeted, and recognition of more investment income than budgeted.

Actual expenditures were less than the final budget by $6.7 million. The positive variances were primarily related to unused allocation of emergency funds, personnel savings, and utility savings.

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 $131.1 million. Total accumulated depreciation on these assets was $84.1 million. Table 5 shows capital asset balances (net of accumulated depreciation) for fiscal years 2018 and 2017. More detailed information about capital assets can be found in Note 5 to the basic financial statements.

Capital Assets - Net of Accumulated Depreciation **Table 5**
As of June 30, 2018 and 2017

	Governmental Activities		Percentage
	2018	2017	Change
Land	$ 5,683,473	$ 5,683,472	0.0%
Construction in progress	1,663,592	1,338,378	24.3%
Buildings and improvements	28,891,274	28,971,180	(0.3)%
Furniture and equipment	10,705,105	10,772,349	(0.6)%
Totals	$ 46,943,444	$ 46,765,379	0.4%

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

- $2.7 million spent for the commencement or continuation of construction in progress
  - Athletic fields at William Byrd High School
  - Building renovation at Cave Spring High School
  - Gymnasium A/C units at Hidden Valley Middle School and William Byrd High School
  - Multi-use facility renovation at Glenvar High School
  - Building improvements at W.E Cundiff Elementary School, Glenvar Elementary School, and Burton Center for Arts and Technology
  - Emergency access road at William Byrd High School

- $6.1 million recognized for capitalizing the following projects
  - $2.0 million for athletic fields at William Byrd High School
  - $1.5 million for 18 school buses
  - $656,334 for technology installations including network switches, SOL server, and fiber equipment
  - $460,000 for lobby guard system across the division
  - $408,445 for running track at Northside High School
  - $344,304 for security camera systems at Glenvar, Hidden Valley, Northside, and William Byrd High Schools and Burton Center for Arts and Technology
  - $201,934 for building improvements at W.E Cundiff and Glenvar Elementary Schools

During fiscal year 2014 and each of the subsequent years, the School System entered into a lease agreement as a lessee for grade-level laptops. Although each agreement is for a five-year term, it is subject to approval of available funds on an annual basis. Under the lease agreement, the School System pays annual rent, which is $1.5 million.

CAPITAL ASSETS FINANCED THROUGH DEBT

According to the *Code of Virginia*, when a local government incurs a financial obligation payable over more than one fiscal year to fund an acquisition, construction or improvement of public school property, the local government acquires title to the school property as a tenant in common with the local school board for the term of the financial obligation. For financial reporting purposes, the local government may report the school property and related financial obligation. At the time the financial obligation is paid in full, the net value of the school property is transferred to the school board as program revenue and expense on the government-wide financial statements for the School System and County, respectively. As of June 30, 2018, the County's government-wide financial statements included school capital assets and related debt outstanding of $195.4 million and $72.2 million, respectively related to tenancy in common assets.

FACTORS INFLUENCING FUTURE BUDGETS

Key factors that are expected to impact future budgets include:

- Uncertainty of Federal spending in the Commonwealth of Virginia, particularly in the Northern Virginia and Hampton Roads areas with heavy military and Federal contractor presence
- Increasing Federal requirements for student and school achievement related to Federal legislation
- Declining student enrollments and the related impact on State and local funding
- Projected increases in retirement contribution rates assessed by the Virginia Retirement System (the VRS)
- Challenge to pay competitive salaries for recruitment and retention of high quality employees
- Increasing cost of healthcare
- Increasing cost of special education services related to the Comprehensive Services Act (CSA) and potential for reductions in shared CSA funding

In the last two years, the Commonwealth of Virginia (the Commonwealth) initiated actions that are expected to impact the school budget in future years. Through changes in certain actuarial assumptions for the VRS sponsored retirement plans, which were affected by legislation passed by the General Assembly, the

Commonwealth was able to defer rate increases requested by the VRS Trustees, and an increase in the local employer share of these pension contributions was similarly deferred. The legislation required that this deferral of costs begin to be replenished in fiscal year 2012 and continue until fully replenished in fiscal year 2021. Ultimately, it is expected that there will be significant increases in the local employer costs to be funded in order to meet the future payment obligations under the VRS plan. The 2018 expenditures reflect the increased pension costs necessary for this replenishment.

ECONOMIC FACTORS

During fiscal year 2018, the Commonwealth's economy continued to reflect slow growth. Sales tax collections, representing 10.4% of the School System's budget, were stable with the preceding year reflecting negligible improvement in personal consumption. Revenues from the Commonwealth, including sales taxes, represent 52.0% of the General Fund budget for fiscal year 2018, which is slightly higher than 2017 but still lower than pre-2009 funding levels.

The County provided approximately 47.0% of the School System's operating budget needs in fiscal year 2018. Virginia education funding reductions continue to place a burden on the local government to fund the existing educational programs and services and have a direct impact on the School System's ability to sustain the quality of education expected by our citizens. The County is experiencing slow revenue growth in the local tax base, further challenging the ability to maintain existing school and county services.

REQUESTS FOR INFORMATION

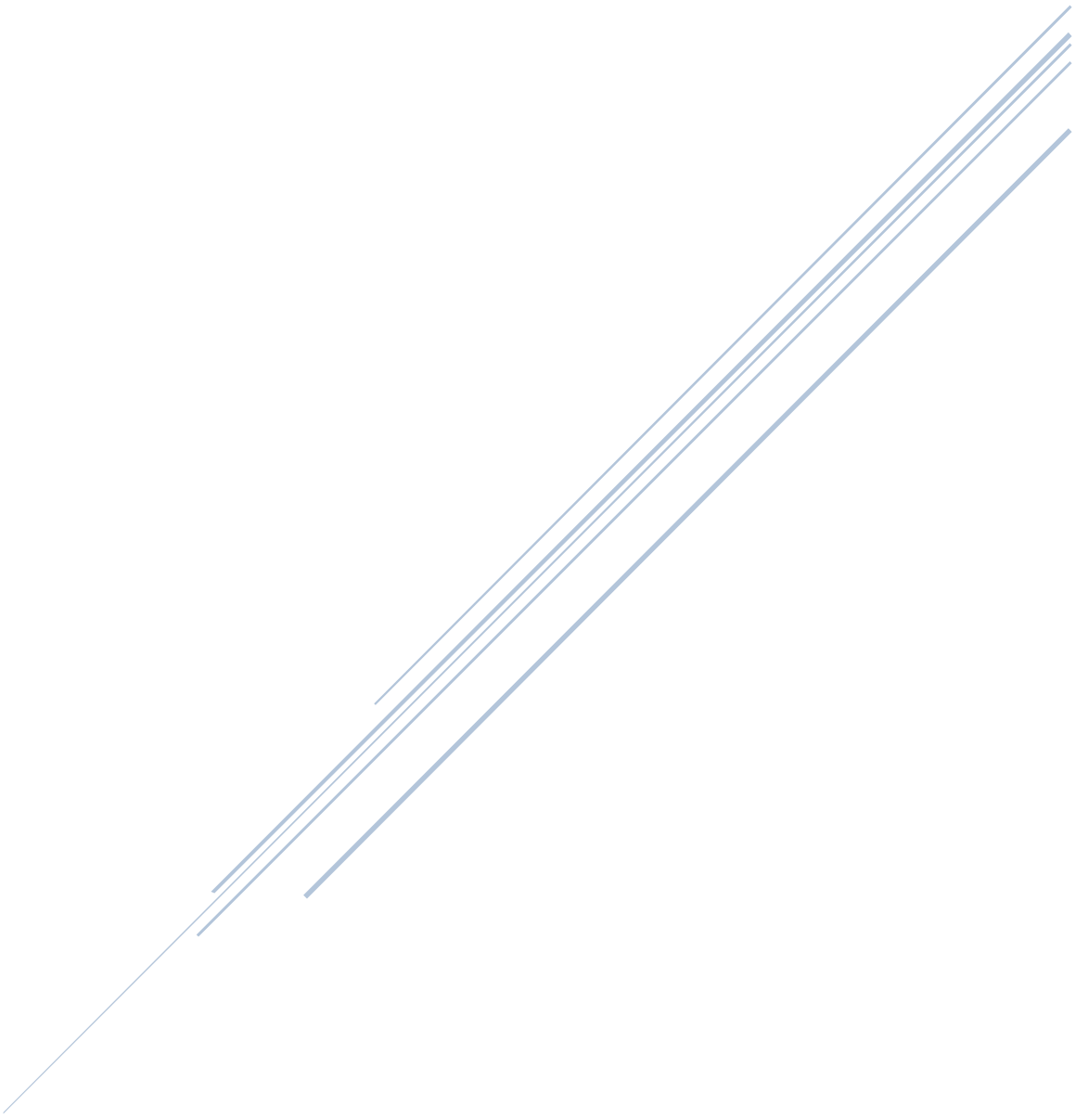
This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the School System's finances and to demonstrate the School System's accountability for the money it receives. Questions concerning this report or requests for additional financial information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

Director of Finance
Roanoke County Public Schools
5937 Cove Road, Roanoke
Virginia 24019
(540) 562-3900

https://www.rcps.us/Page/1700


ROANOKE COUNTY PUBLIC SCHOOLS
Accent Excellence

BASIC FINANCIAL STATEMENTS



Roanoke County Public Schools
Statement of Net Position
June 30, 2018

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents (Note 2)	$ 16,355,687
Investments (Note 2)	19,321,030
Accounts receivable	1,131,587
Due from other governments (Note 3)	3,535,803
Inventory	419,478
Prepaid and other assets	127,131
Net asset from pension (Note 10)	1,332,767
Capital assets (Note 5):	
Land and construction in progress	7,347,065
Other capital assets, net	39,596,379
Capital assets, net	46,943,444
Total assets	89,166,927
Deferred outflows of resources	
Pension (Note 10)	17,787,869
Other postemployment benefit provided by Virginia Retirement System (Note 11)	1,849,678
Other postemployment benefit provided by Roanoke County Public Schools (Note 12)	831,012
Total deferred outflows of resources	20,468,559
Liabilities	
Accounts payable	1,087,161
Accrued liabilities	2,707,304
Unearned revenues	259,938
Long-term liabilities due or payable within one year:	
Claims payable (Note 9)	2,041,280
Compensated absences (Note 8)	831,887
Long-term liabilities due or payable after one year:	
Claims payable (Note 9)	598,546
Compensated absences (Note 8)	1,932,591
Net liability from pension (Note 10)	120,182,000
Net liability from other postemployment benefit provided by Virginia Retirement System (Note 11)	18,866,000
Net liability from other postemployment benefit provided by Roanoke County Public Schools (Note 12)	14,997,036
Total liabilities	163,503,743
Deferred inflows of resources	
Pension (Note 10)	16,271,356
Other postemployment benefit provided by Virginia Retirement System (Note 11)	884,000
Other postemployment benefit provided by Roanoke County Public Schools (Note 12)	50,710
Total deferred inflows of resources	17,206,066
Net Position	
Net investment in capital assets	46,943,444
Restricted for:	
Grants	86,568
Emergency contingency	2,000,000
Unrestricted deficit	(120,104,335)
Total net position	$ (71,074,323)

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Governmental Activities
Instruction	$ 117,622,278	$ 1,599,270	$ 28,876,057	$ 3,483,645	$ (83,663,306)
Support services:					
Administration	3,328,192	-	-	-	(3,328,192)
Attendance and health	2,359,421	-	-	-	(2,359,421)
Transportation	5,431,735	-	-	-	(5,431,735)
Operations and maintenance	13,860,087	108,385	-	30,309	(13,721,393)
Technology	6,256,710	-	-	-	(6,256,710)
Nutrition	5,233,734	2,855,676	2,800,876	-	422,818
Debt service	6,325,345	-	-	-	(6,325,345)
Total governmental activities	$ 160,417,502	$ 4,563,331	$ 31,676,933	$ 3,513,954	(120,663,284)
General revenues:					
Roanoke County					69,307,937
Non-categorical State aid					53,896,466
Gain on sale of assets					145,912
Miscellaneous					577,648
Total general revenues					123,927,963
Change in net position					3,264,679
Total net position, beginning as restated (Note 16)					(74,339,002)
Total net position, ending					$ (71,074,323)

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Balance Sheet
Governmental Funds
June 30, 2018

	General	Grant	Nutrition	Capital Projects	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 1,993,838	$ -	$ 802,911	$ 3,888,411	$ 6,685,160
Investments	5,762,464	-	2,320,523	11,238,043	19,321,030
Accounts receivable	548,000	118,041	9,401	-	675,442
Due from other governments	1,999,804	1,526,299	9,700	-	3,535,803
Due from other fund	1,395,654	-	-	-	1,395,654
Inventory	156,687	-	262,791	-	419,478
Total assets	$ 11,856,447	$ 1,644,340	$ 3,405,326	$ 15,126,454	$ 32,032,567
Liabilities					
Accounts payable	$ 397,716	$ 4,903	$ 23,709	$ 420,560	$ 846,888
Accrued liabilities	2,649,421	44,954	12,143	-	2,706,518
Unearned revenues	26,861	112,261	120,816	-	259,938
Due to other fund	-	1,395,654	-	-	1,395,654
Total liabilities	3,073,998	1,557,772	156,668	420,560	5,208,998
Deferred inflows of resources					
Unavailable revenue	603,538	-	-	-	603,538
Total deferred inflows of resources	603,538	-	-	-	603,538
Fund balances					
Nonspendable:					
Inventory	156,687	-	-	-	156,687
Restricted for:					
Emergency contingency	2,000,000	-	-	-	2,000,000
Grants	-	86,568	-	-	86,568
Committed to:					
Capital projects	4,082,735	-	-	14,705,894	18,788,629
Bus replacements	1,861,420	-	-	-	1,861,420
Instructional resources	21,531	-	-	-	21,531
Nutrition	-	-	3,248,658	-	3,248,658
Assigned to:					
Instruction	28,450	-	-	-	28,450
Administration	28,088	-	-	-	28,088
Total fund balances	8,178,911	86,568	3,248,658	14,705,894	26,220,031
Total liabilities, deferred inflows of resources, and fund balances	$ 11,856,447	$ 1,644,340	$ 3,405,326	$ 15,126,454	$ 32,032,567

See accompanying notes to basic financial statements.

Roanoke County Public Schools
Reconciliation of the Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2018

Total fund balances - total governmental funds (Exhibit C)	**$ 26,220,031**
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Internal service funds are used to charge the cost of health, dental, and workers' compensation insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position (Exhibit G).	7,372,918
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds (Note 5).	46,943,444
Revenues earned but not considered available are not current financial resources and, therefore, are not reported in the governmental funds.	603,538
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:	
Net asset from pension (Note 10)	1,332,767
Compensated absences (Note 7)	(2,764,478)
Net liability from pension (Note 10)	(120,182,000)
Net liability from other postemployment benefit provided by Virginia Retirement System (Note 11)	(18,866,000)
Net liability from other postemployment benefit provided by Roanoke County Public Schools (Note 12)	(14,997,036)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the governmental funds (Note 10):	
Deferred outflows of resources:	
Pension (Note 10)	17,787,869
Other postemployment benefit provided by Virginia Retirement System (Note 11)	1,849,678
Other postemployment benefit provided by Roanoke County Public Schools (Note 12)	831,012
Deferred inflows of resources:	
Pension (Note 10)	(16,271,356)
Other postemployment benefit provided by Virginia Retirement System (Note 11)	(884,000)
Other postemployment benefit provided by Roanoke County Public Schools (Note 12)	(50,710)
Net position of governmental activities (Exhibit A)	**$(71,074,323)**

See accompanying notes to basic financial statements.

Exhibit E

Roanoke County Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Grant	Nutrition	Capital Projects	Total Governmental Funds
Revenues					
Intergovernmental:					
Roanoke County	$ 69,307,937	$ -	$ -	$ 2,705,645	$ 72,013,582
Commonwealth of Virginia	76,700,495	1,809,658	114,132	52,000	78,676,285
Federal government	1,461,217	5,055,124	2,698,573	-	9,214,914
Charges for services	1,021,073	-	2,855,676	72,476	3,949,225
Investment income	213,315	-	32,812	-	246,127
Miscellaneous	163,286	12,252	13,871	50,000	239,409
Total revenues	148,867,323	6,877,034	5,715,064	2,880,121	164,339,542
Expenditures					
Current:					
Instruction	108,104,845	6,141,775	-	37,107	114,283,727
Administration	3,047,674	-	-	-	3,047,674
Attendance and health	2,395,337	-	-	-	2,395,337
Transportation	6,965,079	-	-	-	6,965,079
Operations and maintenance	11,560,625	-	-	1,699,775	13,260,400
Technology	6,348,558	726,000	-	384,552	7,459,110
Nutrition	2,440	-	5,183,617	-	5,186,057
Capital outlay:					
Facilities	165,145	-	-	4,628,387	4,793,532
Debt Service	6,325,345	-	-	-	6,325,345
Total expenditures	144,915,048	6,867,775	5,183,617	6,749,821	163,716,261
Excess (deficiency) of revenues over (under) expenditures	3,952,275	9,259	531,447	(3,869,700)	623,281
Other financing sources (uses)					
Proceeds from sale of property	67,715	-	2,642	6,170	76,527
Transfers in	852,114	-	-	4,003,064	4,855,178
Transfers out	(4,043,150)	-	-	(262,500)	(4,305,650)
Total other financing sources (uses), net	(3,123,321)	-	2,642	3,746,734	626,055
Net change in fund balances	828,954	9,259	534,089	(122,966)	1,249,336
Total fund balances, beginning	7,349,957	77,309	2,714,569	14,828,860	24,970,695
Total fund balances, ending	$ 8,178,911	$ 86,568	$ 3,248,658	$ 14,705,894	$ 26,220,031

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, 2018

Net change in fund balances - total governmental funds (Exhibit E)	**$ 1,249,336**
Amounts reported for governmental activities in the Statement of Activities are different because:	
Internal service funds are used to charge the costs of health, dental, and workers' compensation insurance to individual funds. The change in net position of internal service funds is reported with governmental activities (Exhibit H).	(2,087,080)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate the cost of those assets over the life of the assets (Note 5).	
Capital outlay	6,380,194
Capital donated by County, Schools, and Parent Organizations	30,309
Depreciation expense	(6,192,782)
Loss on sale of assets	(39,656)
Revenues reported in the Statement of Activities, such as certain unearned revenues, are not considered available current financial resources and, therefore, are not reported as revenues in governmental funds. This is the amount by which the current year unearned amount exceeds the prior year available resources (Note 6).	(943,766)
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.	
Compensated absences (Note 7)	56,652
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense (Note 10).	
Deferred outflows of resources	(2,006,834)
Cost of benefits earned net of employee contributions	7,141,802
Governmental funds report other postemployment benefit provided by Virginia Retirement System contributions as expenditures. However, in the Statement of Activities, the cost of other postemployment benefit provided by Virginia Retirement System benefits earned net of employee contributions is reported as pension expense (Note 11).	
Deferred outflows of resources	578,404
Cost of benefits earned net of employee contributions	(376,000)
Governmental funds report other postemployment benefit provided by Roanoke County Public Schools contributions as expenditures. However, in the Statement of Activities, the cost of other postemployment benefit provided by Roanoke County Public Schools benefits earned net of employee contributions is reported as pension expense (Note 12).	
Deferred outflows of resources	148,858
Cost of benefits earned net of employee contributions	(674,758)
Change in net position of governmental activities (Exhibit B)	**$ 3,264,679**

See accompanying notes to basic financial statements.

Exhibit G

Roanoke County Public Schools
Statement of Net Position
Proprietary Funds
June 30, 2018

	Internal Service Funds
Assets	
Current assets:	
Cash and cash equivalents	$ 9,670,527
Accounts receivable	456,145
Prepaid and other assets	127,131
Total assets	10,253,803
Liabilities	
Current liabilities:	
Accounts payable	240,273
Accrued liabilities	786
Long-term liabilities due or payable within one year:	
Claims payable	2,041,280
Long-term liabilities due or payable after one year:	
Claims payable	598,546
Total liabilities	2,880,885
Net Position	
Unrestricted	7,372,918
Total net position	$ 7,372,918

See accompanying notes to basic financial statements.

Roanoke County Public Schools Exhibit H
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Internal Service Funds
Operating revenues	
Charges for services	$ 18,872,093
Other operating revenues	130,730
Total operating revenues	19,002,823
Operating expenses	
Claims	19,034,507
Reinsurance costs	301,463
Wellness and HRA benefits	1,167,959
Administrative charges and taxes	216,015
Total operating expenses	20,719,944
Operating loss	(1,717,121)
Nonoperating revenues	
Interest and dividend income	110,184
Proceeds from sale of property	69,385
Net nonoperating revenues	179,569
Loss before transfers	(1,537,552)
Transfers	
Transfers In	40,086
Transfers out	(589,614)
Net transfers	(549,528)
Change in net position	(2,087,080)
Total net position, beginning	9,459,998
Total net position, ending	$ 7,372,918

See accompanying notes to basic financial statements.

Roanoke County Public Schools Exhibit I
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Internal Service Funds
Operating activities	
Cash received from interfund services provided	$ 19,053,842
Payments to suppliers	(555,260)
Payments from suppliers	227,934
Claims paid	(18,875,580)
Other receipts	130,730
Other payments	(1,174,155)
Net cash used in operating activities	(1,192,489)
Noncapital financing activities	
Transfers from other funds	(65,945)
Transfers to other funds	(483,583)
Net cash used in noncapital financing activities	(549,528)
Investing activities	
Interest and dividend income	110,184
Interest expense	69,385
Net cash provided by investing activities	179,569
Net decrease in cash and cash equivalents	(1,562,448)
Cash and cash equivalents, beginning	11,232,975
Cash and cash equivalents, ending	$ 9,670,527
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (1,717,121)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease (increase) in assets:	
Accounts receivable	181,749
Prepaid and other assets	(6,196)
Increase (decrease) in liabilities:	
Accounts payable	189,728
Accrued liabilities	424
Claims payable	158,927
Net cash used in operating activities	$ (1,192,489)

See accompanying notes to basic financial statements.

Exhibit J

Roanoke County Public Schools
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	OPEB Trust	Agency
Assets		
Cash and cash equivalents	$ -	$ 2,332,476
Accounts receivable	92,290	-
Investments held by trustee, at fair value		
Other pooled funds	744,176	-
Total assets	$ 836,466	$ 2,332,476
Liabilities		
Due to student groups	$ -	$ 2,332,476
Total liabilities	-	$ 2,332,476
Net Position		
Net position restricted for other postemployment benefits	$ 836,466	

See accompanying notes to basic financial statements.

Exhibit K

Roanoke County Public Schools
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	OPEB Trust
Additions	
Employer contributions	$ 92,290
Investment income:	
Decrease in fair value of investments	65,111
Interest and dividends	-
Less investment expenses	(1,263)
Total additions	156,138
Deductions	-
Net decrease in net position	156,138
Net position restricted for other postemployment benefits, beginning	680,328
Net position restricted for other postemployment benefits, ending	$ 836,466

See accompanying notes to basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FINANCIAL REPORTING ENTITY

Roanoke County Public Schools is a political subdivision of the Commonwealth of Virginia that operates sixteen elementary schools, five middle schools, five high schools, and one specialty center. The members of the School Board are elected by the citizens of their magisterial district to serve four-year terms. The School Board is responsible for setting the educational policies of the School System and employs a superintendent to implement the School Board's policies. The mission of the School System is to provide a safe, nurturing, and engaging environment in which students are empowered by knowledge, skills, and experiences to thrive as tomorrow's leaders, workforce, and citizens.

The School System is a component unit of the County because it is fiscally dependent on the County as operations are funded significantly by transfers from the County's General Fund. Specifically, the County Board of Supervisors approves the School System's budget, levies the necessary taxes to finance operations, and issues debt on behalf of the School System. During the current year, the County provided $69,307,937 of operating support and $2,705,645 of capital support to the School System and made debt service payments of $11,750,915 on behalf of the School System.

FINANCIAL REPORTING MODEL

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

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

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

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

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

revenues. The comparison of direct expenses with program revenues identifies the extent to which the School System's functions are self-financing or draw from the general revenues of the School System.

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

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

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

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

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

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

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



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

ACCOUNTING POLICIES

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

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

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

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

Accounts Receivable – Accounts receivable consist of amounts due from individual schools, self-insurance prescription reimbursements, facility rentals passed through individual schools, refunds, interest, and other various immaterial amounts due for fiscal year 2018. All accounts are deemed collectible.

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

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

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

Inventory – General Fund inventories consist of fuel and vehicle parts and are offset by nonspendable fund balance. Fuel inventory is valued at cost using the first-in first-out method, while vehicle parts are valued at cost using the average cost method. Nutrition fund inventories consist of USDA Commodities, purchased

food, and other supplies used to serve meals and are offset by committed fund balance. These inventories are valued at cost using the first-in first-out method. The cost of all inventories is recorded as expenditures when consumed, rather than purchased.

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

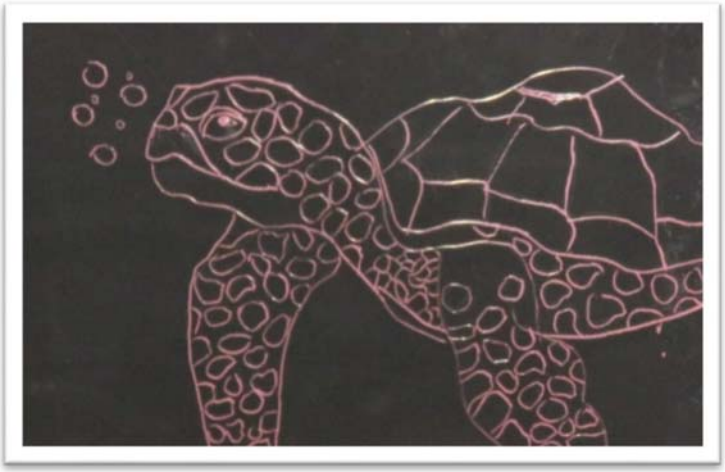
Land and construction in progress are not depreciated. The other property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

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

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

Deferred Outflows of Resources – This represents a consumption of net position that applies to a future period when the expense will be recognized. In the government-wide statement, amounts relate to the Pension Plan, Teacher Employee Health Insurance Credit Program, Group Life Insurance Program, and the Other Postemployment Benefits Plan and includes the net difference between projected and actual expense and the employer contributions subsequent to the measurement date for these benefits. Changes in deferred outflows of resources, except contributions subsequent to the measurement date, are amortized over the remaining service life of all plan participants.



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

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

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan (and Non-Professional Plan) and the additions to/deductions from the Teacher Retirement Plan's (and Non-Professional Plan's) net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Teacher Employee Health Insurance Credit Program – The VRS Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers.

For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group Life Insurance Program – The VRS Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Medical Plan and additions to/deductions from the fiduciary net position, the School System recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

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

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

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

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

- *Nonspendable Fund Balance* – This amount cannot be spent because it is either not in spendable form or it is legally or contractually required to be maintained intact. The School System has inventory balances at year-end that are nonspendable.

- *Restricted Fund Balance* – This amount is subject to externally imposed regulations on the spending for a specific purpose and includes an emergency contingency and grant balances restricted by the grant agencies for specified purposes. The emergency contingency was authorized by the County Board of Supervisors statute. In accordance with School Board policy, up to $2,000,000 will be reserved for unexpected revenue shortfalls, unplanned significant expenditure increases, and emergency appropriations. The balance will be replenished with the next available year end funds from school operations.

- *Committed Fund Balance* – This amount can only be used for specific purposes as imposed or rescinded by formal appropriation of the School Board, which is the highest level of decision making authority. The School Board has adopted board policies on the use of year-end balances for capital in the General Fund and the unspent balances at year-end in the Capital Projects Fund.

- *Assigned Fund Balance* – This amount is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. The School System has assigned fund balance to liquidate outstanding encumbrances at year-end. As part of the annual budget appropriation, the School Board authorizes the assignment of year-end balance to outstanding encumbrances. The School Board has not authorized any officer to make assignments of fund balance.

- *Unassigned Fund Balance* – This amount has no spending restrictions under any of the preceding four classifications. The School System has no unassigned fund balance at year-end.

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

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

New Accounting Pronouncements – The following accounting pronouncements became effective and have been implemented by the School System in fiscal year 2018. Unless otherwise noted, the adoption of these statements had no material effect on the School System's financial statements.

- The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The impact of this statement is incorporated in Notes 11, 12 and 16 and incorporated in Exhibits A, B, D, F, R, S, T, U, V, and W.

2. DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all County funds and by the School System. The carrying value of the School System's share of deposits and investments as of June 30, 2018 is as follows:

	Governmental Activities	Governmental Funds	Internal Service Funds	Fiduciary Funds	Total Funds
Cash and cash equivalents	$ 16,355,687	$ 6,685,160	$ 9,670,527	$ 2,332,476	$ 18,688,163
Investments	19,321,030	19,321,030	-	-	19,321,030
Other pooled funds	-	-	-	744,176	744,176
	$ 35,676,717	$ 26,006,190	$ 9,670,527	$ 3,076,652	$ 38,753,369

The investment in other pooled funds categorizes its investments within the fair value hierarchy established by general accepted accounting principles. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the NAV (Net Asset Value) per share (or its equivalent) of the investment. Investments in the pooled funds are valued using the NAV per share, which is determined by dividing the total value of the pooled funds by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the pooled funds. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days written notice. The fair value and maturity of the School System's share of deposits and investments as of June 30, 2018 is as follows:

		Original Investment Maturity		
	Credit Rating	< 1 year	1-2 years	Fair Value/NAV
Demand and time deposits	N/A	$ 10,128,708	$ -	$ 10,128,708
Money market mutual funds	AAAm	5,889,618	-	5,889,618
Virginia LGIP	AAAm	2,669,837	-	2,669,837
Federal agency bonds and notes	AAA	-	19,321,030	19,321,030
Investment in other pooled funds	AAA-CAA	744,176	-	744,176
		$ 19,432,339	$ 19,321,030	$ 38,753,369

Fair Value – The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County has the following recurring fair value measurements as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Debt Securities				
U.S. governmental bonds and notes	$ -	$ 19,321,030	$ -	$ 19,321,030
	$ -	$ 19,321,030	$ -	$ 19,321,030

Debt securities classified in Level 2 of the fair value hierarchy are valued using matrix technique pricing.

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

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



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

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

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

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

As of June 30, 2018, the portion of the County and School System's portfolio, excluding the LGIP, Virginia State Non-Arbitrage Program (SNAP), interest-earning investment contract and investment in other pooled funds held by fiduciary agents, and U.S. Government guaranteed obligations, that exceeds 5% of the total portfolio is as follows:

Issuer	% of Portfolio
Federal Home Loan Bank	15.97%
Federal Farm Credit Bank	21.49%
Federal Home Loan Mortgage Corporation	7.98%

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the depositor will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The Policy requires that all investment securities purchased by the County or held as collateral on deposits or investments shall be held by the County or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2018, 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 – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Policy requires maturity scheduling be timed to anticipated need and scheduled to coincide with projected cash flow needs. All funds shall be considered short-term except those reserved for capital projects and prepayment funds being held for debt retirement. As of June 30, 2018, the County and School System had no investments with a maturity greater than 24 months.

3. Due from Other Governments

Amounts due from other governments as of June 30, 2018 are as follows:

	Total Governmental Activities	General	Grant	Nutrition	Total Governmental Funds
Federal	$ 1,644,613	$ 133,361	$ 1,501,552	$ 9,700	$ 1,644,613
State	1,891,190	1,866,443	24,747	-	1,891,190
	$ 3,535,803	$ 1,999,804	$ 1,526,299	$ 9,700	$ 3,535,803

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

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

Amounts due to the Nutrition Fund are attributable primarily to State reimbursements for the school lunch program.

4. Interfund Balances and Transfers

Interfund balances for temporary loans as of June 30, 2018 include $1,395,654 due from the Grant Fund to the General Fund to cover a timing difference between grant reimbursement receipts and expenditures. The balances have subsequently been repaid.

Interfund transfers for the year ended June 30, 2018 were as follows:

		Transfers to			
		General	Capital Projects	Internal Service	Total
Transfer from	General	$ -	$ 4,003,064	$ 40,086	$ 4,043,150
	Capital Projects	262,500	-	-	262,500
	Internal Service	589,614	-	-	589,614
		$ 852,114	$ 4,003,064	$ 40,086	$ 4,895,264

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

5. Capital Assets

The School System's capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, nondepreciable:				
Land	$ 5,683,472	$ 1	$ -	$ 5,683,473
Construction in progress	1,338,378	2,749,602	(2,424,388)	1,663,592
Capital assets, nondepreciable	7,021,850	2,749,603	(2,424,388)	7,347,065
Capital assets, depreciable:				
Buildings and improvements	81,578,322	2,897,708	(58,655)	84,417,375
Furniture and equipment	39,193,783	3,187,580	(3,088,221)	39,293,142
Capital assets, depreciable	120,772,105	6,085,288	(3,146,876)	123,710,517
Accumulated depreciation:				
Buildings and improvements	(52,607,142)	(2,965,241)	46,282	(55,526,101)
Furniture and equipment	(28,421,434)	(3,227,541)	3,060,938	(28,588,037)
Accumulated depreciation	(81,028,576)	(6,192,782)	3,107,220	(84,114,138)
Capital assets, depreciable, net	39,743,529	(107,494)	(39,656)	39,596,379
Capital assets, net	$ 46,765,379	$ 2,642,109	$ (2,464,044)	$ 46,943,444

Depreciation expense charged to function/program activities for the year ended June 30, 2018 was as follows:

Instruction	4,965,176
Administration	326,215
Transportation	34,328
Operations and maintenance	792,728
Nutrition	74,335
	$ 6,192,782

As of June 30, 2018, the County's government-wide financial statements included school capital assets and related debt outstanding of $195.4 million and $72.2 million, respectively, related to tenancy in common assets.

6. Operating Lease

During fiscal year 2014 and each of the subsequent years, the School System entered into a lease agreement as a lessee for grade-level laptops. Although each agreement is for a five-year term, it is subject to approval of available funds on an annual basis. Under the lease agreement, the School System pays annual rent, which is $1,470,038.

The future minimum operating lease commitments as of June 30, 2018 are as follows:

Fiscal Year	Total
June 30, 2019	$ 1,273,685
June 30, 2020	$ 930,144
June 30, 2021	$ 495,576
June 30, 2022	$ 93,478

7. Unearned and Unavailable Revenues

Unearned revenues as of June 30, 2018 are as follows:

	Total Governmental Activities	General	Grants	Nutrition	Total Governmental Funds
Charges for services	$ 120,816	$ -	$ -	$ 120,816	$ 120,816
Other	139,122	26,861	112,261	-	139,122
Unearned Revenues	$ 259,938	$ 26,861	$ 112,261	$ 120,816	$ 259,938

Unearned charges for services include prepayments on student and adult food accounts. Unearned other revenue includes grant and other state revenue collected in June before legal and contractual requirements have been met (available but unearned). Unavailable revenues as of June 30, 2018 are $603,538 and include June sales taxes received in August.

8. Long-Term Liabilities

The change in the School System's long-term liabilities for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Claims payable	$ 2,480,899	$ 17,438,806	$ (17,279,879)	$ 2,639,826	$ 2,041,280
Compensated absences	2,821,130	1,864,530	(1,921,182)	2,764,478	831,887
Net pension liability	133,544,391	43,374,309	(56,736,700)	120,182,000	-
Net OPEB liability provided by VRS	19,374,000	2,874,100	(3,382,100)	18,866,000	-
Net OPEB liability provided by RCPS	14,372,988	1,503,196	(879,148)	14,997,036	-
	$ 172,593,408	$ 67,054,941	$ (80,199,009)	$ 159,449,340	$ 2,873,167

The June 30, 2017 balances for Net OPEB liability provided by VRS and RCPS are a result of implementing GASB Statement 75 and recognizing a beginning balance for the liability (Notes 11 and 12).

The Internal Service Fund is used to liquidate the long-term liabilities for claims payables, while the General Fund is used to liquidate the long-term liabilities for compensated absences and net pension liability.

9. RISK MANAGEMENT

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

Health Insurance – The School System established a self-insured health insurance program on July 1, 1990. Monthly contributions are paid into the Internal Service Fund from all other funds and school employees. These contributions are based upon estimates from the claims processor that should cover administrative expenses, stop-loss insurance premiums, and claims. Interfund premiums are based upon the employees within each fund enrolled in the plan. An excess coverage insurance policy covers each individual's pooled claims in excess of $200,000. As of June 30, 2018, incurred but not yet reported claims for the School System are estimated to be $1,757,826.

Risk Management – The School System established a self-insured workers' compensation program on July 1, 1990. Premiums are paid into the Internal Service Fund by the General Fund and are available to pay claims, claims reserves, and administrative costs of the programs. Interfund premiums are based upon the insured funds' claims experience and are reported as interfund services provided and used. An excess coverage insurance policy covers each accident in excess of $200,000, with statutory limits. At June 30, 2018, the School System has accrued liabilities for workers' compensation of $882,000, based upon an estimate by a qualified actuary. At June 30, 2018, the School System had net cash reserves of $1,091,995 for workers' compensation to cover school employees.

Laptop Insurance Reserve – The School System established a self-insured program for loss or damage of student laptop computers on July 1, 2003. Student computer 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, 2018, the School System had net cash reserves of $1,247,601.

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

	Health Insurance	Risk Management	Laptop Insurance Reserve	Total
Unpaid claims, June 30, 2016	$ 1,568,022	$ 771,000	$ -	$ 2,339,022
Incurred claims*	16,251,718	448,846	108,892	16,809,456
Claim payments	(16,149,841)	(408,846)	(108,892)	(16,667,579)
Unpaid claims, June 30, 2017	1,669,899	811,000	-	2,480,899
Incurred claims*	16,769,323	523,017	146,466	17,438,806
Claim payments	(16,681,396)	(452,017)	(146,466)	(17,279,879)
Unpaid claims, June 30, 2018	$ 1,757,826	$ 882,000	$ -	$ 2,639,826

*Incurred claims includes claims incurred but not reported and changes in estimates.

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. PENSION PLAN

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

These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pays contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE

PLAN 1	PLAN 2	HYBRID PLAN
About Plans		
Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start

PLAN 1	PLAN 2	HYBRID PLAN
		receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members		
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Plan during a special election window held January 1 through April 30, 2014. The Hybrid Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Plan.	Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Plan during a special election window held January 1 through April 30, 2014. The Hybrid Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Plan.	Employees are in the Hybrid Plan if their membership date is on or after January 1, 2014. This includes: • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
Retirement Contributions		
Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

PLAN 1	PLAN 2	HYBRID PLAN
Creditable Service		
Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Same as Plan 1.	**Defined Benefit Component** Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component** Creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting		
Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Same as Plan 1.	**Defined Benefit Component** Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Plan remain vested in the defined benefit component. **Defined Contribution Component** Vesting is the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

PLAN 1	PLAN 2	HYBRID PLAN
		Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit		
The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Same as Plan 1.	**Defined Benefit Component** Same as Plan 1. **Defined Contribution Component** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation		
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier		
The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%	Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013.	**Defined Benefit Component** The retirement multiplier for members is 1.00%.

PLAN 1	PLAN 2	HYBRID PLAN
	The retirement multiplier for members is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.	For members that opted into the Hybrid Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Defined Contribution Component** Not applicable.
Normal Retirement Age		
Age 65.	Normal Social Security retirement age.	**Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility		
Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	**Defined Benefit Component** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility		
Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Age 60 with at least five years (60 months) of creditable service.	**Defined Benefit Component** Age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement		
The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Not applicable.

PLAN 1	PLAN 2	HYBRID PLAN
Eligibility For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility** Same as Plan 1.	**Eligibility** Same as Plan 1.
Exceptions to COLA Effective Dates The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Exceptions to COLA Effective Dates** Same as Plan 1.	**Exceptions to COLA Effective Dates** Same as Plan 1.
Disability Coverage		
For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.	Same as Plan 1.	Employees of school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides

PLAN 1	PLAN 2	HYBRID PLAN
		an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service		
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Same as Plan 1.	**Defined Benefit Component** Same as Plan 1, with the following exceptions: • Hybrid Plan members are ineligible for ported service. **Defined Contribution Component** Not applicable.



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 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms – Membership as of the Valuation Date of June 30, 2016, in the Non-Professional Plan was as follows:

Inactive members or their beneficiaries currently receiving benefits	401
Inactive members:	
Vested inactive members	145
Non-vested inactive members	196
Inactive members active elsewhere in VRS	110
Total inactive members	451
Active members	100
Total covered employees	952

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

The School System's contractually required contribution rates for the year ended June 30, 2018 were 16.32% and 4.83% of covered employee compensation for the Teacher Retirement and Non-Professional Plans, respectively. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2015. For the Teacher Retirement Plan, the rate reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

For years ended June 30, 2017 and June 30, 2018, the actual contribution rates and total amount contributed for the VRS retirement plans were as follows:

	Teacher Retirement Plan		**Non-Professional Plan**	
	Contractually Required Rate	Amount of Contribution	Contractually Required Rate	Amount of Contribution
For the Year Ended June 30, 2017	14.66%	$ 11,251,117	4.83%	$ 148,080
For the Year Ended June 30, 2018	16.32%	12,566,803	4.83%	153,066

Pension Liabilities (Asset) and Pension Expense – At June 30, 2018, the School System reported a liability of $120,182,000 for its proportionate share of the Teacher Retirement Plan net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School System's proportion of the net pension liability was based on the School System's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School System's proportion was 0.97725% as compared to 0.94772% at June 30, 2016.

At June 30, 2018, the School System reported a asset of ($1,332,767) for the Non-Professional Plan net pension liability. The School System's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Change in Pension Liability Non-Professional Plan	**Total Pension Liability**	**Fiduciary Net Position**	**Net Pension (Asset) Liability**
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	$ 32,137,224	$ 31,407,833	$ 729,391
Changes for the year:			
Service cost	318,248	-	318,248
Interest	2,177,707	-	2,177,707
Changes of assumptions	(66,597)	-	(66,597)
Difference between expected and actual experience	(496,773)	-	(496,773)
Contributions - employer	-	144,668	(144,668)
Contributions - member	-	150,511	(150,511)
Net investment income	-	3,725,620	(3,725,620)
Benefit payments, including refunds of contributions	(2,054,245)	(2,054,245)	-
Administrative expense	-	(22,797)	22,797
Other	-	(3,259)	3,259
Net changes	(121,660)	1,940,498	(2,062,158)
Balances at June 30, 2017	$ 32,015,564	$ 33,348,331	$ (1,332,767)

For the year ended June 30, 2018, the School System recognized pension expense (benefit) of $8,111,000 and $(658,628) in the Teacher Retirement Plan and Non-Professional Plan, respectively. Since there was a change in proportionate share between measurement dates in the Teacher Retirement Plan, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Teacher Retirement Plan		Non-Professional Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 8,510,000	$ -	$ -
Change in assumptions	1,754,000	-	-	-
Net difference between projected and actual earnings on plan investments	-	4,366,000	-	450,356
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,314,000	2,945,000	-	-
Employer contributions subsequent to the measurement date	12,566,803	-	153,066	-
Total	$ 17,634,803	$ 15,821,000	$ 153,066	$ 450,356

$12,566,803 and $153,066 of deferred outflows of resources resulting from the School System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019, for the Teacher Retirement Plan and Non-Professional Plan, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Teacher Retirement Plan	Non-Professional Plan
For the Year Ended June 30, 2019	$ (5,477,000)	$ (330,688)
For the Year Ended June 30, 2020	(730,000)	177,402
For the Year Ended June 30, 2021	(1,178,000)	20,841
For the Year Ended June 30, 2022	(3,357,000)	(317,911)
For the Year Ended June 30, 2023	(11,000)	-
	$ (10,753,000)	$ (450,356)

Payable to the Pension Plan – At June 30, 2018, the Teacher Retirement Plan and Non-Professional Plan reported payables of $1,207,928, and $15,746, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

Actuarial Assumptions – The total pension liability for the Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.50%
Salary increases, including inflation	3.50% to 5.95% for Teacher Retirement Plan 3.50% to 5.35% for Non-Professional Plan
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates for Teacher Retirement Plan

Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-Disablement	RP-2014 Disability Life Rates projected with scale BB to 2020; 115% of rates for males and females.

Mortality rates for Non-Professional Retirement Plan – 15% of deaths are assumed to be service related

Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020 (pre-retirement, post-retirement healthy, and disabled)
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Pension Liability – The net pension liability (NPL) is calculated separately for each school division and represents that particular division's total pension liability determined in accordance with GAAP, less that division's fiduciary net position. As of June 30, 2017, NPL amounts for the School System's participation in the Teacher Retirement Plan is as follows:

	Teacher Retirement Plan
Total Pension Liability	$ 443,843,000
Fiduciary Net Position	323,661,000
Net Pension Liability	$ 120,182,000
Fiduciary Net Position as a Percentage of Total Pension Liability	72.92%

The total pension liability is calculated by the System's actuary, and each school division's fiduciary net position is reported in the Statement of Net Position. The net pension liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

Pension Plan Fiduciary Net Position – Detailed information about the Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2017 CAFR, which was previously referenced.

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return – The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Sensitivity of the School System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the School System's net pension liability for the Teacher Retirement Plan (proportionate share) and Non-Professional Plan using the discount rate of 7.00%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Rate (7.00%)	1.00% Increase (8.00%)
Teacher Retirement Plan	$ 179,472,000	$ 120,182,000	$ 71,137,000
Non-Professional Plan	$ 1,880,812	$ (1,332,767)	$ (4,078,734)

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – VRS

Plan Description – All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program (Health Credit Program). All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program (Group Life Program) upon employment.

These plans are administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members of the Health Credit Program earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS.

The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for the Health Credit Program and the Group Life Program, including eligibility, coverage, and benefits is set out in the table on the following pages.

OPEB PLAN PROVISIONS BY PLAN STRUCTURE

Health Credit Program	Group Life Program
Eligible Members	
The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: Full-time permanent (professional) salaried employees of public school divisions covered under VRS.	The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts	
The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees.	The benefits payable under the Group Life Insurance Program have several components.

Health Credit Program	Group Life Program
At Retirement For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount. **Disability Retirement** For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: o $4.00 per month, multiplied by twice the amount of service credit, or o $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.	**Natural Death Benefit** The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. **Accidental Death Benefit** The accidental death benefit is double the natural death benefit. **Other Benefit Provisions** In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Program Notes	
The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.	**Reduction in benefit Amounts** The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. **Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)** For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 CAFR. A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Contributions – Under the Health Credit Program, the contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Under the Group Life Program, the contribution requirements are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly.

Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the Health Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School System to the Health Credit Program were $947,188 and $851,887 for the years ended June 30, 2018 and June 30, 2017, respectively.

The total rate for the Group Life Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Although not required, the School System elected to pay the employee component, which is separate from the contractually required employer copmentent. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were $420,490 and $419,387 for the years ended June 30, 2018 and June 30, 2017, respectively.



OPEB Liabilities and OPEB Expense – At June 30, 2018, the School System reported $12,337,000 for its proportionate share of the Health Credit Program Net OPEB Liability. The Health Credit Program Net OPEB Liability was measured as of June 30, 2017 and the Health Credit Program total OPEB liability used to calculate the Health Credit Program Net OPEB Liability was determined by an actuarial valuation as of that

date. The School System's proportion of the Health Credit Program Net OPEB Liability was based on the School System's actuarially determined employer contributions to the Health Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School System's proportion of the Health Credit Program was 0.97245% as compared to 0.94766% at June 30, 2016.

At June 30, 2018, the School System reported $6,279,000 and $250,000 for its proportionate share of the Group Life Program Net OPEB Liability for the teachers and non-professional employees, respectively. The Group Life Program Net OPEB Liability was measured as of June 30, 2017 and the Group Life Program total OPEB liability used to calculate the Group Life Program Net OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Group Life Program Net OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.41724% and 0.01666% for teachers and non-professional employees, respectively, as compared to 0.40314% and 0.01723% for teachers and non-professional employees, respectively, at June 30, 2016.

For the year ended June 30, 2018, the School System recognized Health Credit Program OPEB expense of $1,045,000. For the year ended June 30, 2018, the participating employer recognized Group Life Program OPEB expense of $108,000 and $1,000 for teachers and non-professional employees, respectively. Since there was a change in proportionate share between measurement dates, a portion of the Heath Credit Program and Group Life Program OPEB expense was related to deferred amounts from changes in proportion.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans – At June 30, 2018, the School System reported deferred outflows of resources and deferred inflows of resources related to the OPEB program from the following sources:

			Group Life Program			
	Health Credit Program		Teacher Plan		Non-Professional Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -	$ -	$ 140,000	$ -	$ 6,000
Net difference between projected and actual earnings on plan investments	-	22,000	-	236,000	-	9,000
Change in assumptions	-	127,000	-	323,000	-	13,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	273,000	-	209,000	-	-	8,000
Employer contributions subsequent to the measurement date	947,188	-	403,831	-	16,659	-
Total	$ 1,220,188	$ 149,000	$ 612,831	$ 699,000	$ 16,659	$ 36,000

$947,188, $403,831, and $16,659 of deferred outflows of resources resulting from the School System's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019 for the Health Credit Program, Group Life Program Teacher Plan, and Group Life Program Non-Professional Plan, respectively. Other amounts reported as deferred outflows

of resources and deferred inflows of resources related to OPEB programs will be recognized in OPEB expense as follows:

	Health Credit Program	Group Life Program	
		Teacher Plan	Non-Professional Plan
For the Year Ended June 30, 2019	$ 16,000	$ (106,000)	$ (8,000)
For the Year Ended June 30, 2020	16,000	(106,000)	(8,000)
For the Year Ended June 30, 2021	16,000	(106,000)	(8,000)
For the Year Ended June 30, 2022	16,000	(106,000)	(8,000)
For the Year Ended June 30, 2023	22,000	(47,000)	(3,000)
Thereafter	38,000	(19,000)	(1,000)
	$ 124,000	$ (490,000)	$ (36,000)

Payable to the OPEB Plans – At June 30, 2018, the Health Credit Program, Group Life Program Teacher Plan, and Group Life Program Non-Professional Plan reported payables of $91,038, $96,959, and $4,355, respectively, for the outstanding amount of contributions to the OPEB plans required for the year ended June 30, 2018.

Actuarial Assumptions – The total OPEB liability for the Health Credit Program and Group Life Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation 2.50%

Salary increases, including inflation ..... 3.50% to 5.95% for Health Credit Program
3.50% to 5.35% for Group Life Program-Teacher Plan
3.50% to 5.35% for Group Life Program-Non-Professional Plan

Investment rate of return ..... 7.00%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality rates for Teacher Retirement Plan

Pre-Retirement ..... RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement ..... RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement..... RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates..... Updated to a more current mortality table – RP-2014 projected to 2020 (pre-retirement, post-retirement healthy, and disabled)
Retirement Rates..... Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates ..... Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates..... Adjusted rates to better match experience
Salary Scale..... No change

Net OPEB Liability – The net OPEB liability (NOL) is calculated separately for each school division and represents that particular division's total pension liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the School System's participation in the OPEB Plans is as follows

	Health Credit Program	Group Life Program	
		Teacher Plan	Non-Professional Plan
Total OPEB Liability	$ 13,271,000	$ 12,277,000	$ 490,000
Fiduciary Net Position	934,000	5,998,000	240,000
Net OPEB Liability	$ 12,337,000	$ 6,279,000	$ 250,000
Fiduciary Net Position as a Percentage of Total OPEB Liability	7.04%	48.86%	48.98%

The total OPEB liability is calculated by the System's actuary, and each school division's fiduciary net position is reported in the Statement of Net Position. The net OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued VRS 2017 CAFR, which was previously referenced.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the OPEB Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's

fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return – The long-term expected rate of return on VRS OPEB System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS OPEB System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target	Long-Term Expected Rate of Return	
Asset Class (Strategy)	**Allocation**	**Arithmetic**	**Weighted Average**
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Sensitivity of the School System's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the School System's proportionate share of the Net OPEB liability using the discount rate of 7.00%, as well as what the School System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	**Current Rate** (7.00%)	**1.00% Increase** (8.00%)
School System's proportionate share of the OPEB Liability			
Health Credit Program	$ 13,769,000	$ 12,337,000	$ 11,120,000
Group Life Program: Teacher	8,121,000	6,279,000	4,786,000
Group Life Program: Non-Profesional Plan	324,000	250,000	191,000

12. Other Postemployment Benefits Plan – RCPS (Employer Recognition of the OPEB 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. Historically, GASB Statement 45 required the School System to recognize the cost of other postemployment benefits in the year when the employee services are rendered, report the accumulating liability, and provide information useful in assessing potential demands on the School System's future cash flows.

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* in June 2015. This replaces GASB Statement 45 and requires the School System to report the actuarial liability on the Statement of Net Position for the OPEB, in addition to requiring more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. This statement has been implemented in these financial statements. Information for these required liabilities, disclosures and RSI are based on the June 30, 2016 actuarial valuation date with measurement date of June 30, 2017.

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

The School System includes footnote and required supplementary information for the Retiree Medical Plan itself under Note 13 in lieu of issuing a separate financial report. The Retiree Medical Plan itself is presented for the subsequent year as it is based on a June 30, 2018 actuarial valuation date with measurement date of June 30, 2018.

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

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

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

The benefits, employee contributions, and employer contributions are governed by School Board policy and can be amended through School Board action.

Employees Covered by Benefit Terms – As of the Valuation Date of June 30, 2018, the following employees were covered by the benefit terms in the Retiree Medical Plan:

Inactive employees or beneficiaries currently receiving benefits	143
Active employees	1,448
Total covered employees	1,591

Contributions – The Retiree Medical Plan is funded through member and employer contributions. Plan members receiving benefits contribute monthly premiums towards the cost of the health insurance depending on the coverage selected (single, single plus dependent, single plus spouse, or family).

For the fiscal year ended June 30, 2018, the School System's average contribution rate was 1.59% of covered employee payroll. The total amount contributed was $846,172. This rate was based on the actuarially determined rate from the actuarial valuation performed as of June 30, 2017.

Net OPEB Liability and OPEB Expense – At June 30, 2018, the Retiree Medical Plan reported a net OPEB liability of $14,997,036. The Retiree Medical Plan's net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2016.

Change in OPEB Liability	**Total OPEB Liability**	**Fiduciary Net Position**	**Net OPEB Liability**
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	$ 14,888,089	$ 515,101	$ 14,372,988
Changes for the year:			
Service cost	931,053	-	931,053
Interest	476,676	-	476,676
Difference between expected and actual experience	(28,590)	-	(28,590)
Contributions - employer	-	682,154	(682,154)
Contributions - member	94,298	94,298	-
Net investment income	-	74,106	(74,106)
Benefit payments, including refunds of contributions	(684,162)	(684,162)	-
Administrative expense	-	(1,169)	1,169
Net changes	789,275	165,227	624,048
Balances at June 30, 2017	$ 15,677,364	$ 680,328	$ 14,997,036

For the year ended June 30, 2018, the School System recognized OPEB expense of $1,356,912.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the School System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 25,016
Net difference between projected and actual earnings on plan investments	-	25,694
Net difference in prior year's contribution	(15,160)	-
Employer contributions subsequent to the measurement date	846,172	-
Total	$ 831,012	$ 50,710

$831,012 of deferred outflows of resources resulting from the School System's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended June 30, 2019	$ (9,998)
For the Year Ended June 30, 2020	(9,998)
For the Year Ended June 30, 2021	(9,998)
For the Year Ended June 30, 2022	(9,996)
For the Year Ended June 30, 2023	(3,574)
Thereafter	(7,146)
	$ (50,710)

Payable to the OPEB Plan – At June 30, 2018, the School System reported a payable of $92,290 for the outstanding amount of contributions to the Retiree Medical Plan required for the year ended June 30, 2018.



Actuarial Assumptions – The total OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age normal actuarial cost method and the following assumptions rolled forward to the measurement date of June 30, 2017.

Inflation	This is implicitly included in the investment rate of return and healthcare cost trend rates.
Discount rate	3.13%
Salary increases	3.0% per annum
Investment rate of return	7.5% per annum
Healthcare cost trend rates	
Medical	8.0% graded down to 5.0% over 6 years beginning in 2016
Administrative expenses	5.0% per annum
Stop loss expenses	15.0% per annum
Mortality rates	
Professionals Pre-Retirement	1994 Group Annuity Mortality Tables for males and females set back one year
Professionals Post-Retirement	1994 Group Annuity Mortality Tables for males and females set back three years
Non-Professionals	1994 Group Annuity Mortality Tables for males and females set back one year

The following changes were made to the actuarial assumptions and methods effective June 30, 2017:

- The discount rate for Statements No. 74 and No. 75 is 3.13% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2017, compared to the prior year Statement No. 45 discount rate of 8.0%.
- The funding method was changed to Entry Age Normal.

Net OPEB Liability – The net OPEB liability (NOL) for the Retiree Medical Plan represents its total OPEB liability calculated by the actuary in accordance with GAAP less the fiduciary net position. As of June 30, 2018, NOL amounts are as follows:

Total OPEB Liability	$ 15,677,364
Fiduciary Net Position	680,328
Net OPEB Liability	$ 14,997,036
Fiduciary Net Position as a Percentage of Total OPEB Liability	4.34%

Long-Term Expected Rate of Return – The long-term expected rate of return on Retiree Medical Plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage

and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target	Long-Term Expected Rate of Return	
Asset Class (Strategy)	**Allocation**	**Arithmetic**	**Weighted Average**
Large Cap Equity (Domestic)	26.00%	11.39%	2.96%
Small Cap Equity (Domestic)	10.00%	12.68%	1.27%
International Equity (Developed)	13.00%	12.39%	1.61%
Emerging Markets	5.00%	13.74%	0.69%
Private Equity	5.00%	14.03%	0.70%
Core Bonds	7.00%	6.40%	0.45%
Core Plus	14.00%	6.67%	0.93%
Diversified Hedge Funds	10.00%	9.92%	0.99%
Private Core Real Estate	5.00%	9.11%	0.46%
Private Valu eAdd Real Estate	2.00%	10.28%	0.21%
Commodities	3.00%	7.50%	0.23%
Cash	0.00%	4.53%	0.00%
Total	100.00%		10.49%
		Inflation	3.60%
	*Expected arithmetic nominal return		14.09%

Benefits will be financed through a combination of accumulated trust funds and on a pay as you go basis until sufficient funds are accumulated in the OPEB trust. Therefore, the discount rate of 3.13% used to measure the total OPEB liability is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2017.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the Retiree Medical Plan's net OPEB liability using the discount rate of 3.13%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate:

	1.00% Decrease (2.13%)	**Current Rate** (3.13%)	**1.00% Increase** (4.13%)
Net OPEB Liability	$ 16,956,087	$ 14,997,036	$ 13,294,321

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the Retiree Medical Plan's net OPEB liability using the health care cost rate of 8.0% decreasing to 5% over 6 years, as well as what it would be if it were calculated using a healthcare cost rate that is one percentage point lower (7.0% decreasing to 4.0% over 6 years) or one percentage point higher (9.0% decreasing to 6.0% over 10 years) than the current rate:

	1.00% Decrease (7.0% grading to 4.0% over 6 years)	**Current Rate** (8.0% grading to 5.0% over 6 years)	**1.00% Increase** (9.0% grading to 6.0% over 6 years)
Net OPEB Liability	$ 13,130,255	$ 14,997,036	$ 17,282,569

13. Other Postemployment Benefits Plan – RCPS (Retiree Medical Plan Disclosures)

The GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* in June 2015. This GASB Statement requires the School System to report extensive note disclosures and required supplementary information (RSI) about the Retiree Medical Plan itself because since the plan does not issue a separate financial report. Information for these required disclosures and RSI are based on the June 30, 2018 actuarial valuation date with measurement dates of June 30, 2018. Given this, the information for the Retiree Medical Plan below is one year subsequent to the required Employer Disclosures of the Plan as recognized in the Statement of Net Position and discussed in Note 12.

Employees Covered by Benefit Terms – As of the valuation and measurement date of June 30, 2018, the following employees were covered by the benefit terms in the Retiree Medical Plan:

Inactive employees or beneficiaries currently receiving benefits	147
Active employees	1,382
Total covered employees	1,529

Contributions – As of the valuation and measurement date of June 30, 2018, the School System's average contribution rate was 1.59% of covered employee payroll. The total amount contributed was $846,172.

Net OPEB Liability and OPEB Expense – As of the valuation and measurement date of June 30, 2018, the Retiree Medical Plan reported a net OPEB liability of $10,012,145. For the valuation and measurement date ended June 30, 2018, the School System recognized OPEB expense of $597,085.

Change in OPEB Liability	**Total OPEB Liability**	**Fiduciary Net Position**	**Net OPEB Liability**
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	$ 15,677,364	$ 680,328	$ 14,997,036
Changes for the year:			
Service cost	977,606	-	977,606
Interest	471,102	-	471,102
Changes of assumptions	(3,035,172)	-	(3,035,172)
Difference between expected and actual experience	(2,488,407)	-	(2,488,407)
Contributions - employer	-	846,172	(846,172)
Contributions - member	939,187	939,187	-
Net investment income	-	65,111	(65,111)
Benefit payments, including refunds of contributions	(1,785,359)	(1,785,359)	-
Administrative expense	-	(1,263)	1,263
Net changes	(4,921,043)	63,848	(4,984,891)
Balances at June 30, 2018	$ 10,756,321	$ 744,176	$ 10,012,145

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – As of the valuation and measurement date of June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference in prior year's contribution	$ 443,622	$ -
Differences between expected and actual experience	-	2,157,936
Change in assumptions	-	2,601,576
Net difference between projected and actual earnings on plan investments	-	37,000
Amortization of or change in beginning balances	-	(9,998)
Total	$ 443,622	$ 4,786,514

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended June 30, 2019	$ (358,286)
For the Year Ended June 30, 2020	(801,908)
For the Year Ended June 30, 2021	(801,906)
For the Year Ended June 30, 2022	(795,482)
For the Year Ended June 30, 2023	(792,657)
Thereafter	(792,653)
	$ (4,342,892)

Actuarial Assumptions – The total OPEB liability was based on an actuarial valuation and measurement date as of June 30, 2018, using the Entry Age normal actuarial cost method and the following assumptions.

Inflation	This is implicitly included in the investment rate of return and healthcare cost trend rates.
Discount rate	2.98% per annum
Salary increases	3.0% per annum
Investment rate of return	7.5% per annum

Healthcare cost trend rates

Medical	7.5% graded down to 5.0% over 10 years beginning in 2018

Mortality rates

Professionals Pre-Retirement	RP-2000, Males setback 3 years, Females setback 5 years, projected to 2020 with Scale AA
Professionals Post-Retirement	RP-2000, Males setback 2 years, Females setback 3 years, projected to 2020 with Scale AA
Professionals Disability	RP-2000, Males setback 1 year, no future mortality improvements
Non-Professionals Pre-retirement	RP-2000, Males set forward 2 years, Females setback 3 years, projected to 2020 with Scale AA
Non-Professionals Post-retirement	RP-2000, Females setback 1 years (no setback for Males), projected to 2020 with Scale AA
Non-Professionals Disability	RP-2000, Males setback 3 years, no future mortality improvements

The following changes were made to the actuarial assumptions and methods effective June 30, 2018:

- The percentage of future eligible retirees electing medical coverage was updated from 45.89% to 42.50%.
- The percentage of future eligible retirees electing medical coverage for a spouse was updated from 9.48% to 8.80%.
- The mortality, disability, withdrawal, and retirement assumptions were updated to the assumptions listed in the most recently published VRS Comprehensive Annual Financial Report, which was the 2017 report.

Net OPEB Liability – The net OPEB liability (NOL) for the Retiree Medical Plan represents its total OPEB liability calculated by the actuary in accordance with GASB Statement No. 74 less the fiduciary net position. As of the valuation and measurement date of June 30, 2018, NOL amounts are as follows:

Total OPEB Liability	$ 10,756,321
Fiduciary Net Position	744,176
Net OPEB Liability	$ 10,012,145
Fiduciary Net Position as a Percentage of Total OPEB Liability	6.92%

Long-Term Expected Rate of Return – The long-term expected rate of return on Retiree Medical Plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage

and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Large Cap Equity (Domestic)	26.00%	11.01%	2.86%
Small Cap Equity (Domestic)	10.00%	12.27%	1.23%
International Equity (Developed)	13.00%	11.99%	1.56%
Emerging Markets	5.00%	13.28%	0.66%
Private Equity	5.00%	13.64%	0.68%
Core Bonds	7.00%	6.22%	0.44%
Core Plus	14.00%	6.49%	0.91%
Diversified Hedge Funds	10.00%	9.74%	0.97%
Private Core Real Estate	5.00%	9.39%	0.47%
Private Value Add Real Estate	2.00%	10.63%	0.21%
Commodities	3.00%	5.66%	0.17%
Total	100.00%		10.16%
		Inflation	3.48%
		*Expected arithmetic nominal return	13.64%

Benefits will be financed through a combination of accumulated trust funds and on a pay as you go basis until sufficient funds are accumulated in the OPEB trust. Therefore, the discount rate of 2.48% used to measure the total OPEB liability is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the Retiree Medical Plan's net OPEB liability using the discount rate of 2.98%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the current rate:

	1.00% Decrease (1.98%)	Current Rate (2.98%)	1.00% Increase (3.98%)
Net OPEB Liability	$ 11,280,867	$ 10,012,145	$ 8,904,978

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the Retiree Medical Plan's net OPEB liability using the health care cost rate of 7.5% decreasing to 5.0% over 10 years, as well as what it would be if it were calculated using a healthcare cost rate that is one percentage point lower (6.5% decreasing to 4.0% over 10 years) or one percentage point higher (8.5% decreasing to 6.0% over 10 years) than the current rate:

	1.00% Decrease (6.5% grading to 4.0% over 10 years)	Current Rate (7.5% grading to 5.0% over 10 years)	1.00% Increase (8.5% grading to 6.0% over 10 years)
Net OPEB Liability	$ 8,936,360	$ 10,012,145	$ 11,310,959

14. COMMITMENTS, CONTINGENCIES AND OTHER

Construction Commitments – The School System has active construction projects as of June 30, 2018 with commitments with construction contractors as follows:

	Spent to Date	Remaining Contract
Cave Spring High Building Renovation	$ 1,472,250	$ 488,250
Hidden Valley Middle Gymnasium A/C	73,401	73,400
	$ 1,545,651	$ 561,650

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

Encumbrances – The School System has open purchase orders in its governmental funds as of June 30, 2018 as follows:

Fund Balance	General	Grant	Capital Projects	Total Governmental Funds
Restricted	$ -	$ 104,720	$ -	$ 104,720
Committed	-	-	1,135,737	1,135,737
Assigned	56,538	-	-	56,538
	$ 56,538	$ 104,720	$ 1,135,737	$ 1,296,995

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, 2018, 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, which funds a large portion of the School System budget, the School System has no other related parties.

16. Accounting Changes and Restatements

The School Division adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) for the fiscal year ended June 30, 2018. Implementation of GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for OPEB that is provided to the employees of state and local governmental employers.

The restatement of prior period net position for fiscal year ended June 30, 2017 decreased the net position by $32,124,800. As a result, the net position as of June 30, 2017 has been adjusted accordingly:

Total net position, as previously reported, June 30, 2017	$ (42,214,202)
Adjustment for beginning net VRS OPEB liability per GASB 75 (Note 11)	(18,102,726)
Adjustment for beginning net RCPS OPEB liability per GASB 75 (Note 12)	(14,022,074)
Total net position, as restated reported, June 30, 2017	$ (74,339,002)



REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with the GAAP, the following information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

General Fund

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

Roanoke County Public Schools
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Intergovernmental:				
Roanoke County	$ 68,078,937	$ 69,307,937	$ 69,307,937	$ -
Commonwealth of Virginia	76,241,946	76,208,545	76,700,495	491,950
Federal government	264,148	756,207	1,461,217	705,010
Charges for services	960,508	955,210	1,021,073	65,863
Investment income	60,000	60,000	213,315	153,315
Miscellaneous	293,320	208,690	163,286	(45,404)
Total revenues	145,898,859	147,496,589	148,867,323	1,370,734
Expenditures				
Current:				
Instruction	110,350,065	113,108,444	108,104,845	5,003,599
Administration	3,407,294	3,064,512	3,047,674	16,838
Attendance and health	2,273,642	2,412,069	2,395,337	16,732
Transportation	5,942,540	8,249,869	6,965,079	1,284,790
Operations and maintenance	11,566,480	11,911,464	11,560,625	350,839
Technology	5,687,397	6,428,130	6,348,558	79,572
School nutrition	-	1,142	2,440	(1,298)
Capital outlay:				
Facilities	145,115	154,536	165,145	(10,609)
Debt Service	6,325,345	6,325,345	6,325,345	-
Total expenditures	145,697,878	151,655,511	144,915,048	6,740,463
Excess (deficiency) of revenues over (under) expenditures	200,981	(4,158,922)	3,952,275	(8,111,197)
Other financing sources (uses)				
Proceeds from sale of property	-	-	67,715	67,715
Transfers:				
Transfers from capital projects fund	-	262,500	262,500	-
Transfers from Internal Service Fund	490,345	589,615	589,614	(1)
Transfers to capital projects Fund	(1,025,000)	(4,003,064)	(4,003,064)	-
Transfers to Internal Service Fund	-	(40,086)	(40,086)	-
Total other financing uses, net	(534,655)	(3,191,035)	(3,123,321)	67,714
Net change in fund balances	(333,674)	(7,349,957)	828,954	(8,111,197)
Total fund balances, beginning	333,674	7,349,957	7,349,957	-
Total fund balances, ending	$ -	$ -	$ 8,178,911	$ (8,111,197)

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

Grant Fund

Special Revenue Fund

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

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

Roanoke County Public Schools
Budgetary Comparison Schedule
Special Revenue Fund - Grant Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Intergovernmental:				
Commonwealth of Virginia	$ 1,782,442	$ 1,927,879	$ 1,809,658	$ (118,221)
Federal government	4,809,223	5,654,895	5,055,124	(599,771)
Miscellaneous	401,000	275,231	12,252	(262,979)
Total revenues	6,992,665	7,858,005	6,877,034	(980,971)
Expenditures				
Current:				
Instruction	5,557,665	7,201,314	6,141,775	1,059,539
Attendance and health	8,000	8,000	-	8,000
Technology	1,452,000	726,000	726,000	-
Total expenditures	7,017,665	7,935,314	6,867,775	1,067,539
Excess (deficiency) of revenues over (under) expenditures	(25,000)	(77,309)	9,259	86,568
Other financing sources				
Transfers:				
Transfers from General Fund	25,000	-	-	-
Total other financing sources	25,000	-	-	-
Net change in fund balances	-	(77,309)	9,259	86,568
Total fund balances, beginning	-	77,309	77,309	-
Total fund balances, ending	$ -	$ -	$ 86,568	$ 86,568

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

Nutrition Fund

Special Revenue Fund

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

The **Nutrition** is used to account for procurement, preparation, and serving of student breakfasts 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 - Nutrition Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Intergovernmental:				
Commonwealth of Virginia	$ 109,434	$ 111,212	$ 114,132	$ 2,920
Federal government	2,442,000	2,442,000	2,698,573	256,573
Charges for services	3,465,000	3,465,000	2,855,676	(609,324)
Investment income	2,770	2,770	32,812	30,042
Miscellaneous	55,000	53,222	13,871	(39,351)
Total revenues	6,074,204	6,074,204	5,715,064	(359,140)
Expenditures				
Current:				
School nutrition	6,079,204	8,793,773	5,183,617	3,610,156
Total expenditures	6,079,204	8,793,773	5,183,617	3,610,156
Excess (deficiency) of revenues over (under) expenditures	(5,000)	(2,719,569)	531,447	3,251,016
Other financing sources				
Proceeds from sale of property	5,000	5,000	2,642	(2,358)
Total other financing sources	5,000	5,000	2,642	(2,358)
Net change in fund balances	-	(2,714,569)	534,089	3,248,658
Total fund balances, beginning	-	2,714,569	2,714,569	-
Total fund balances, ending	$ -	$ -	$ 3,248,658	$ 3,248,658

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

Exhibit O
Unaudited

Roanoke County Public Schools
Virginia Retirement System Teacher Retirement Plan
Schedule of Employer's Share of Net Pension Liability
For the Year Ended June 30, 2018

	2015	2016	2017	2018
Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Employer's proportion of the net liability	0.97506%	0.94973%	0.94772%	0.97725%
Employer's proportionate share of the net liability	$ 117,833,000	$ 119,536,532	$ 132,815,000	$ 120,182,000
Employer's covered payroll	$ 71,286,776	$ 70,615,294	$ 72,258,672	$ 76,745,715
Employer's proportionate share of the net liability as a percentage of its covered payroll	165.29%	169.28%	183.80%	156.60%
Plan fiduciary net position as a percentage of the total liability	70.88%	70.68%	68.28%	72.92%

Note:
Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.

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

Roanoke County Public Schools
Virginia Retirement System Teacher Retirement Plan
Schedule of Employer Contributions
For the Year Ended June 30, 2018

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution (Deficiency) Excess	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2009	$ 10,159,569	$ 6,804,406	$ (3,355,163)	$ 77,235,026	8.81%
June 30, 2010	10,159,569	4,475,246	(5,684,323)	71,434,717	6.26
June 30, 2011	10,159,569	2,658,724	(7,500,845)	67,652,004	3.93
June 30, 2012	10,159,569	4,347,333	(5,812,236)	68,678,251	6.33
June 30, 2013	10,159,569	8,424,633	(1,734,936)	72,248,134	11.66
June 30, 2014	10,159,569	8,312,038	(1,847,531)	71,286,776	11.66
June 30, 2015	10,159,569	10,238,755	79,186	70,615,294	14.50
June 30, 2016	10,159,569	10,159,568	(1)	72,258,672	14.06
June 30, 2017	11,097,430	11,251,117	153,687	76,745,715	14.66
June 30, 2018	12,575,093	12,566,803	(8,290)	77,053,264	16.31

Actuarial assumptions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, 2016, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.5 - 5.35%
Investment rate of return	7.00%
Cost of living adjustment	2.25 - 2.5%

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

Exhibit Q
Unaudited

Roanoke County Public Schools
Virginia Retirement System Non-Professional Plan
Schedule of Changes in the Net Pension Liability
For the Year Ended June 30, 2018

	2015	2016	2017	2018
Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total liability - beginning	$ 31,185,978	$ 31,978,276	$ 32,697,562	$ 32,137,224
Service cost	642,968	590,031	326,990	318,248
Interest	2,114,246	2,164,578	2,219,068	2,177,707
Change of assumptions	-	-	-	(66,597)
Difference between expected and actual experience	-	76,137	(1,113,216)	(496,773)
Benefit payments, including refunds of contributions	(1,964,916)	(2,111,460)	(1,993,180)	(2,054,245)
Net changes	792,298	719,286	(560,338)	(121,660)
Total liability - ending	$ 31,978,276	$ 32,697,562	$ 32,137,224	$ 32,015,564
Fiduciary net position - beginning	$ 29,674,765	$ 32,854,073	$ 32,534,455	$ 31,407,833
Contributions - employer	306,710	206,447	209,100	144,668
Contributions - member	293,796	152,195	152,767	150,511
Net investment income	4,569,047	1,454,882	525,814	3,725,620
Benefit payments, including refunds of contributions	(1,964,916)	(2,111,460)	(1,993,180)	(2,054,245)
Administrative expense	(25,570)	(21,377)	(20,892)	(22,797)
Other	241	(305)	(231)	(3,259)
Net changes	3,179,308	(319,618)	(1,126,622)	1,940,498
Fiduciary net position - ending	$ 32,854,073	$ 32,534,455	$ 31,407,833	$ 33,348,331
Net pension (asset) liability - ending	$ (875,797)	$ 163,107	$ 729,391	$ (1,332,767)
Fiduciary net position as a percentage of total (asset) liability	102.74%	99.50%	97.73%	104.16%
Covered payroll	$ 5,875,694	$ 3,027,639	$ 3,081,526	$ 3,068,829
Net (asset) liability as a percentage of covered payroll	-14.91%	5.39%	23.67%	-43.43%

Note:
Schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.

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

Roanoke County Public Schools
Virginia Retirement System Non-Professional Plan
Schedule of Employer Contributions
For the Year Ended June 30, 2018

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution (Deficiency) Excess	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2009	$ 210,776	$ 302,343	$ 91,567	$ 7,181,534	4.21%
June 30, 2010	210,776	266,811	56,035	6,337,564	4.21
June 30, 2011	210,776	198,834	(11,942)	6,043,597	3.29
June 30, 2012	210,776	195,583	(15,193)	5,944,776	3.29
June 30, 2013	210,776	330,021	119,245	6,321,440	5.22
June 30, 2014	210,776	306,711	95,935	5,875,694	5.22
June 30, 2015	210,776	207,090	(3,686)	3,027,639	6.84
June 30, 2016	210,776	210,558	(218)	3,081,526	6.83
June 30, 2017	148,224	148,080	(144)	3,068,829	4.83
June 30, 2018	150,332	153,066	2,734	3,112,471	4.92

Actuarial assumptions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, 2016, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.5 - 5.35%
Investment rate of return	7.00%
Cost of living adjustment	2.25 - 2.5%

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

Exhibit S
Unaudited

Roanoke County Public Schools
Virginia Retirement System Health Insurance Credit Program
Schedule of Employer's Share of Net OPEB Liability
For the Year Ended June 30, 2018

	2018
Measurement Date	6/30/2017
Employer's proportion of the net liability	0.97245%
Employer's proportionate share of the net liability	$ 12,337,000
Employer's covered payroll	$ 76,745,715
Employer's proportionate share of the net liability as a percentage of its covered payroll	16.08%
Plan fiduciary net position as a percentage of the total liability	7.04%

Note:
Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

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

Exhibit T
Unaudited

Roanoke County Public Schools
Virginia Retirement System Health Insurance Credit Program
Schedule of Employer Contributions
For the Year Ended June 30, 2018

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution (Deficiency) Excess	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2009	$ 834,138	$ 834,138	$ -	$ 77,235,026	1.08%
June 30, 2010	742,921	528,292	214,629	71,434,717	0.74
June 30, 2011	405,912	405,912	-	67,652,004	0.60
June 30, 2012	412,070	412,070	-	68,678,251	0.60
June 30, 2013	801,954	801,962	(8)	72,248,134	1.11
June 30, 2014	791,283	791,284	(1)	71,286,776	1.11
June 30, 2015	748,522	748,490	32	70,615,294	1.06
June 30, 2016	765,942	765,995	(53)	72,258,672	1.06
June 30, 2017	851,877	851,887	(10)	76,745,715	1.11
June 30, 2018	947,755	947,188	567	77,053,264	1.23

Actuarial assumptions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, 2016, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.5 - 5.35%
Investment rate of return	7.00%
Cost of living adjustment	2.25 - 2.5%

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

Roanoke County Public Schools
Virginia Retirement System Group Life Insurance Program
Schedule of Employer's Share of Net OPEB Liability
For the Year Ended June 30, 2018

Exhibit U
Unaudited

	2018
Measurement Date	6/30/2017
Teacher Plan:	
Employer's proportion of the net liability	0.41724%
Employer's proportionate share of the net liability	$ 6,279,000
Employer's covered payroll	$ 76,745,715
Employer's proportionate share of the net liability as a percentage of its covered payroll	8.18%
Plan fiduciary net position as a percentage of the total liability	48.86%
Non-Professional Plan:	
Employer's proportion of the net liability	0.01666%
Employer's proportionate share of the net liability	$ 250,000
Employer's covered payroll	$ 3,068,829
Employer's proportionate share of the net liability as a percentage of its covered payroll	8.15%
Plan fiduciary net position as a percentage of the total liability	48.98%

Note:
Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

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

Roanoke County Public Schools
Virginia Retirement System Group Life Insurance Program
Schedule of Employer Contributions
For the Year Ended June 30, 2018

Year Ended	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution (Deficiency) Excess	Employer's Covered Payroll	Contributions as a % of Covered Payroll
June 30, 2009	$ 276,960	$ 276,960	$ -	$ 84,416,560	0.33%
June 30, 2010	175,154	175,154	-	77,772,281	0.23
June 30, 2011	82,540	82,540	-	73,695,601	0.11
June 30, 2012	83,684	83,684	-	74,623,028	0.11
June 30, 2013	374,671	374,671	-	78,569,574	0.48
June 30, 2014	367,834	367,834	-	77,162,470	0.48
June 30, 2015	351,815	351,815	-	73,642,933	0.48
June 30, 2016	359,464	359,464	-	75,340,198	0.48
June 30, 2017	419,387	419,387	-	79,814,544	0.53
June 30, 2018	420,490	420,490	-	80,165,735	0.52

Actuarial assumptions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, 2016, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.5 - 5.35%
Investment rate of return	7.00%
Cost of living adjustment	2.25 - 2.5%

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

Roanoke County Public Schools

Roanoke County Public Schools' Other Postemployment Benefits Plan

Schedule of Changes in the Net Liability

For the Year Ended June 30, 2018

Exhibit W

Unaudited

	2018	2019
Measurement Date	6/30/2017	6/30/2018
Total liability - beginning	$ 14,888,089	$ 15,677,364
Service cost	931,053	977,606
Interest	476,676	471,102
Change of assumptions	-	(3,035,172)
Difference between expected and actual experience	(28,590)	(2,488,407)
Contributions - member	94,298	939,187
Benefit payments, including refunds of contributions	(684,162)	(1,785,359)
Net changes	789,275	(4,921,043)
Total liability - ending	$ 15,677,364	$ 10,756,321
Fiduciary net position - beginning	$ 515,101	$ 680,328
Contributions - employer	682,154	846,172
Contributions - member	94,298	939,187
Net investment income	74,106	65,111
Benefit payments, including refunds of contributions	(684,162)	(1,785,359)
Administrative expense	(1,169)	(1,263)
Net changes	165,227	63,848
Fiduciary net position - ending	$ 680,328	$ 744,176
Net OPEB liability - ending	$ 14,997,036	$ 10,012,145
Fiduciary net position as a percentage of total (asset) liability	4.3%	6.9%
Covered payroll	$ 65,279,124	$ 53,150,640
Net (asset) liability as a percentage of covered payroll	23.0%	18.8%

Note:

Schedule is intended to show information for 10 years. Since 2018 is the second year for this presentation, only two years of data are available. However, additional years will be included as they become available.

See accompanying notes to required supplementary information.

See accompanying independent auditors' report.

Exhibit X
Unaudited

Roanoke County Public Schools
Roanoke County Public Schools' Other Postemployment Benefits Plan
Schedule of Employer Contributions
For the Year Ended June 30, 2018

Year Ended	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
			(1)	(1)	(1)
June 30, 2015	$ 949,804	$ 1,045,395			
June 30, 2016	956,782	1,024,218			
June 30, 2017	682,154	682,154	$ -	$ 65,279,124	1.04%
June 30, 2018	1,997,378	846,172	1,151,206	53,150,640	1.59%

Notes:
(1) Added for compliance with new GASB 74 requirements. Schedule is intended to show GASB 74 information for 10 years. Since 2018 is the second year for this presentation, only two years of data are available. However, additional years will be included as they become available.

Actuarial assumptions: (1)
The following assumptions relate only to the GASB 74 actuarial valuation.

Valuation date	Actuarially determined contribution rates are calculated as of June 30, 2018.
Actuarial cost method	Entry Age Normal
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	This is implicitly included in the investment rate of return and healthcare cost trend rates.
Salary increases	3.00%
Investment rate of return	7.50%
Healthcare cost trend rates	7.5% graded down to 5.0% over 10 years beginning in 2018
Retirement age	In the 2018 actuarial valuation, expected retirement ages of employees were updated to the assumptions listed in the most recently published VRS Comprehensive Annual Financial Report, which was the 2017
Mortality	In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 Healthy Annuitant Mortality Tables. In prior years, those assumptions were based on the 1994 Group Annuity Mortality Tables.

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

Exhibit Y
Unaudited

Roanoke County Public Schools
Roanoke County Public Schools' Other Postemployment Benefits Plan
Schedule of Investment Returns
For the Year Ended June 30, 2018

	2017	2018
Annual money-weighted rate of return, net of investment expense	13.04%	9.52%

Note:
Schedule is intended to show information for 10 years. Since 2018 is the second year for this presentation, only two years of data are available. However, additional years will be included as they become available.

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

1. Summary of Significant Accounting Policies

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

The *Code of Virginia* requires adoption of a balanced budget by June 30 of each year. The School Board formally adopted the fiscal year 2018 budget appropriation on March 24, 2017. The County Board of Supervisors adopted the school budget on May 10, 2017. Subsequently on May 24, 2017, the Board of Supervisors approved the County budget with a small change to the transfer to the School System. This revision was then adopted by the School Board on June 9, 2017.

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

All appropriations are legally controlled at the fund level. Overall increases in fund budgets are adopted by the School Board and then by the County Board of Supervisors. Budget transfers within a fund are approved by the School Board only. Budget revisions were approved throughout fiscal year 2018. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Changes of VRS benefit terms –

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by the enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of VRS assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates	Updated to a more current mortality table – RP-2014 projected to 2020 (pre-retirement, post-retirement healthy, and disabled)
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Changes of OPEB benefit terms – There have been no actuarially material changes to the Retiree Medical Plan benefit provisions since the prior actuarial valuation.

Changes of OPEB assumptions – The actuarial assumptions used in the June 30, 2018 valuation for GASB 74 differed from the July 1, 2017 valuation for GASB 75 as follows:

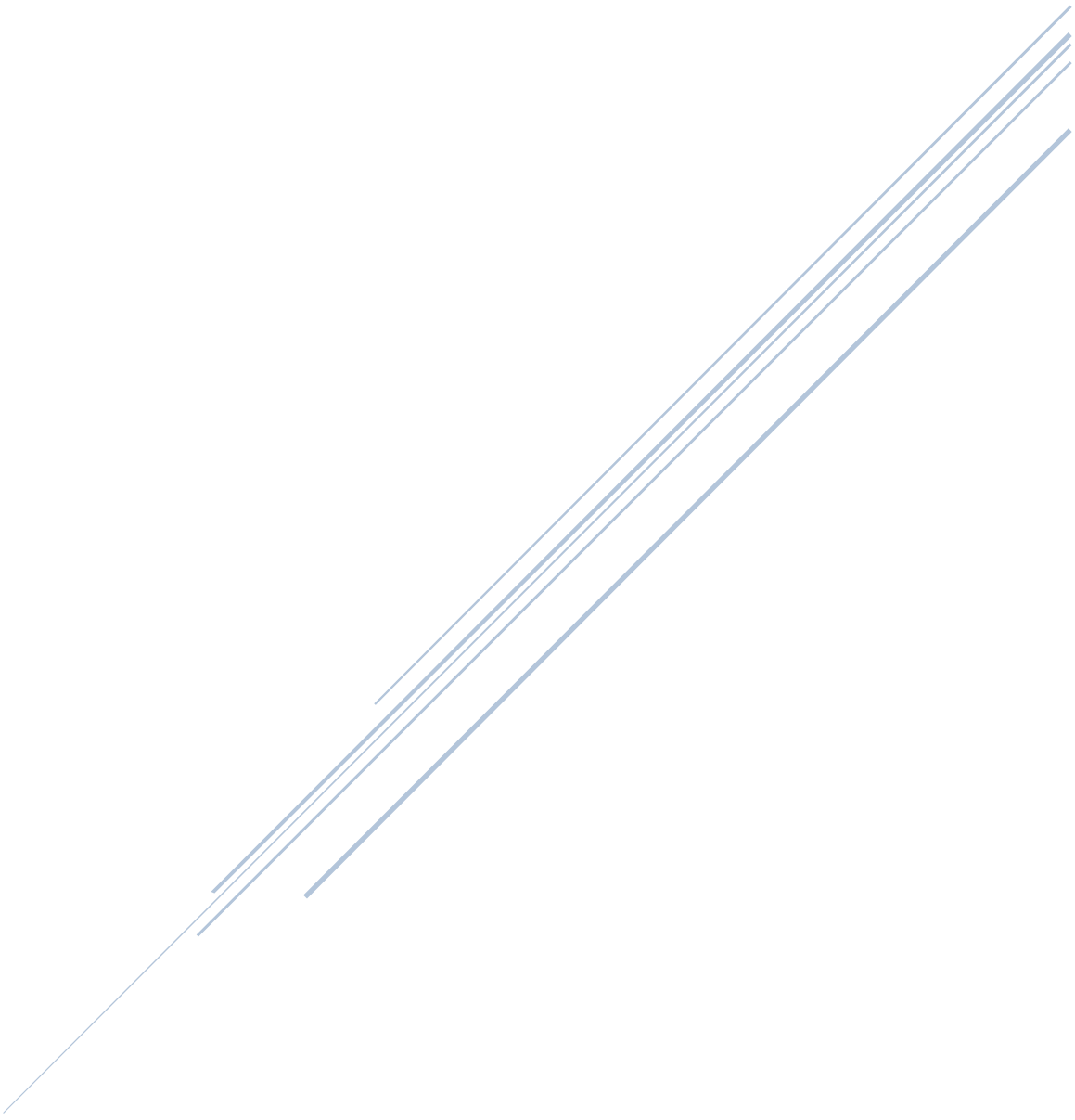
- The percentage of future eligible retirees electing medical coverage was updated from 45.89% to 42.50%.
- The percentage of future eligible retirees electing medical coverage for a spouse was updated from 9.48% to 8.80%.
- The mortality, disability, withdrawal, and retirement assumptions were updated to the assumptions listed in the most recently published VRS Comprehensive Annual Financial Report, which was the 2017 report.

2. Material Violations

There were no material violations of the annual appropriated budget for the General Fund and Grant Fund for the fiscal year ended June 30, 2018. In addition, there were no excesses of budgetary expenditures for the period.



SUPPLEMENTARY INFORMATION



Capital Projects Fund

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

Roanoke County Public Schools
Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Intergovernmental:				
Roanoke County	$ 2,690,624	$ 2,705,645	$ 2,705,645	$ -
Commonwealth of Virginia	-	52,000	52,000	-
Charges for services	20,670	20,670	72,476	51,806
Miscellaneous	250,000	198,000	50,000	(148,000)
Total revenues	2,961,294	2,976,315	2,880,121	(96,194)
Expenditures				
Current:				
Instruction	-	81,103	37,107	43,996
Administration	-	14,523	-	14,523
Operations and maintenance	1,132,750	3,847,105	1,699,775	2,147,330
Technology	50,000	393,775	384,552	9,223
Capital outlay:				
Facilities	5,800,000	17,209,233	4,628,387	12,580,846
Total expenditures	6,982,750	21,545,739	6,749,821	14,795,918
Deficiency of revenues under expenditures	(4,021,456)	(18,569,424)	(3,869,700)	14,699,724
Other financing sources				
Proceeds from sale of property	-	-	6,170	6,170
Transfers:				
Transfers from General Fund	4,021,456	4,003,064	4,003,064	-
Transfers to general fund	-	(262,500)	(262,500)	-
Net other financing sources	4,021,456	3,740,564	3,746,734	6,170
Net change in fund balances	-	(14,828,860)	(122,966)	14,705,894
Total fund balances, beginning	-	14,828,860	14,828,860	-
Total fund balances, ending	$ -	$ -	$ 14,705,894	$ 14,705,894

See accompanying independent auditors' report.

Internal Service Funds

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

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

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

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

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

Roanoke County Public Schools
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 6,492,197	$ -	$ 1,933,254	$ 1,245,076	$ 9,670,527
Accounts receivable	405,964	84	42,937	7,160	456,145
Due from other fund	125,011	-	-	-	125,011
Prepaid and other assets	3,510	123,621	-	-	127,131
Total assets	7,026,682	123,705	1,976,191	1,252,236	10,378,814
Liabilities					
Current liabilities:					
Accounts payable	233,985	243	2,196	3,849	240,273
Accrued liabilities	-	-	-	786	786
Due to other fund	-	125,011	-	-	125,011
Long-term liabilities due or payable:					
Claims payable	1,757,826	-	283,454	-	2,041,280
Long-term liabilities due or payable:					
Claims payable	-	-	598,546	-	598,546
Total liabilities	1,991,811	125,254	884,196	4,635	3,005,896
Net Position					
Unrestricted	5,034,871	(1,549)	1,091,995	1,247,601	7,372,918
Total net position	$ 5,034,871	$ (1,549)	$ 1,091,995	$ 1,247,601	$ 7,372,918

See accompanying independent auditors' report.

Roanoke County Public Schools
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total Internal Service Funds
Operating revenues					
Charges for services	$ 16,719,637	$ 1,492,166	$ 650,720	$ 9,570	$ 18,872,093
Other operating revenues	-	-	-	130,730	130,730
Total operating revenues	16,719,637	1,492,166	650,720	140,300	19,002,823
Operating expenses					
Claims	16,769,323	1,595,701	523,017	146,466	19,034,507
Reinsurance costs	301,463	-	-	-	301,463
Wellness and HRA benefits	1,167,959	-	-	-	1,167,959
Administrative charges and taxes	122,073	-	93,942	-	216,015
Total operating expenses	18,360,818	1,595,701	616,959	146,466	20,719,944
Operating income (loss)	(1,641,181)	(103,535)	33,761	(6,166)	(1,717,121)
Nonoperating revenues					
Interest and dividend income	87,565	-	6,944	15,675	110,184
Proceeds from sale of property	-	-	-	69,385	69,385
Total nonoperating revenues	87,565	-	6,944	85,060	179,569
Income (loss) before transfers	(1,553,616)	(103,535)	40,705	78,894	(1,537,552)
Transfers					
Transfers in	40,086	-	-	-	40,086
Transfers out	(286,380)	-	-	(303,234)	(589,614)
Net transfers	(246,294)	-	-	(303,234)	(549,528)
Change in net position	(1,799,910)	(103,535)	40,705	(224,340)	(2,087,080)
Total net position, beginning	6,834,781	101,986	1,051,290	1,471,941	9,459,998
Total net position, ending	$ 5,034,871	$ (1,549)	$ 1,091,995	$ 1,247,601	$ 7,372,918

See accompanying independent auditors' report.

Roanoke County Public Schools
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	Health Insurance	Dental Insurance	Risk Management	Laptop Insurance Reserve	Total Internal Service Funds
Operating activities					
Cash received from interfund services provided	$ 16,610,103	$ 1,492,113	$ 933,629	$ 17,997	$ 19,053,842
Payments to suppliers	(423,536)	-	(121,136)	(10,588)	(555,260)
Payments from suppliers	227,267	243	-	424	227,934
Claims paid	(16,681,396)	(1,595,701)	(452,017)	(146,466)	(18,875,580)
Other receipts	-	-	-	130,730	130,730
Other payments	(1,171,469)	(2,686)	-	-	(1,174,155)
Net cash provided by (used in) operating activities	(1,439,031)	(106,031)	360,476	(7,903)	(1,192,489)
Noncapital financing activities					
Transfers from other funds	(65,945)	-	-	-	(65,945)
Transfers to other funds	(286,380)	106,031	-	(303,234)	(483,583)
Net cash provided by (used in) noncapital financing activities	(352,325)	106,031	-	(303,234)	(549,528)
Investing activities					
Interest and dividend income	87,565	-	6,944	15,675	110,184
Interest expense	-	-	-	69,385	69,385
Net cash provided by investing activities	87,565	-	6,944	85,060	179,569
Net increase (decrease) in cash and cash equivalents	(1,703,791)	-	367,420	(226,077)	(1,562,448)
Cash and cash equivalents, beginning	8,195,988	-	1,565,834	1,471,153	11,232,975
Cash and cash equivalents, ending	$ 6,492,197	$ -	$ 1,933,254	$ 1,245,076	$ 9,670,527
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (1,641,181)	$ (103,535)	$ 33,761	$ (6,166)	$ (1,717,121)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Decrease (increase) in assets:					
Accounts receivable	(109,534)	(53)	282,909	8,427	181,749
Prepaid and other assets	(3,510)	(2,686)	-	-	(6,196)
Increase (decrease) in liabilities:					
Accounts payable	227,267	243	(27,194)	(10,588)	189,728
Accrued liabilities	-	-	-	424	424
Claims payable	87,927	-	71,000	-	158,927
Net cash provided by (used in) operating activities	$ (1,439,031)	$ (106,031)	$ 360,476	$ (7,903)	$ (1,192,489)

See accompanying independent auditors' report.

Roanoke County Public Schools
Budgetary Comparison Schedule
Internal Service Fund - Laptop Insurance Reserve Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Operating revenues				
Charges for services	$ -	$ -	$ 9,570	$ 9,570
Other operating revenues	100,000	100,000	130,730	30,730
Total operating revenues	100,000	100,000	140,300	40,300
Operating expenses				
Claims	357,740	1,625,721	146,466	1,479,255
Total operating expenses	357,740	1,625,721	146,466	1,479,255
Operating loss	(257,740)	(1,525,721)	(6,166)	1,519,555
Nonoperating revenues				
Interest and dividend income	-	-	15,675	15,675
Proceeds from sale of property	53,780	53,780	69,385	15,605
Total nonoperating revenues	53,780	53,780	85,060	31,280
Income (loss) before transfers	(203,960)	(1,471,941)	78,894	1,550,835
Transfers				
Transfers out	-	-	(303,234)	303,234
Net transfers	-	-	(303,234)	303,234
Change in net position	(203,960)	(1,471,941)	(224,340)	22,889
Total net position, beginning	203,960	1,471,941	1,471,941	-
Total net position, ending	$ -	$ -	$ 1,247,601	$ 22,889

See accompanying independent auditors' report.

Fiduciary Fund

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

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

Roanoke County Public Schools
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2018

	Agency
Assets	
Balance, beginning	$ 2,315,799
Additions	7,114,977
Deductions	(7,098,300)
Balance, ending	$ 2,332,476
Liabilities	
Balance, beginning	$ 2,315,799
Additions	7,114,977
Deductions	(7,098,300)
Balance, ending	$ 2,332,476

See accompanying independent auditors' report.

STATISTICAL SECTION




Learning Culture
Balance
School Climate
Support Services
Professional Growth
Citizenship
Communication
Collaboration
Critical Thinking
Creativity
DEEPER LEARNING

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

Financial Trends.....126-129

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

Revenue Capacity.....130-134

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

Debt Capacity.....135-137

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

Demographic and Economic Information.....138-139

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

Operating Information.....140-153

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

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

Table 1
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment										
in capital assets	$ 44,965,789	$ 41,830,203	$ 41,651,583	$ 41,371,652	$ 43,142,309	$ 41,852,791	$ 39,733,962	$ 47,263,705	$ 46,765,379	$ 46,943,444
Restricted for:										
Instructional grants	-	-	157,951	75,677	92,364	75,494	75,508	66,398	77,309	86,568
Emergency contingency	-	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Unrestricted	33,748,565	40,562,210	29,590,419	31,845,216	30,604,787	26,244,281	(98,692,493)	(92,973,387)	(91,056,890)	(120,104,335)
Total net position	$ 78,714,354	$ 82,392,413	$ 73,399,953	$ 75,292,545	$ 75,839,460	$ 70,172,566	$ (56,883,023)	$ (43,643,284)	$ (42,214,202)	$ (71,074,323)

Adjustment for beginning net pension liability per GASB 68	(140,126,213)
Adjustment for 2014 employer contributions per GASB 71	8,630,710
Total net position, as restated, June 30, 2014	$ (61,322,937)

Adjustment for beginning net VRS OPEB liability per GASB 75 (Note 11)	(18,102,726)
Adjustment for beginning net RCPS OPEB liability per GASB 75 (Note 12)	(14,022,074)
Total net position, as restated reported, June 30, 2017	$ (74,339,002)

Source: Statement of Net Position (Exhibit A)

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

Table 2
Unaudited

Governmental Activities	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Instruction	$ 113,413,226	$ 104,853,420	$ 104,091,890	$ 104,117,764	$ 107,041,368	$ 108,041,904	$ 109,136,909	$ 107,696,660	$ 116,721,895	$ 117,622,278
Administration	3,037,138	2,878,527	2,362,580	2,593,752	2,595,087	2,505,845	2,719,118	2,909,808	3,315,935	3,328,192
Attendance and health	2,915,739	2,910,184	2,598,603	2,729,219	2,301,288	2,132,406	2,358,106	2,332,133	2,276,599	2,359,421
Transportation	6,119,667	5,833,078	6,964,180	6,675,986	6,751,036	6,620,044	6,014,584	5,924,837	6,403,743	5,431,735
Operations and maintenance	12,138,884	12,378,003	11,436,014	11,542,861	12,114,141	12,033,120	11,164,752	11,227,448	11,480,475	13,860,087
Technology	5,754,612	4,511,121	6,121,084	4,946,469	4,609,269	5,991,294	4,356,121	6,367,798	6,679,719	6,256,710
Nutrition	5,894,703	5,622,545	5,572,527	5,682,159	5,827,060	5,612,945	5,041,064	4,804,867	5,027,956	5,233,734
Capital lease interest	132,312	122,565	187,855	87,563	73,194	57,835	41,367	23,731	4,864	-
Payment of interest and other charges for County capital projects	4,729,369	10,871,639	24,413,643	6,450,345	6,725,345	8,911,343	7,325,344	7,325,340	6,347,576	6,325,345
Total expenses	154,135,650	149,981,082	163,748,376	144,826,118	148,037,788	151,906,736	148,157,365	148,612,622	158,258,762	160,417,502
Program revenues										
Charges for services:										
Instruction	853,738	806,398	877,818	832,118	841,332	888,546	814,843	689,976	1,560,379	1,599,270
Administration	2,728	3,775	297	124	-	-	-	-	-	-
Operations and maintenance	4,490	174,589	53,225	22,775	48,487	58,800	102,418	97,858	129,177	108,385
Nutrition	3,790,895	3,613,046	3,535,548	3,480,466	3,280,884	3,013,951	3,015,530	2,955,049	2,841,963	2,855,676
Operating grants and contributions	24,465,320	28,973,555	32,456,049	23,680,280	25,239,635	24,199,967	25,685,624	26,189,097	27,839,282	31,676,933
Capital grants and contributions	1,318,410	1,512,936	1,588,677	893,950	2,491,469	860,106	1,814,146	9,116,549	3,089,261	3,513,954
Total revenues	30,435,581	35,084,299	38,511,614	28,909,713	31,901,807	29,021,370	31,432,561	39,048,529	35,460,062	39,754,218
Net expense	(123,700,069)	(114,896,783)	(125,236,762)	(115,916,405)	(116,135,981)	(122,885,366)	(116,724,804)	(109,564,093)	(122,798,700)	(120,663,284)
General revenues and other changes in net position										
Roanoke County	64,267,132	63,597,776	64,559,361	66,083,024	65,597,324	65,944,318	67,617,035	68,924,133	68,763,376	69,307,937
Non-categorical state aid	64,632,296	53,945,620	50,182,318	51,265,516	50,771,561	50,799,563	53,150,488	53,533,578	54,914,899	53,896,466
Gain on sale of capital assets	5,163	674,143	27,134	29,264	28,114	38,838	13,733	8,616	116,956	145,912
Miscellaneous	655,397	357,303	397,886	431,193	285,897	435,753	383,462	337,505	432,551	577,648
Capital donated to Schools	5,171,236	-	1,077,603	-	-	-	-	-	-	-
Total general revenues and other changes in net position	134,731,224	118,574,842	116,244,302	117,808,997	116,682,896	117,218,472	121,164,718	122,803,832	124,227,782	123,927,963
Change in net position	$ 11,031,155	$ 3,678,059	$ (8,992,460)	$ 1,892,592	$ 546,915	$ (5,666,894)	$ 4,439,914	$ 13,239,739	$ 1,429,082	$ 3,264,679

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund			(1)							
Reserved	$ 179,035	$ 273,752								
Unreserved, designated	4,472,007	6,675,386								
Unreserved, undesignated	1,000,000	2,671,290								
Nonspendable			$ 146,447	$ 243,570	$ 178,017	$ 249,890	$ 232,353	$ 162,313	$ 133,407	$ 156,687
Restricted			2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Committed			11,842,982	3,994,560	1,638,186	4,045,276	4,972,947	5,834,792	5,184,393	5,965,686
Assigned			473,950	600,606	817,935	34,719	133,827	26,902	32,157	56,538
Total fund balance	$ 5,651,042	$ 9,620,428	$ 14,463,379	$ 6,838,736	$ 4,634,138	$ 6,329,885	$ 7,339,127	$ 8,024,007	$ 7,349,957	$ 8,178,911
All other governmental funds										
Reserved	$ 207,206	$ 257,908								
Unreserved, designated:										
Special Revenue Fund	2,483,733	3,171,196								
Capital Projects Fund	14,731,538	16,273,830								
Nonspendable			$ 102,327	$ 74,255	$ 106,646	$ 183,435	$ 226,933	$ 203,302	$ 274,932	$ -
Restricted			157,951	75,677	92,364	75,494	75,508	66,398	77,309	86,568
Committed			5,733,083	15,387,193	16,715,054	12,845,599	14,584,349	14,788,306	17,268,497	17,954,552
Assigned			195,552	-	-	-	-	-	-	-
Total fund balance	$ 17,422,477	$ 19,702,934	$ 6,188,913	$ 15,537,125	$ 16,914,064	$ 13,104,528	$ 14,886,790	$ 15,058,006	$ 17,620,738	$ 18,041,120
Total fund balances - all governmental funds	$ 23,073,519	$ 29,323,362	$ 20,652,292	$ 22,375,861	$ 21,548,202	$ 19,434,413	$ 22,225,917	$ 23,082,013	$ 24,970,695	$ 26,220,031

Source: Balance Sheet - Governmental Funds (Exhibit C)

Notes:

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

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

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

Table 4
Unaudited

Revenues	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Roanoke County	$ 64,292,132	$ 63,622,776	$ 64,951,268	$ 66,108,024	$ 65,647,324	$ 65,969,318	$ 67,617,035	$ 68,924,133	$ 68,763,376	$ 72,013,582
Commonwealth of Virginia	83,349,243	71,309,332	65,885,715	67,879,498	69,191,858	69,327,834	72,094,741	73,064,205	75,767,747	78,676,285
Federal government	7,025,549	13,154,962	18,279,497	8,382,678	7,761,649	6,757,028	7,668,652	7,499,321	8,215,472	9,214,914
Charges for services	4,368,022	4,408,785	4,166,423	3,961,756	3,883,207	3,646,693	3,701,470	3,611,433	4,003,740	3,949,225
Other	490,488	257,273	340,243	402,610	303,183	393,084	326,570	253,371	383,180	485,536
Total revenues	159,525,434	152,753,128	153,623,146	146,734,566	146,787,221	146,093,957	151,408,468	153,352,463	157,133,515	164,339,542
Expenditures										
Current:										
Instruction	111,649,978	103,447,341	101,375,153	99,645,396	102,153,926	102,199,992	105,269,002	105,356,201	111,139,524	114,283,727
Administration	3,000,153	2,854,789	2,269,955	2,472,589	2,369,109	2,460,131	2,807,443	3,601,491	2,956,934	3,047,674
Attendance and health	2,918,544	2,946,828	2,592,637	2,717,336	2,287,489	2,108,964	2,424,938	2,366,707	2,254,534	2,395,337
Transportation	5,608,857	5,997,771	7,054,463	6,668,232	6,405,023	6,522,524	5,304,357	6,896,242	5,542,849	6,965,079
Operations and maintenance	12,125,394	12,507,630	11,370,452	11,643,854	12,021,331	11,866,554	11,382,964	11,558,047	11,377,853	13,260,400
Technology	5,766,371	4,556,074	6,108,595	6,675,913	5,167,438	6,627,926	5,657,517	6,988,432	6,850,659	7,459,110
Nutrition	5,885,913	5,615,301	5,563,659	5,864,493	5,839,269	5,594,187	5,022,818	4,820,635	4,951,948	5,186,057
Capital lease debt service:										
Principal	280,650	325,571	347,180	373,940	363,984	391,883	421,293	452,286	484,939	-
Interest	132,312	122,565	113,255	99,163	83,994	69,535	53,967	37,231	19,264	-
Capital outlay:										
Facilities	2,138,689	649,418	1,112,358	2,507,844	5,440,998	3,358,661	2,961,054	2,914,678	3,325,852	4,793,532
Intergovernmental:										
Roanoke County	4,729,369	10,696,615	24,413,643	6,450,345	6,725,345	8,911,343	7,325,344	7,325,340	6,347,576	6,325,345
Total expenditures	154,236,230	149,719,903	162,321,350	145,119,105	148,857,906	150,111,700	148,630,697	152,317,290	155,251,932	163,716,261
Excess (deficiency) of revenues over (under) expenditures	5,289,204	3,033,225	(8,698,204)	1,615,461	(2,070,685)	(4,017,743)	2,777,771	1,035,173	1,881,583	623,281
Other financing sources (uses)										
Proceeds from sale of property	5,163	2,011,476	27,134	29,264	28,114	38,838	13,733	8,616	190,381	76,527
Transfers, net	183,250	1,205,142	-	78,844	1,214,912	1,865,116	-	(187,693)	(183,282)	549,528
Issuance of debt	122,517	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	310,930	3,216,618	27,134	108,108	1,243,026	1,903,954	13,733	(179,077)	7,099	626,055
Change in fund balances	$ 5,600,134	$ 6,249,843	$ (8,671,070)	$ 1,723,569	$ (827,659)	$ (2,113,789)	$ 2,791,504	$ 856,096	$ 1,888,682	$ 1,249,336
Debt service as a percentage of non-capital expenditures	0.28%	0.30%	0.29%	0.33%	0.31%	0.32%	0.33%	0.33%	0.33%	0.00%

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

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

Table 5
Unaudited

Fiscal Year	County of Roanoke			State Aid		
	Annual Appropriation	Increase (Decrease)	Percent Change	Annual Appropriation	Increase (Decrease)	Percent Change
2009	$ 64,267,132	$ (449,981)	(0.70)%	$ 80,195,499	$ 8,089,016	11.22%
2010	63,597,776	(669,356)	(1.04)	69,502,612	(10,692,887)	(13.33)
2011	64,559,361	961,585	1.51	64,103,729	(5,398,883)	(7.77)
2012	66,083,024	1,523,663	2.36	66,119,254	2,015,525	3.14
2013	65,597,324	(485,700)	(0.73)	67,541,127	1,421,873	2.15
2014	65,944,318	346,994	0.53	67,573,186	32,059	0.05
2015	66,996,426	1,052,108	1.60	70,235,683	2,662,497	3.94
2016	67,703,707	707,281	1.06	71,274,588	1,038,905	1.48
2017	68,738,376	1,034,669	1.53	73,904,943	2,630,355	3.69
2018	69,307,937	569,561	0.83	76,700,495	2,795,552	3.78

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

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

Table 6
Unaudited

Fiscal Year	Real Property	Personal Property	Public Service Corporation	Total Taxable Assessed Value	Real Property Direct Tax Rate	Personal Property Tax Rate		Estimated Actual Taxable Value
						Tangible	Machinery & Tools	
2009	$ 7,929,156,898	$ 766,339,671	$ 224,653,310	$ 8,920,149,879	$1.09	$3.50	$3.00	$ 10,494,293,975
2010	8,020,716,300	780,689,905	233,127,850	9,034,534,055	1.09	3.50	3.00	10,151,161,860
2011	8,053,281,600	782,346,945	223,646,000	9,059,274,545	1.09	3.50	3.00	9,847,037,549
2012	7,968,030,200	814,156,400	233,411,860	9,015,598,460	1.09	3.50	3.00	9,391,248,396
2013	7,798,171,500	835,361,990	247,863,410	8,881,396,900	1.09	3.50	3.00	9,062,649,898
2014	7,850,267,000	855,450,240	257,490,630	8,963,207,870	1.09	3.50	3.00	9,146,130,480
2015	7,972,937,500	889,550,760	267,613,790	9,130,102,050	1.09	3.50	3.00	9,712,874,521
2016	8,098,986,500	899,232,061	277,724,570	9,275,943,131	1.09	3.50	2.95	9,868,024,607
2017	8,254,177,800	916,529,122	275,690,440	9,446,397,362	1.09	3.50	2.90	10,157,416,518
2018	8,448,729,500	927,786,840	293,523,830	9,670,040,170	1.09	3.50	2.85	10,287,276,777

Source: Roanoke County Real Estate Office

Note:

Property in Roanoke County is assessed annually and is assessed at approximately 93% of actual value for 2017-2018 and at approximately 93.2% for years 2009-2017. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per $100 of assessed value. Tax Rates equal $3.50 for Personal Property, $2.85 for Machinery and Tools, and $1.09 for Real Estate.

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

Table 7
Unaudited

	Direct Rates					Overlapping Rates		
	County of Roanoke					Town of Vinton		
Fiscal	Real Property			Personal Property		Real	Personal Property	
Year	First Half	Second Half	Total	Tangible	Machinery & Tools	Property	Tangible	Machinery & Tools
2009	$0.545	$0.545	$1.09	$3.50	$3.00	$0.03	$1.00	$1.00
2010	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2011	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2012	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2013	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2014	0.545	0.545	1.09	3.50	3.00	0.03	1.00	1.00
2015	0.545	0.545	1.09	3.50	3.00	0.07	1.00	1.00
2016	0.545	0.545	1.09	3.50	2.95	0.07	1.00	1.00
2017	0.545	0.545	1.09	3.50	2.85	0.07	1.00	1.00
2018	0.545	0.545	1.09	3.50	2.85	0.07	1.00	1.00

Source: Roanoke County Real Estate Office

Notes:

All tax rates per $100 of assessed value.

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

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

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

Table 8
Unaudited

	2018			2009		
Taxpayer	**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	$168	1	1.74%	$102	1	1.15%
Kroger Limited Partnership	41	2	0.42	41	3	0.46
Walmart Real Estate Business	29	3	0.30	-	-	-
Roanoke Owner 1 LLC (Formerly Pebble Creek, LLC)	28	4	0.29	-	-	-
Cellco Partnership dba Verizon Wireless	26	5	0.27	15	10	0.17
Roanoke Gas Company	26	6	0.27	16	9	0.18
Tanglewood Venture LLC (Formerly Roanoke Tanglewood, LLC)	23	7	0.24	42	2	0.47
Norfolk and Western Railway Company	23	8	0.23	-	-	-
Verizon Virginia LLC	21	9	0.22	39	4	0.44
Mikeone EK Roanoke LLC	20	10	0.21	-	-	-
Integrity Windows, Inc.	-	-	-	19	5	0.22
First States Investors 3300 LLC	-	-	-	18	6	0.20
Carilion Hospital, Inc.	-	-	-	17	7	0.19
Lowes	-	-	-	17	8	0.19
Total	$405		4.18%	$326		3.67%

Source: Roanoke County Real Estate Assessment Department

Table 9
Unaudited

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

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
2009	$ 116,316,521	$ 111,054,250	95.48%	$ 2,972,938	$ 114,027,188	98.03%
2010	116,489,107	111,980,936	96.13	3,835,301	115,816,237	99.42
2011	118,335,928	113,612,208	96.01	3,996,061	117,608,269	99.39
2012	118,634,364	113,978,854	96.08	4,189,309	118,168,163	99.61
2013	118,489,124	113,917,134	96.14	3,787,503	117,704,637	99.34
2014	118,192,461	113,964,831	96.42	3,121,349	117,086,180	99.06
2015	120,224,376	116,398,283	96.82	2,990,369	119,388,652	99.30
2016	123,023,949	118,615,971	96.42	3,595,885	122,211,856	99.34
2017	123,991,274	120,899,417	97.51	3,275,580	124,174,997	100.15
2018	126,405,991	123,195,790	97.46	-	123,195,790	97.46

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

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

Table 10
Unaudited

Fiscal Year	Governmental Activities: General Obligation Debt	Governmental Activities: Lease Revenue Bonds	Governmental Activities: VPSA School Bonds	Governmental Activities: State Literary Bonds	Governmental Activities: Capital Leases	Total Primary Government (2)	Component Unit: School Board Capital Leases	Percentage of Personal Income (1)	Per Capita Personal Income (1)	Percentage of Assessed Value of Taxable Property
2009	$ 14,560,238	$ 80,954,308	$120,748,501	$ 4,524,181	$ -	$ 220,787,228	$ 3,161,076	4.91%	$2,448	2.51%
2010	12,645,130	78,700,454	115,035,423	4,064,860	-	210,445,867	2,835,505	4.56	2,312	2.36
2011	10,655,022	76,376,966	107,150,919	3,617,042	1,148,037	198,947,986	2,488,325	4.21	2,177	2.22
2012	8,584,914	73,969,030	109,290,686	3,169,225	1,052,372	196,066,227	2,114,385	3.98	2,138	2.20
2013	6,416,798	71,455,422	100,944,620	2,721,409	952,889	182,491,138	1,750,401	3.57	1,976	2.07
2014	6,150,390	79,182,582	92,638,652	2,273,592	849,437	181,094,653	1,358,518	3.36	1,968	2.04
2015	5,332,236	76,949,408	104,311,123	1,825,775	741,516	189,160,058	937,225	3.30	2,032	2.08
2016	4,497,704	81,150,705	95,149,806	-	-	180,798,215	484,939	3.13	1,933	1.95
2017	3,640,935	78,183,655	86,485,636	-	-	168,310,226	-	2.91	1,792	1.78
2018	2,765,175	77,970,000	72,194,043	-	-	152,929,218	-	2.64	1,632	1.58

Source: Roanoke County Finance Office

Notes:

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

(2) Amounts starting in Fiscal Year 17-18 do not include premiums.

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: General Obligation Debt	Lease Revenue Bonds	VPSA School Bonds	State Literary Bonds	Total (3)	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2009	$ 14,560,238	$ 80,954,308	$ 120,748,501	$ 4,524,181	$ 220,787,228	2.10%	$2,413
2010	12,645,130	78,700,454	115,035,423	4,064,860	210,445,867	2.07	2,281
2011	10,655,022	76,376,966	107,150,919	3,617,042	197,799,949	2.01	2,138
2012	8,584,914	73,969,030	109,290,686	3,169,225	195,013,855	2.08	2,104
2013	6,416,798	71,455,422	100,944,620	2,721,409	181,538,249	2.00	1,947
2014	6,150,390	79,182,582	92,638,652	2,273,592	180,245,216	1.97	1,944
2015	5,332,236	76,949,408	104,311,123	1,825,775	188,418,542	1.94	2,014
2016	4,497,704	81,150,705	95,149,806	-	180,798,215	1.83	1,928
2017	3,640,935	78,183,655	86,485,636	-	168,310,226	1.66	1,792
2018	2,765,175	77,970,000	72,194,043	-	152,929,218	1.49	1,632

Source: Roanoke County Finance Office

Notes:

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

(2) Population from Table 13 Demographic Statistics

(3) Amounts starting in Fiscal Year 17-18 do not include premiums.

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

Table 12
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General bonded debt outstanding										
General Obligation Bonds	$ 14,560,238	$ 12,645,130	$ 10,655,022	$ 8,584,914	$ 6,416,798	$ 6,150,390	$ 5,332,236	$ 4,497,704	$ 3,640,935	$ 2,765,175
Lease Revenue Bonds	80,954,308	78,700,454	76,376,966	73,969,030	71,455,422	79,182,582	76,949,408	81,150,705	78,183,655	77,970,000
VPSA School Bonds	120,748,501	115,035,423	107,150,919	109,290,686	100,944,620	92,638,652	104,311,123	95,149,806	86,485,636	72,194,043
State Literary Bonds	4,524,181	4,064,860	3,617,042	3,169,225	2,721,409	2,273,592	1,825,775	-	-	-
Total net debt applicable to debt limits	$ 220,787,228	$ 210,445,867	$ 197,799,949	$ 195,013,855	$ 181,538,249	$ 180,245,216	$ 188,418,542	$ 180,798,215	$ 168,310,226	$ 152,929,218
Ratio of net debt to assessed taxable property value										
Actual	2.48%	2.33%	2.18%	2.16%	2.04%	2.01%	2.06%	1.95%	1.78%	1.58%
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	$2,413	$2,281	$2,138	$2,104	$1,947	$1,944	$2,014	$1,928	$1,792	$1,632
Debt limit per policy	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500
Ratio of net debt to general fund governmental expenditures										
Actual	7.30%	7.79%	8.51%	8.29%	8.51%	7.20%	7.14%	7.57%	6.78%	6.57%
Debt limit per policy	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

Source: Roanoke County Finance Office

Table 13
Unaudited

County of Roanoke, Virginia
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Average Daily Membership	Unemployment Rate
	(1)	(2)	(2)	(3)	(4)
2009	91,494	$4,561,791	$39,315	14,650	4.60%
2010	92,253	4,672,291	39,315	14,474	6.30
2011	92,524	4,789,030	40,688	14,259	5.70
2012	92,687	4,984,547	42,288	14,081	5.60
2013	93,256	5,159,100	42,288	13,958	5.50
2014	92,703	5,435,865	45,577	13,929	5.20
2015	93,569	5,758,037	48,047	13,909	4.50
2016	93,775	5,785,780	48,384	13,982	3.50
2017	93,924	5,785,780	48,384	13,830	3.60
2018	93,735	5,785,780	48,384	13,779	3.10

Sources:

(1) Weldon Cooper Center for Public Service, Demographics Research Group, www.coopercenter.org/demographics

(2) Personal Income & Per Capita Personal Income from the Bureau of Economic Analysis. Latest information available is for 2016. The figures for 2017 and 2018 have not been updated.

(3) Roanoke County Public Schools' Administration Department

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

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

Table 14
Unaudited

	2018			2009		
Employer	**Rank**	**Ownership**	**Number of Employees**	**Rank**	**Ownership**	**Number of Employees**
Roanoke County Public Schools	1	Local Govt.	2,000+	1	Local Govt.	1,000+
Wells Fargo Operations Center (Wachovia division)	2	Private	2,000+	2	Private	1,000+
County of Roanoke	3	Local Govt.	1,000+	4	Local Govt.	1,000+
Kroger Limited Partnership	4	Private	500-999	5	Private	500-999
Friendship Manor	5	Private	500-999	6	Private	500-999
Richfield Recovery & Care Center	6	Private	500-999	-	-	-
Allstate Insurance Company	7	Private	500-999	3	Private	1,000+
ITT Exelis-Harris Corporation	8	Private	500-999	10	Private	250-499
Wal-mart	9	Private	250-499	7	Private	250-499
Integrity Windows, Inc.	10	Private	250-499	-	-	-
Courtland Health Care Center	-	-	-	8	Private	250-499
Hollins University	-	-	-	9	Private	250-499

Source: Roanoke County Economic Development Department

Roanoke County Public Schools
Student Enrollment
Last Ten Fiscal Years

Table 15
Unaudited

Fiscal Year	Average Daily Membership	Special Education Enrollment	English as a Second Language Enrollment	Per Pupil Cost
	(1)	(2)	(3)	(4)
2009	14,650	2,223	336	$9,882
2010	14,474	2,192	401	9,348
2011	14,259	2,152	407	9,521
2012	14,081	2,164	397	9,506
2013	13,958	2,181	381	9,627
2014	13,929	2,159	352	9,701
2015	13,909	2,167	331	9,832
2016	13,982	2,236	389	10,081
2017	13,830	2,276	393	10,394
2018	13,779	2,328	453	10,878

Sources:

(1) Roanoke County Public Schools' Administration Department

(2) Roanoke County Public Schools' Special Education Department

(3) Roanoke County Public Schools' Instructional Department

(4) Superintendent's Annual Report Table 15. For fiscal year 2018, the per pupil cost was estimated from the Annual School Report and is not considered final until the Virginia Department of Education officially publishes the Table 15.

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

Table 16
Unaudited

Grade	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Kindergarten	17	19	18	20	20	19	19	19	18	19
1	17	19	20	21	20	20	20	19	19	18
2	18	20	20	20	21	20	20	20	20	20
3	18	19	20	21	21	21	21	20	20	20
4	18	20	21	22	21	21	21	20	20	20
5	19	20	21	22	22	21	21	21	22	20
6	20	23	23	23	23	23	23	21	21	23
7	21	23	23	23	23	23	23	21	21	23
8	21	23	23	23	23	23	23	20	20	21
9	21	22	22	22	22	22	23	20	20	21
10	21	22	22	22	22	22	23	20	20	20
11	21	22	22	22	22	22	23	21	21	19
12	21	22	22	22	22	22	23	21	21	18

Source: Roanoke County Public Schools' Human Resources Department

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

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

Table 17
Unaudited

Level	2009		2010		2011		2012		2013		2014		2015		2016		2017		2018	
Course	**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	90	86	87	83	94	83	95	86	78	72	72	69	83	75	81	76	84	75	82	72
Grade 3 Mathematics	94	89	96	92	96	91	73	64	73	65	71	67	81	74	81	77	85	75	82	73
Grade 3 History	95	93	97	93	91	90	90	87	90	87	86	86	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 3 Science	92	89	95	91	96	85	94	90	87	84	85	83	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 4 VA Studies	94	88	92	87	94	87	95	89	93	87	90	85	93	87	92	87	93	87	89	85
Grade 4 Reading	91	89	94	88	93	89	94	88	81	70	79	70	84	77	85	77	85	79	85	76
Grade 4 Mathematics	92	86	93	88	93	87	83	70	84	74	87	80	89	84	88	83	89	81	86	79
Grade 5 English RLR	91	92	93	90	94	89	93	89	86	73	84	73	85	79	85	81	87	81	86	80
Grade 5 English Writing	96	86	90	88	90	87	92	87	79	71	75	71	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 5 Mathematics	97	90	95	90	95	89	80	67	82	69	85	73	86	79	86	79	85	79	85	77
Grade 5 Science	95	88	95	88	93	87	95	88	85	75	86	73	88	79	89	81	89	79	87	79
Grade 6 Reading	91	86	93	88	94	87	95	89	83	73	83	73	87	76	83	77	84	78	86	80
Grade 6 Mathematics	72	73	77	77	85	73	89	74	91	77	91	76	94	83	92	82	93	82	90	79
Grade 6 U S History to 1865	81	74	83	78	91	81	89	81	91	83	94	81	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 7 Reading	94	88	91	90	94	89	94	88	83	74	86	76	92	81	90	82	87	82	86	81
Grade 7 Mathematics	78	71	81	75	89	77	86	58	86	61	87	65	92	72	93	72	87	71	85	69
Grade 7 U S History 1865 to present	94	92	91	91	89	85	88	84	89	82	90	81	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Grade 8 English RLR	92	87	93	90	94	90	95	89	84	71	80	70	85	75	87	75	83	76	81	77
Grade 8 English Writing	92	89	92	91	90	88	92	88	78	70	77	70	79	72	78	71	80	73	73	73
Grade 8 Mathematics	93	85	93	87	89	82	74	60	76	61	80	67	85	74	81	73	81	74	80	71
Grade 8 Civics	92	84	92	86	91	89	91	84	93	85	91	83	91	86	92	87	93	87	89	86
Grade 8 Science	94	90	96	92	95	92	97	92	92	76	81	74	85	78	86	79	87	79	82	78
Secondary SOL's:																				
End of Course English RLR	97	95	95	94	96	94	95	94	95	89	94	90	95	89	92	89	92	87	89	87
End of Course English Writing	98	92	95	92	97	93	96	93	90	87	91	84	87	83	88	83	90	84	93	84
Algebra I	97	94	98	94	97	94	86	73	88	76	91	79	89	82	91	83	92	82	91	81
Algebra II	94	91	96	91	97	91	68	69	83	76	88	82	86	87	94	89	94	90	90	89
Geometry	95	87	92	88	92	87	83	74	89	76	90	77	90	80	89	80	85	78	87	77
Earth Science	94	87	94	88	94	89	94	90	93	83	93	83	90	83	89	84	90	82	89	81
Biology	92	88	94	89	93	90	96	92	91	83	89	83	89	84	90	84	85	82	88	82
Chemistry	95	93	95	93	97	93	96	93	87	86	85	87	89	88	87	88	90	89	86	89
World History to 1500	92	93	98	93	94	81	98	84	98	84	98	85	97	85	96	84	98	85	99	82
World History from 1500	98	93	95	92	85	82	88	85	92	85	89	86	94	87	89	86	91	87	92	84
World Geography	91	86	87	86	n/a	n/a	n/a	n/a	91	86	88	n/a	n/a	n/a	85	86	87	83	86	82
US & VA History	97	95	96	95	92	83	88	85	93	86	92	87	90	87	89	86	89	86	87	84

Source: Roanoke County Pubic Schools' Testing and Remediation Department

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

Table 18
Unaudited

Fiscal Year	Participation Rate	Roanoke County Public Schools				Virginia	National	Maximum
		Reading	Writing	Math	Combined			
2009	60%	515	504	517	1,536	1,521	1,509	2,400
2010	50	515	507	525	1,547	1,521	1,509	2,400
2011	44	518	516	523	1,557	1,521	1,509	2,400
2012	42	522	505	525	1,552	1,510	1,477	2,400
2013	59	526	511	522	1,559	1,517	1,474	2,400
2014	62	519	497	511	1,527	1,520	1,472	2,400
2015	61	510	482	508	1,500	1,520	1,400	2,400
2016	62	525	472	526	1,523	1,522	1,453	2,400
2017 **(1)**	55	564	n/a	558	1,122	1,101	1,071	1,600
2018	65	558	n/a	553	1,111	1,110	1,049	1,600

Source: Roanoke County Public Schools' Counseling Services Office

Note:
(1) Effective 2017, reading and writing were combined into one portion of the exam and the maximum reduced from 2,400 to 1,600 points.

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

Table 19
Unaudited

Positions	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	3.0	2.7	2.7	2.7	2.7	1.7	2.1	2.0	2.0	2.0
Administrator	31.3	20.5	16.8	19.2	12.8	14.0	14.5	15.7	15.2	15.0
Principal	29.0	29.0	27.0	27.0	27.3	27.0	26.8	26.9	27.2	27.0
Assistant Principal	28.5	28.0	26.9	26.0	25.3	24.9	24.8	24.2	26.1	22.6
Teacher	1,201.7	1,153.6	1,096.9	1,113.0	1,101.7	1,100.0	1,111.8	1,119.1	1,116.7	1,146.6
Guidance Counselor	59.9	43.4	42.9	47.0	47.7	47.8	47.7	47.7	47.8	45.7
Librarian	25.0	26.3	28.0	26.0	24.2	25.9	25.7	24.8	25.0	24.8
Social Worker	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.9	4.0
Instructional Assistant	310.8	288.5	299.4	293.7	288.4	282.4	286.2	298.0	291.5	308.4
Secretary	75.5	75.5	69.9	71.4	68.6	69.0	69.8	70.9	72.7	71.8
School Nurse	27.8	26.0	25.9	23.0	24.7	24.3	26.2	27.7	27.3	26.1
School Psychologist	9.0	9.0	9.0	9.0	9.0	8.9	8.9	9.0	9.0	8.9
Other Attendance & Health	19.5	18.9	6.3	9.7	7.3	8.0	7.8	7.8	7.2	7.3
Bus Driver	176.5	170.9	170.8	175.7	174.3	167.3	182.8	191.1	178.3	197.5
Other Transportation	18.3	18.2	16.6	16.1	15.8	16.4	16.3	17.2	16.4	17.1
Custodian	118.3	127.1	114.1	113.3	113.0	102.9	83.8	67.1	51.1	53.2
Tradesman	35.5	31.8	30.2	29.7	29.7	28.0	29.1	27.7	25.8	27.6
Other Maintenance	6.9	5.3	4.0	4.0	4.0	4.0	3.8	4.0	3.0	2.3
Construction	6.4	5.2	4.0	4.4	4.0	4.3	4.4	3.9	2.4	2.3
Technology	50.0	47.0	40.9	37.6	37.3	36.4	36.2	34.1	37.0	37.2
School Nutrition	145.2	136.8	128.7	126.0	120.0	117.5	110.7	110.1	93.9	128.3
Total	2,388.1	2,273.7	2,171.0	2,184.5	2,147.8	2,120.7	2,129.4	2,139.0	2,085.5	2,181.7

Source: Annual School Report

Roanoke County Public Schools
Teacher Salary Information
Last Ten Fiscal Years

Table 20
Unaudited

Degree	Level	2009	2010	2011	2012	2013 (1)	2014	2015	2016	2017 (2)	2018
Bachelors	Min	$35,000	$35,000	$35,000	$35,700	$36,000	$36,000	$36,000	$36,000	$38,585	$38,585
	Max	57,125	57,125	57,125	58,268	63,366	63,366	64,633	64,885	59,420	59,420
Bachelors + 12 hrs	Min	35,321	35,321	35,321	36,021	36,321	36,321	36,321	36,321	39,185	39,185
	Max	57,580	57,580	57,580	58,723	63,821	63,821	65,088	65,340	60,020	60,020
Bachelors + 24 hrs	Min	35,482	35,482	35,482	36,182	36,482	36,482	36,482	36,482	39,785	39,785
	Max	57,808	57,808	57,808	58,951	64,049	64,049	65,316	65,568	60,620	60,620
Masters	Min	36,605	36,605	36,605	37,305	37,605	37,605	37,605	37,605	40,985	40,985
	Max	59,400	59,400	59,400	60,543	65,641	65,641	66,908	67,160	61,820	61,820
Masters + 12 hrs	Min	36,766	36,766	36,766	37,466	37,766	37,766	37,766	37,766	N/A	N/A
	Max	59,628	59,628	59,628	60,771	65,869	65,869	67,136	67,388	N/A	N/A
Masters + 24 hrs	Min	36,926	36,926	36,926	37,626	37,926	37,926	37,926	37,926	N/A	N/A
	Max	59,855	59,855	59,855	60,998	66,096	66,096	67,363	67,615	N/A	N/A
Doctorate	Min	38,210	38,210	38,210	38,910	39,210	39,210	39,210	39,210	42,585	42,585
	Max	61,675	61,675	61,675	62,818	67,916	67,916	69,183	69,435	63,420	63,420
Average Annual Salary Increase		5.00%	0.00%	0.00%	2.00%	3.00%	0.00%	2.00%	2.50%	2.00%	1.50%
Average Salary		$49,221	$48,656	$48,712	$48,267	$50,886	$49,968	$49,719	$49,967	$51,942	$51,397
Virginia Average Salary		$52,309	$52,149	$51,903	$52,003	$52,561	$53,466	$54,516	$55,553	$56,148	$56,861

Source: Annual Budget and Salary Scales

Note:

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

(2) In fiscal year 2017, Roanoke County Public Schools adopted a revised Comprehensive Pay Plan based on the recommendation of Evergreen Solutions, LLC, who performed an independent study to identify and eliminate internal and external inequities within the previous Unified Pay Plan. The salary increase of 2.00% was a base cost of living adjustment for all employees. In addition, $4.77 million was allocated based on recommendations from Evergreen Solutions, LLC to address identified internal and external inequities in salaries.

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

Table 21
Unaudited

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction	$ 103,689,529	$ 94,148,008	$ 92,094,364	$ 93,314,768	$ 96,391,360	$ 97,531,990	$ 99,642,723	$ 99,646,993	$ 105,206,154	108,104,845
	76.1%	75.5%	74.2%	74.2%	74.5%	74.2%	75.0%	73.1%	75.1%	74.6%
Administration	3,000,153	2,852,598	2,269,955	2,472,105	2,368,952	2,459,588	2,645,348	2,795,734	2,955,752	3,047,674
	2.2%	2.3%	1.8%	2.0%	1.8%	1.9%	2.0%	2.1%	2.1%	2.1%
Attendance and health	2,670,042	2,716,220	2,207,280	2,181,587	2,018,980	1,948,458	2,085,647	2,172,278	2,254,534	2,395,337
	2.0%	2.2%	1.8%	1.7%	1.6%	1.5%	1.6%	1.6%	1.6%	1.7%
Transportation	5,300,869	5,314,350	7,054,463	6,668,232	6,405,023	6,522,524	5,304,357	6,896,242	5,542,849	6,965,079
	3.9%	4.3%	5.7%	5.3%	4.9%	5.0%	4.0%	5.1%	4.0%	4.8%
Operations and maintenance	12,125,394	11,591,085	10,868,321	11,335,888	11,975,025	11,641,249	11,221,460	11,116,417	11,227,063	11,560,625
	8.9%	9.3%	8.8%	9.0%	9.3%	8.9%	8.4%	8.2%	8.0%	8.0%
Technology	4,012,055	3,359,628	3,059,017	2,944,589	3,078,205	3,896,061	4,162,379	5,786,781	5,831,202	6,348,558
	2.9%	2.7%	2.5%	2.3%	2.4%	3.0%	3.1%	4.2%	4.2%	4.4%
School nutrition	-	-	-	-	-	-	-	-	-	2,440
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital lease debt service	412,506	448,136	460,435	473,103	447,978	461,418	475,260	489,517	504,203	-
	0.3%	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%	0.4%	0.4%	0.0%
Facilities	340,810	292,422	-	-	-	-	-	-	159,889	165,145
	0.3%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Debt service	4,729,369	4,029,369	6,125,345	6,450,345	6,725,345	7,025,343	7,325,344	7,325,340	6,325,345	6,325,345
	3.7%	3.3%	4.8%	5.1%	5.2%	5.1%	5.5%	5.3%	4.6%	4.4%
Total expenditures	$ 136,280,727	$ 124,751,816	$ 124,139,180	$ 125,840,617	$ 129,410,868	$ 131,486,631	$ 132,862,518	$ 136,229,302	$ 140,006,991	$ 144,915,048

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

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

Table 22
Unaudited

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction	$ 7,078	$ 6,505	$ 6,459	$ 6,627	$ 6,906	$ 7,002	$ 7,164	$ 7,127	$ 7,607	$ 7,846
	76.1%	75.5%	74.2%	74.2%	74.5%	74.2%	75.0%	73.1%	75.1%	74.6%
Administration	205	197	159	176	170	177	190	200	214	221
	2.2%	2.3%	1.8%	2.0%	1.8%	1.9%	2.0%	2.1%	2.1%	2.1%
Attendance and health	182	188	155	155	145	140	150	155	163	174
	2.0%	2.2%	1.8%	1.7%	1.6%	1.5%	1.6%	1.6%	1.6%	1.7%
Transportation	362	367	495	474	459	468	381	493	401	505
	3.9%	4.3%	5.7%	5.3%	4.9%	5.0%	4.0%	5.1%	4.0%	4.8%
Operations and maintenance	828	801	762	805	858	836	807	795	812	839
	8.9%	9.3%	8.8%	9.0%	9.3%	8.9%	8.4%	8.2%	8.0%	8.0%
Technology	274	232	215	209	221	280	299	414	422	461
	2.9%	2.7%	2.5%	2.3%	2.4%	3.0%	3.1%	4.2%	4.2%	4.4%
School nutrition	-	-	-	-	-	-	-	-	-	-
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital lease debt service	28	31	32	34	32	33	34	35	36	-
	0.3%	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%	0.4%	0.4%	0.0%
Facilities	23	20	-	-	-	-	-	-	12	12
	0.3%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Debt service	322	278	429	457	480	504	527	524	456	459
	3.7%	3.3%	4.8%	5.1%	5.2%	5.1%	5.5%	5.3%	4.6%	4.4%
Total expenditures	$ 9,302	$ 8,619	$ 8,706	$ 8,937	$ 9,271	$ 9,440	$ 9,552	$ 9,743	$ 10,123	$ 10,517
March 31 ADM	14,650	14,474	14,259	14,081	13,958	13,929	13,909	13,982	13,830	13,779

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

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

Roanoke County Public Schools
Nutrition Program
Last Ten Fiscal Years

Table 23
Unaudited

Fiscal Year	Lunch				Breakfast			Free and Reduced Eligibility
	Number Served Daily	Student Lunch Price			Number Served Daily	Number Breakfast Sites	Student Breakfast Price	
		Elementary School	Middle School	High School				
2009	7,449	$2.00	$2.00	$2.00	1,106	17	$1.00	20.0%
2010	7,517	2.00	2.00	2.00	1,229	19	1.00	21.0
2011	7,477	2.00	2.00	2.00	1,367	19	1.00	23.8
2012	7,086	2.05	2.05	2.05	1,592	22	1.00	25.2
2013	6,345	2.15	2.15	2.15	1,582	24	1.00	25.7
2014	6,395	2.25	2.25	2.25	1,603	24	1.10	26.7
2015	6,195	2.35	2.35	2.35	1,722	26	1.15	28.9
2016	6,035	2.35	2.60	2.60	1,888	26	1.25	27.3
2017	5,575	2.45	2.70	2.70	2,013	26	1.25	27.3
2018	5,841	2.55	2.70	2.70	2,252	26	1.35	30.5

Source: Roanoke County Public Schools' Nutrition Office

Roanoke County Public Schools
Capital Asset Statistics
Last Ten Fiscal Years

Table 24
Unaudited

School / Statistic	2009	2010	2011	2012	2013	2014	2015	2016 (1)	2017	2018
Back Creek Elementary (1937)										
Square feet	49,959	49,959	49,959	49,959	49,959	49,959	49,959	49,959	49,959	49,959
Capacity (student)	386	386	386	386	386	386	386	349	349	349
Enrollment	285	298	318	303	318	287	303	325	289	295
Bonsack Elementary (1998)										
Square feet	70,317	70,317	70,317	70,317	70,317	70,317	70,317	70,317	70,317	70,317
Capacity (student)	572	572	572	572	572	572	572	428	428	428
Enrollment	440	447	447	418	418	392	399	389	374	346
Burlington Elementary (1939)										
Square feet	65,699	65,699	65,699	76,324	76,324	76,324	76,324	76,324	76,324	76,324
Capacity (student)	473	473	473	473	473	473	473	525	525	525
Enrollment	445	459	445	422	420	420	427	455	413	424
Cave Spring Elementary (1961)										
Square feet	50,125	50,125	65,711	65,711	65,711	65,711	65,711	65,711	65,711	65,711
Capacity (student)	537	537	600	600	600	600	600	501	501	501
Enrollment	441	445	435	472	459	452	466	494	473	473
Clearbrook Elementary (1938)										
Square feet	44,020	44,020	44,020	44,020	44,020	44,020	44,020	44,020	44,020	44,020
Capacity (student)	294	294	294	294	294	294	294	354	354	354
Enrollment	246	230	232	272	297	319	334	359	326	338
Fort Lewis Elementary (1928)										
Square feet	33,913	33,913	33,913	33,913	33,913	33,913	33,913	33,913	33,913	33,913
Capacity (student)	235	235	235	235	235	235	235	252	252	252
Enrollment	233	234	233	223	229	220	221	241	224	241

(Continued)

Roanoke County Public Schools
Capital Asset Statistics
Last Ten Fiscal Years

Table 24
Unaudited

School / Statistic	2009	2010	2011	2012	2013	2014	2015	2016 (1)	2017	2018
Glen Cove Elementary (1971)										
Square feet	61,612	61,612	61,612	61,612	61,612	61,612	61,612	61,612	61,612	61,612
Capacity (student)	516	516	516	516	516	516	516	470	470	470
Enrollment	443	443	434	423	430	443	429	446	446	458
Glenvar Elementary (1959)										
Square feet	58,130	58,130	58,130	58,130	58,130	58,130	58,130	58,130	58,130	58,130
Capacity (student)	446	446	446	446	446	446	446	420	420	420
Enrollment	358	354	355	365	351	363	359	403	357	359
Green Valley Elementary (1964)										
Square feet	53,360	53,360	70,376	70,376	70,376	70,376	70,376	70,376	70,376	70,376
Capacity (student)	387	387	600	600	600	600	600	517	517	517
Enrollment	370	359	347	383	409	418	458	518	497	513
Herman L. Horn Elementary (1961)										
Square feet	66,065	66,065	66,065	66,065	66,065	66,065	66,065	66,065	66,065	66,065
Capacity (student)	552	552	552	552	552	552	552	501	501	501
Enrollment	413	413	400	396	398	386	378	426	388	365
Mason's Cove Elementary (2012)										
Square feet	38,253	38,253	38,253	52,108	52,108	52,108	52,108	52,108	52,108	52,108
Capacity (student)	279	279	279	350	350	350	350	270	270	270
Enrollment	186	192	190	197	205	197	226	234	184	176
Mount Pleasant Elementary (1934)										
Square feet	51,828	51,828	64,073	64,073	64,073	64,073	64,073	64,073	64,073	64,073
Capacity (student)	403	403	403	403	403	403	403	412	412	412
Enrollment	317	317	317	330	307	323	326	344	295	295

(Continued)

Roanoke County Public Schools
Capital Asset Statistics
Last Ten Fiscal Years

Table 24
Unaudited

School / Statistic	2009	2010	2011	2012	2013	2014	2015	2016 (1)	2017	2018
Mountain View Elementary (1959)										
Square feet	69,734	69,734	69,734	69,734	69,734	69,734	69,734	69,734	69,734	69,734
Capacity (student)	584	584	584	584	584	584	584	483	483	483
Enrollment	451	449	462	444	430	389	379	376	349	344
Oak Grove Elementary (1959)										
Square feet	74,037	74,037	74,037	74,037	74,037	74,037	74,037	74,037	74,037	74,037
Capacity (student)	564	564	564	564	564	564	564	467	467	467
Enrollment	538	536	540	479	446	434	423	458	418	392
Penn Forest Elementary (1972)										
Square feet	66,375	66,375	66,375	66,375	66,375	66,375	66,375	66,375	66,375	66,375
Capacity (student)	516	516	516	516	516	516	516	504	504	504
Enrollment	564	567	544	472	463	456	449	462	447	456
W.E. Cundiff Elementary (1972)										
Square feet	61,747	61,747	61,747	61,747	61,747	61,747	61,747	61,747	61,747	61,747
Capacity (student)	512	512	512	512	512	512	512	585	585	585
Enrollment	472	479	484	456	455	497	515	533	516	492
Cave Spring Middle (2013)										
Square feet	85,130	85,130	85,130	85,130	132,265	132,265	132,265	132,265	132,265	132,265
Capacity (student)	675	675	675	675	900	900	900	952	952	952
Enrollment	607	603	631	671	716	728	746	775	754	760
Glenvar Middle (1996)										
Square feet	101,595	101,595	101,595	101,595	101,595	101,595	101,595	101,595	101,595	101,595
Capacity (student)	606	606	606	606	606	606	606	619	619	619
Enrollment	405	414	428	409	402	403	431	442	440	434

(Continued)

Roanoke County Public Schools
Capital Asset Statistics
Last Ten Fiscal Years

Table 24
Unaudited

School / Statistic	2009	2010	2011	2012	2013	2014	2015	2016 (1)	2017	2018
Hidden Valley Middle (1972)										
Square feet	120,454	120,454	120,454	120,454	120,454	120,454	120,454	120,454	120,454	120,454
Capacity (student)	938	938	938	938	938	938	938	952	952	952
Enrollment	758	762	769	768	653	653	597	601	576	592
Northside Middle (1970)										
Square feet	163,527	163,527	163,527	163,527	163,527	163,527	163,527	163,527	163,527	163,527
Capacity (student)	806	806	806	806	806	806	806	993	993	993
Enrollment	688	696	694	719	750	745	721	681	653	662
William Byrd Middle (1988)										
Square feet	153,412	153,412	153,412	153,412	153,412	153,412	153,412	153,412	153,412	153,412
Capacity (student)	887	887	887	887	887	887	887	938	938	938
Enrollment	910	908	883	922	856	821	801	797	806	832
Cave Spring High (1968)										
Square feet	156,756	156,756	156,756	156,756	156,756	156,756	156,756	156,756	156,756	156,756
Capacity (student)	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,190	1,190	1,190
Enrollment	863	837	823	856	887	947	983	1,012	1,032	1,013
Glenvar High (2016)										
Square feet	120,914	120,914	120,914	120,914	120,914	120,914	120,914	148,987	148,987	148,987
Capacity (student)	675	675	675	675	675	675	675	650	650	755
Enrollment	659	661	610	592	568	557	549	554	548	584
Hidden Valley High (2002)										
Square feet	201,020	201,020	201,020	201,020	201,020	201,020	201,020	201,020	201,020	201,020
Capacity (student)	972	972	972	972	972	972	972	1,251	1,251	1,251
Enrollment	1,164	1,154	1,095	1,060	999	1,014	1,007	949	901	876

(Continued)

Roanoke County Public Schools
Capital Asset Statistics
Last Ten Fiscal Years

Table 24
Unaudited

School / Statistic	2009	2010	2011	2012	2013	2014	2015	2016 (1)	2017	2018
Northside High (1961)										
Square feet	160,636	160,636	160,636	160,636	160,636	160,636	160,636	160,636	160,636	160,636
Capacity (student)	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,217	1,217	1,217
Enrollment	1,016	1,019	991	989	993	967	1,004	1,022	990	990
William Byrd High (1969)										
Square feet	149,279	149,279	186,923	186,923	186,923	186,923	186,923	186,923	186,923	186,923
Capacity (student)	950	950	1,400	1,400	1,400	1,400	1,400	1,107	1,107	1,107
Enrollment	1,177	1,158	1,157	1,100	1,158	1,142	1,131	1,133	1,061	1,043
Burton Center for Arts and Technology (1962)										
Square feet	86,995	86,995	86,995	86,995	86,995	86,995	86,995	86,995	86,995	86,995
Administration Building (1972)										
Square feet	52,373	52,373	52,373	52,373	52,373	52,373	52,373	52,373	52,373	52,373
Warehouse (2006)										
Square feet	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Maintenance (1967)										
Square feet	15,808	15,808	18,308	18,308	18,308	18,308	18,308	18,308	18,308	18,308
Bus Garage (1946)										
Square feet	17,074	17,074	17,074	17,074	17,074	17,074	17,074	17,074	17,074	17,074

Sources: Roanoke County Public Schools' Facilities and Operations Department and Administration Department

Notes:

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

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

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

(1) In fiscal year 2016, the student capacity was updated from an independent facility study conducted by Perkins & Will. The Glenvar High School student capacity was updated after the completion of construction with information provided by the Roanoke County Public Schools' Facilities and Operations Department.


ROANOKE COUNTY PUBLIC SCHOOLS
Accent Excellence

Compliance Section




Learning Culture
Balance
School Climate
Support Services
Professional Growth
Citizenship
Communication
Collaboration
Critical Thinking
Creativity
DEEPER LEARNING

Cherry Bekaert LLP
CPAs & Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Roanoke County Public Schools (the "School System"), a component unit of Roanoke County, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, and have issued our report thereon dated November 30, 2018. Our report recognizes that the School System implemented one new accounting standard effective July 1, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Richmond, Virginia
November 30, 2018

Roanoke County Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Number	Pass-Through Number	Subtotals	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE				
School Breakfast Program	10.553	201717N109941	$ 76,284	
School Breakfast Program	10.553	201817N109941	8,692	
School Breakfast Program	10.553	201818N109941	462,094	$ 547,070
National School Lunch Program - Commodities	10.555		315,047	
National School Lunch Program	10.555	201717N109941	286,832	
National School Lunch Program	10.555	201817N109941	17,362	
National School Lunch Program	10.555	201817N109941	1,522,211	2,141,452
Summer Food Service Program for Children	10.559	201818N109941	9,700	9,700
Child Nutrition Cluster				**2,688,522**
State Administrative Expenses for Child Nutrition	10.560	201717N253341	350	350
* Schools and Roads - Grants to States	10.665		1,987	1,987
Forest Service Schools and Roads Cluster				**1,987**
DEPARTMENT OF DEFENSE				
* Selected Reserve Educational Assistance Program (ROTC)	12.609		61,165	61,165
ENVIRONMENTAL PROTECTION AGENCY				
* National Clean Diesel Emissions Reduction Program	66.039		180,000	180,000
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Centers for Medicare and Medicaid Services				
* Medical Assistance Program-Medicaid Reimbursements	93.778		179,765	
* Medical Assistance Program-Medicaid Admin Claiming	93.778		72,463	
* Medical Assistance Program-Medicaid Cost Report	93.778		$ 341,819	594,047
Medicaid Cluster				**$ 594,047**

* Direct aid for public education

(Continued)

See accompanying notes to schedule of expenditures of federal awards.
See accompanying independent auditors' report.

Roanoke County Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program	Federal Number	Pass-Through Number	Subtotals	Total Federal Expenditures
DEPARTMENT OF EDUCATION				
ESEA - Title I Part A - Improving Basic Programs				
2015 Title I - Local Education Agency	84.010	S010A150046	$ 696	
2016 Title I - Local Education Agency	84.010	S010A160046	431,510	
2017 Title I - Local Education Agency	84.010	S010A170046	1,072,802	$ 1,505,008
IDEA - Part B Section 611 - Special Education				
2015 Instructional Support Tech Asst	84.027	H027A150107	15,000	
2016 Instructional Support Tech Asst	84.027	H027A160107	10,000	
2016 IDEA 611 Flow-through	84.027	H027A160107	123,897	
2017 IDEA 611 Flow-through	84.027	H027A170107	2,924,600	3,073,497
IDEA - Part B Section 619 - Special Education Preschool				
2017 Preschool Handicapped Allocations	84.173	H173A170112	87,342	87,342
Special Education Cluster (IDEA)				**3,160,839**
Perkins Career and Technical Education Act of 2006, Federal - Title I				
2015 Perkins Secondary Programs Reserve	84.048	V048A150046	3,048	
2017 Perkins CTE Secondary Programs	84.048	V048A170046	141,516	144,564
ESEA - Title III Part A - Limited English Proficient				
2015 Language Acquisition State Grants	84.365	S365A150046	2,210	
2016 Language Acquisition State Grants	84.365	S365A160046	7,147	
2017 Language Acquisition State Grants	84.365	S365A170046	18,549	27,906
ESEA - Title II Part A - Supporting Effective Instruction				
2015 Title II - Part A	84.367	S367A150044	1,523	
2016 Title II - Part A	84.367	S367A160044	165,730	
2017 Title II - Part A	84.367	S367A170044	165,283	332,536
ESEA - Title IV - Student Support and Academic Enrichment				
2017 Title IV Part A LEA	84.424	S424A170048	27,046	27,046
Total Federal Expenditures			**$ 8,733,670**	**$ 8,733,670**

See accompanying notes to schedule of expenditures of federal awards.
See accompanying independent auditors' report.

Roanoke County Public Schools
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

1. Basis of Accounting

Federal Programs are accounted for on the modified accrual basis of accounting.

2. Reporting Entity

The Schedule of Expenditures of Federal Awards includes all grants awarded to Roanoke County Public Schools (School System).

3. In-Kind Contributions

The School System received commodities at the fair market value of $315,047 from the U.S. Department of Agriculture during fiscal year 2018. These in-kind contributions are included in the basic financial statements.

4. Indirect Costs

The School System has adopted the Department of Education methodology for calculating the Local Educational Agency indirect costs. The restricted rate is used each year to calculate indirect costs for Federal Programs. The 10% de minimis rate was not utilized.





Roanoke County Public Schools
Finance Department
5937 Cove Road
Roanoke, Virginia 24019

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 Director of Administration (Title IX Coordinator) at (540) 562-3900 ext. 10121 or the Director of Pupil Personnel Services (504 Coordinator) at (540) 562-3900 ext. 10181


ROANOKE COUNTY PUBLIC SCHOOLS
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