



City of Roanoke, Virginia

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year July 1, 2017 to June 30, 2018



DEPARTMENT OF FINANCE
215 Church Avenue, SW, Room 461
Roanoke, Virginia 24011
(540) 853-2821
www.roanokeva.gov

THIS PAGE INTENTIONALLY BLANK

TABLE OF CONTENTS

	<i>Page Number</i>
INTRODUCTORY SECTION (Unaudited)	
<i>Letter of Transmittal.....</i>	<i>1</i>
<i>Directory of Principal Officials.....</i>	<i>14</i>
<i>Certificate of Achievement for Excellence in Financial Reporting.....</i>	<i>15</i>
<i>Organizational Chart.....</i>	<i>16</i>
FINANCIAL SECTION	
<i>Report of Independent Auditor.....</i>	<i>21</i>
<i>Management's Discussion and Analysis (Required Supplementary Information) (Unaudited).....</i>	<i>23</i>
Basic Financial Statements	
Government-Wide Financial Statements	
<i>Exhibit A Statement of Net Position.....</i>	<i>37</i>
<i>Exhibit B Statement of Activities.....</i>	<i>38</i>
Fund Financial Statements	
Governmental Funds' Financial Statements	
<i>Exhibit C Balance Sheet.....</i>	<i>40</i>
<i>Exhibit D Reconciliation of the Balance Sheet to the Statement of Net Position</i>	<i>41</i>
<i>Exhibit E Statement of Revenues, Expenditures, and Changes in Fund Balances</i>	<i>42</i>
<i>Exhibit F Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....</i>	<i>43</i>
Proprietary Funds' Financial Statements	
<i>Exhibit G Statement of Net Position.....</i>	<i>44</i>
<i>Exhibit H Statement of Revenues, Expenses, and Changes in Fund Net Position</i>	<i>45</i>
<i>Exhibit I Statement of Cash Flows.....</i>	<i>46</i>
Fiduciary Fund Financial Statements	
<i>Exhibit J Statement of Fiduciary Net Position.....</i>	<i>48</i>
<i>Exhibit K Statement of Changes in Fiduciary Net Position.....</i>	<i>49</i>
<i>Notes to Basic Financial Statements.....</i>	<i>50</i>

TABLE OF CONTENTS

	<i>Page Number</i>
<i>Required Supplementary Information (Unaudited)</i>	
<i>Budgetary Comparison Schedule – General Fund</i>	<i>153</i>
<i>Infrastructure Assets Under Modified Approach.....</i>	<i>157</i>
<i>Schedule of City’s Pension Contributions – City Plan</i>	<i>158</i>
<i>Schedule of City’s Proportionate Share of Net Pension Liability - City Plan.....</i>	<i>159</i>
<i>Schedule of School Board Pension Contributions – City Plan</i>	<i>160</i>
<i>Schedule of School Board’s Proportionate Share of Net Pension Liability – City Plan</i>	<i>161</i>
<i>Schedule of City’s Pension Contributions – VRS.....</i>	<i>162</i>
<i>Schedule of School Board’s Pension Contributions – VRS – Nonprofessionals’ Plan.....</i>	<i>163</i>
<i>Schedule of Changes in City’s Net Pension Liability and Related Ratios – VRS</i>	<i>164</i>
<i>Schedule of School Board’s Pension Contributions – VRS – Teachers’ Retirement Plan</i>	<i>165</i>
<i>Schedule of School Board’s Proportionate Share of Net Pension Liability – Teachers’ Plan</i>	<i>166</i>
<i>Schedule of School Board’s Changes in Net Pension Asset and Related Ratios – VRS</i>	<i>167</i>
<i>Schedule of Investment Returns</i>	<i>168</i>
<i>Schedule of City’s OPEB Contributions – Employee’s Post Retirement Health Plan.....</i>	<i>169</i>
<i>Schedule of City’s OPEB Contributions – Line of Duty Benefits</i>	<i>170</i>
<i>Schedule of Changes in Net OPEB Liability and Related Ratios OPEB Trust – Employees’ Post Retirement Health Plan.....</i>	<i>171</i>
<i>Schedule of Changes in Net OPEB Liability and Related Ratios OPEB Trust – Line of Duty Act.....</i>	<i>172</i>
<i>Schedule of Changes in Net OPEB Liability and Related Ratios OPEB Trust – Health Insurance Credit.....</i>	<i>173</i>
<i>Schedule of City’s Proportionate Share of Net OPEB Liability – VRS Group Life Insurance</i>	<i>174</i>
<i>Schedule of City Contributions – VRS Group Life Insurance.....</i>	<i>175</i>
<i>Schedule of School Board Contributions – Group Life Insurance (Non-Professionals).....</i>	<i>176</i>
<i>Schedule of School Board Contributions – Group Life Insurance (Professionals).....</i>	<i>177</i>
<i>Schedule of School Board Contributions – General Employee Health Insurance Credit</i>	<i>178</i>
<i>Schedule of School Board Contributions – Teacher Health Insurance Credit.....</i>	<i>179</i>
<i>Schedule of School Board’s Proportionate Share of the Net VRS Health Insurance Credit Liability</i>	<i>180</i>
<i>Schedule of School Board’s Proportionate Share of the Net VRS Group Life Insurance Liability – Non-Professional Employees</i>	<i>181</i>
<i>Schedule of School Board’s Proportionate Share of the Net VRS Group Life Insurance Liability – Professional Employees</i>	<i>182</i>
<i>Note to Budgetary Comparison Schedule – General Fund.....</i>	<i>183</i>

TABLE OF CONTENTS

Supplementary Information

Combining and Individual Fund Financial Statements

<i>Exhibit L-1</i>	<i>Combining Statement of Net Position – Internal Service Funds</i>	<i>187</i>
<i>Exhibit L-2</i>	<i>Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds</i>	<i>188</i>
<i>Exhibit L-3</i>	<i>Combining Statement of Cash Flows – Internal Service Funds</i>	<i>189</i>
<i>Exhibit M-1</i>	<i>Statement of Fiduciary Assets and Liabilities – Fiduciary Funds</i>	<i>190</i>
<i>Exhibit M-2</i>	<i>Statement of Changes in Fiduciary Net Position – Fiduciary Funds</i>	<i>191</i>
<i>Exhibit N-1</i>	<i>Statement of Fiduciary Assets and Liabilities – Agency Fund.....</i>	<i>192</i>
<i>Exhibit N-2</i>	<i>Statement of Changes in Fiduciary Assets and Liabilities – Agency Fund.....</i>	<i>193</i>

Page Number

STATISTICAL SECTION (Unaudited)

<i>Table 1</i>	<i>Net Position by Component</i>	<i>197</i>
<i>Table 2</i>	<i>Changes in Net Position</i>	<i>198</i>
<i>Table 3</i>	<i>Governmental Activities' Tax Revenues by Source</i>	<i>200</i>
<i>Table 4</i>	<i>Fund Balances of Governmental Funds</i>	<i>201</i>
<i>Table 5</i>	<i>Changes in Fund Balances of Governmental Funds</i>	<i>202</i>
<i>Table 6</i>	<i>Local Tax Revenues by Source</i>	<i>204</i>
<i>Table 7</i>	<i>General Property Tax Levies and Collections.....</i>	<i>204</i>
<i>Table 8</i>	<i>Assessed and Estimated Actual Value of Taxable Property</i>	<i>205</i>
<i>Table 9</i>	<i>Property Tax Rates and Tax Levies</i>	<i>205</i>
<i>Table 10</i>	<i>Principal Property Taxpayers</i>	<i>206</i>
<i>Table 11</i>	<i>Taxable Retail Sales.....</i>	<i>206</i>
<i>Table 12</i>	<i>Ratio of General Bonded Debt to Total Estimated Actual Value and Bonded Debt Per Capita.....</i>	<i>207</i>
<i>Table 13</i>	<i>Ratios of Outstanding Debt by Type</i>	<i>208</i>
<i>Table 14</i>	<i>Legal Debt Margin Information</i>	<i>208</i>
<i>Table 15</i>	<i>Computation of Legal Debt Margin.....</i>	<i>209</i>
<i>Table 16</i>	<i>Ratio of Annual Debt Service Expenditures for General Long-Term Debt to Total General Expenditures.....</i>	<i>210</i>
<i>Table 17</i>	<i>Debt Service as a Percentage of Non-Capital Expenditures</i>	<i>211</i>
<i>Table 18</i>	<i>Demographic Statistics</i>	<i>211</i>
<i>Table 19</i>	<i>Construction Statistics</i>	<i>212</i>
<i>Table 20</i>	<i>Principal Employers</i>	<i>212</i>
<i>Table 21</i>	<i>Full-Time Equivalent City Government Employees by Function</i>	<i>213</i>
<i>Table 22</i>	<i>Operating Indicators by Function</i>	<i>214</i>
<i>Table 23</i>	<i>Capital Asset Statistics by Function</i>	<i>215</i>

TABLE OF CONTENTS

COMPLIANCE SECTION

<i>Schedule of Expenditures of Federal Awards.....</i>	<i>219</i>
<i>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.....</i>	<i>229</i>
<i>Report of Independent Auditor on Compliance for Each Major Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance</i>	<i>231</i>
<i>Schedule of Findings and Questioned Costs</i>	<i>233</i>

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY BLANK



CITY OF ROANOKE

OFFICE OF THE CITY MANAGER

215 Church Avenue, SW, Suite 364
Roanoke, VA 24011
(540) 853-2333

November 30, 2018

The Honorable Mayor, Members of the City Council and Citizens of Roanoke, Virginia:

We are pleased to present the City of Roanoke, Virginia (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018 in accordance with Section 25.1(f) of the Roanoke City Charter. The Charter requires the City to issue an annual report on its financial position and activity and that the financial statements included in the report be audited by an independent firm of certified public accountants. This report was prepared by the Department of Finance in conformity with generally accepted accounting principles in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and the financial statements included in the report were audited by Cherry Bekaert LLP.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. The data as presented is accurate in all material respects and is reported in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of the various funds and component units. Management of the City believes that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included. Management of the City is also responsible for establishing and maintaining an internal control framework to protect the City's assets from loss, provide objective assurance and consulting activity designed to add and improve the organizations operations.

The City engaged Cherry Bekaert LLP, licensed certified public accountants and advisors, to independently audit the City's financial statements. The goal of the audit is to provide reasonable assurance that the financial statements found herein are free from material misstatement. Tests of the City's internal control structure and of its compliance with applicable laws and regulations were conducted. However, even the most robust comprehensive framework of internal controls faces inherent limitations. Examples of such limitations include: 1) the cost of an internal control should not exceed the benefit received. Management must analyze the risk against the cost of preventing such risk, 2) control related policies and procedures that are established by management are also subject to being overridden by management, 3) collusion poses a limitation on internal controls when an employee, whose function is to check the work of another employee, chooses instead to work with the other employee(s) to circumvent a control. Because of the inherent limitations on internal controls, the objective is to provide a reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The auditor's review regarding the City's internal control structure and concomitant compliance is included in this report.

The CAFR is presented in the following three sections:

- (1) Introductory Section – This section is unaudited and includes this letter of transmittal, the City's Government Finance Officers Association of the United States and Canada (GFOA) *Certificate of Achievement for Excellence in Financial Reporting*, a list of the City's principal officials and an organizational chart.
- (2) Financial Section – This section includes the independent auditors' report on the basic financial statements, Management's Discussion and Analysis (MD&A), which is unaudited supplementary information required by GASB, basic financial statements, notes to the basic

financial statements, other unaudited required supplementary information, and combining fund financial statements.

- (3) Statistical Section – This section is unaudited and includes selected financial and demographic information, generally presented on a multi-year comparative basis.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

Roanoke, the largest city in the Commonwealth of Virginia (Commonwealth) west of Richmond, is located in Virginia's Blue Ridge Region, approximately 170 miles west of Richmond and 235 miles southwest of Washington, DC. Its position in the southeastern United States gives the City ready access, within a day's drive, to nearly one-half of the total population of the United States. In addition, the City lies at the region's crossroads of major rail and highway systems, making it the principal trade, industrial, transportation, medical and cultural center of western Virginia.

Chartered by the Commonwealth of Virginia as a city in 1884, Roanoke encompasses a land area of forty- three square miles and operates under a council-manager form of government. The City's 2018 estimated population is 99,908 and accounts for 31% of the population in its Metropolitan Statistical Area (MSA), which includes the neighboring City of Salem, Town of Vinton, and the Counties of Roanoke, Botetourt, Craig, and Franklin.

The primary government provides a full range of services including general government administration, public safety, public works, recreational activities, judicial administration, health and welfare activities, and community development activities. The City also owns and operates a civic center and several parking facilities including both garages and surface lots.

Annually, the City adopts a budget which provides the basis for financial planning and control, the purpose of which is to ensure compliance with the legal provisions established by the City Council approved, appropriated budget. The budget process begins with a strategic planning session with City Council in September of each year. Based on the planning session strategy, the City develops its annual budget using Budgeting for Outcomes, a process that supports established priorities whereby departments submit requests for appropriations in support of these priorities to priority teams. The priority teams review, rate and recommend funding of departmental requests for inclusion in the annual budget to the Budget Committee. The Budget Committee, which includes the City Manager, considers funding recommendations and ultimately balances the budget. The City Manager then presents the balanced budget as a recommendation to City Council in April for review and deliberation. It is the recommended budget that is presented at the public hearing. Pursuant to the public hearing, the Budget Committee incorporates Council and Public comments and requests as appropriate for further deliberation in May. Changes and amendments are incorporated into the final budget ordinance for adoption no later than May 15th of each year.

The financial reporting entity reflected in the CAFR is based on the fundamental concept that publicly elected officials are accountable to their constituents.

The City's reporting entity includes two discretely presented component units. A component unit is a legally separate entity for which the City is accountable. The City's discretely presented component units are presented in separate columns in the government-wide financial statements to emphasize that they are

legally separate from the primary government and to differentiate their financial position and results of operations from that of the primary government.

- The Greater Roanoke Transit Company (Transit Company) is responsible for managing Roanoke's mass transit system. It is overseen by a seven-member board appointed by City Council. The Board is comprised of two City Council members, two City employees, one regional customer, one representative of the physically challenged community, and one citizen of the community at large. The Transit Company is wholly owned by the City of Roanoke, and it receives significant financial support from the City.
- The School Board of the City of Roanoke (School Board) is comprised of seven members, appointed by City Council, to oversee operation of the City's school system. The school system receives significant financial support from the City.

Economic Condition and Outlook

Local Economy

The average unemployment in the Roanoke Metropolitan Statistical Area (MSA) for fiscal year 2018 was 3.5%, according to the Bureau of Labor Statistics, down from an average of 4.0% in the prior fiscal year. Comparatively, average unemployment in fiscal year 2018 was 3.4% for the Commonwealth down from 3.9%. Roanoke's economy is strengthened by the diversity of employment opportunities, with representation from every major type of business as defined by the U.S. Census Bureau.

Economic Development

The City is the center of a strong regional business environment, with a creative, diverse and growing sustainable economy. The City stimulates and supports economic development for the purpose of attracting new businesses and encouraging the retention and expansion of existing businesses. The strategy of the City's Economic Development Department continues to focus efforts on core initiatives: business retention, expansion, and attraction; asset development and redevelopment; asset promotion, marketing, awareness and building strong relationships with partners across the Roanoke region and the Commonwealth.

Every year the City's Economic Development Department updates its marketing materials to better publicize and create awareness of Roanoke's increasing assets and amenities. The BizRoanoke.com website was updated with the latest available sites and properties for development and included updates to our monthly newsletter, BizNews, the monthly TV show, BizRoanoke, and new videos to showcase our incredible amenities and community events. The Economic Development Facebook page continues to attract "friends" with weekly posts and our staff remains dedicated to serving every business in our growing business community. As a result of ongoing efforts, fiscal year 2017-2018 yielded multiple announcements from businesses in the industrial, food and beverage, healthcare, educational, residential housing sectors totaling over \$175 million in new investment and creating and retaining more than 850 jobs, many of which located in our downtown business district.

Significant projects that have taken place in the following sectors during fiscal year 2017 – 2018 include:

- Manufacturing
- Finance
- Education
- Health Care
- Retail and Development

Manufacturing

In the food and beverage sector, the City was successful in attracting Humm Kombucha to the Roanoke Centre for Industry & Technology with the Governor announcing in October 2017 that Humm would invest \$10 million and create up to 50 new jobs.

In November, the Governor returned to help announce the AEP expansion; relocating approximately 100 engineering positions from regional localities and adding 100 new engineers to the downtown AEP/APCo offices. Renovations to the existing building and adding a new two-level parking garage will result in an investment of over \$12 million. The addition of 200 jobs to downtown is welcome news and combined with the other announcements for downtown should have a meaningful impact to core downtown businesses and restaurants.

Finance

The Economic Development Department worked diligently with California based Encore Capital Group to successfully retain and expand their operations located in the City operating as Atlantic Credit and Finance (ACF). As a result of our efforts, the city retained the existing staff of ACF, approximately 250 jobs, and ACF agreed to add 115 new jobs. The local office was relocated to 111 Franklin Plaza in downtown Roanoke, and, with well over 360 new workers in the downtown corridor, our central business district is vibrant as ever.

Education

The education sector in the City of Roanoke is no doubt seeing one of its best years ever. Three game changing events took place this year;

1. In October, the groundbreaking took place on the new 105,000 SF expansion as an addition to the Virginia Tech-Carilion Research Institute. This \$68+ million investment will double the space research scientists need to evolve their life's work and will likely result in attracting many more research teams and staff to Roanoke in year to come. We estimate as many as 300 additional employees will find Roanoke as their new home.
2. Virginia Western Community College (VWCC) began their new STEM (Science, Technology, Engineering, Mathematics) building on Colonial Avenue. This \$30 million 72,000 SF facility puts VWCC on the cutting edge for providing students the skills they need to be successful and in a superb setting with the latest in technology.
3. Educational software leader, PowerSchool, was successfully recruited by the Economic Development Department this year. The City was able to retain the nearly 100 existing jobs created here from their predecessor company, Interactive Achievement. The Governor was again in Roanoke in early September announcing the retention of local jobs and the addition of

nearly 100 new jobs as PowerSchool, a California based company, expands. All jobs will be located in the former NS building at 110 Franklin Road. Yes, more jobs in downtown Roanoke!

Health Care

Healthcare and its related business, research and educational operations play a significant role in our current economy and will play an even larger role in our future economy. As such, the Economic Development Department, working directly with City Manager, Bob Cowell, redefined our Special Projects position adding the title Special Projects Coordinator – Innovation and Inclusion. This position and support staff will take on the role of coordinating with the many partners in our regional ecosystem of healthcare and innovation leaders, and define a framework for the branding of our burgeoning “Innovation Corridor”. The first step is building a website to showcase what has happened already, what is happening now, and to identify the key elements and opportunities here as well as the resources and connections available to those seeking to know more about this dynamic sector.

In other healthcare updates this year, Carilion Clinic announced the opening of the Center for Simulation, Research and Patient Safety facility. This \$5 million Center is located in The Bridges development and specifically in the renovated historic Trolley Barn. This facility will allow thousands of healthcare providers and students the capability to practice specific sets of skills in simulated, but very life-like, conditions with exact replicas of operating rooms and equipment.

Retail & Development

November 8, 2017 brought the first Earth Fare in Virginia to Roanoke at the Ivy Market development along the Franklin Road corridor. The organic and natural foods grocery store is adjacent to the new Mellow Mushroom pizza restaurant and the Carilion Institute for Orthopedics and Neurosciences (ION). The \$10 million investment into the City brings 25 full-time positions healthier choices for Roanokers with homemade meals, whether dining in the 80-seat cafe with free Wi-Fi or taking it home.

Massachusetts-based BJ’s Wholesale Club announced an opening in Roanoke in fall, 2018. The major chain of membership warehouse clubs sells groceries and other household goods, featuring many national brands and a full-service deli. It operates similarly to Sam’s Club, which has a Roanoke location, and Costco, where members pay an annual fee to be able to shop for heavily discounted items. The addition of BJ’s to the Roanoke market will be a \$7.5 million investment in the City of Roanoke bringing 55 jobs.

Deschutes Brewery opened its downtown Roanoke tasting room in August 2017. The new pub includes more than 15 taps of Deschutes beer favorites, along with pints, growlers and brewery merchandise for sale to patrons. Deschutes leased the 4,700-square-foot space at 315 Market Street at the corner of Market Street and Church Avenue across from the Hampton Inn and Suites. This was an investment in downtown Roanoke of \$500 thousand.

The long awaited national retailer Designer Shoe Warehouse "DSW" opened in Roanoke in May, 2017 at 1920 Valley View Blvd in a 14,000 sf new space and carries a large assortment of brand name and designer shoes and accessories all arranged for a convenient, self-service experience. DSW is a \$3 million investment in the City of Roanoke and a welcomed addition to the Roanoke retail mix and employs 5 full-time and 15 part-time associates.

Piccadilly Square located at 3113 Franklin Road has seen a resurgence with new retail. Roanoke's original boutique shopping center, Piccadilly Square is now under new ownership and has recently undergone renovations, attracting four new tenants. Lusso is a new ladies fine apparel shop, Ellie Procter Antiques and Fine Things relocated from Black Dog Salvage, followed by Magnolia and Yarid's Shoes arriving from Roanoke County, all opening in 2nd quarter 2018. There is now a positive synergy with a total investment into the center of approximately \$200,000 bringing 8 full-time and 10 part-time positions.

Steger Creek also relocated from Roanoke County into downtown Roanoke with plans to open two stores in the City. The first store is in the Taubman Museum of Art and opened in early June 2018. Steger Creek Taubman Museum offers items relevant to the museum and enhances Taubman exhibitions. The second store opened at the Virginia Railway Passenger Station along the Jefferson Street Corridor. Steger Creek at The Taubman employs 1 full-time and 2 part-time workers.

Tourism

Roanoke, as "Star City of the South," is recognized as the recreational, cultural and business hub of Virginia's Blue Ridge Mountains and the entire western half of the Commonwealth. Roanoke and the surrounding cities and counties that comprise the Roanoke Valley host more festivals and cultural events than any place west of Richmond. Multiple travel articles have publicized Roanoke, enticing readers to Virginia's Blue Ridge.

Virginia's Blue Ridge generated \$850 million in direct travel expenditures in 2017, an increase of 4.5% over the previous year. Tourism also supported 7,945 jobs in the region and \$28 million in local taxes. The increase is largely attributed to product development, including: new hotels, restaurants, enhanced transportation options, craft beverages, sports, outdoor recreation, festivals and events, the diversity of arts and culture, wedding venues, meeting and conference venues, attractions and so much more. Virginia's Blue Ridge continues to thrive as a mountain vacation destination. Visit Virginia's Blue Ridge, along with the support of over 1,400 industry partners and investment provided by the Cities of Roanoke and Salem and the Counties of Roanoke, Franklin, and Botetourt, was able to achieve the eighth consecutive year of RECORD growth.

Visit Virginia's Blue Ridge (VBR) Virginia's Blue Ridge was awarded a Silver-Level Ride Center™ designation by the International Mountain Bicycling Association (IMBA) in June 2018, elevating the Roanoke region to a whole new level as a mountain biking destination.

In February, the City was named *One of America's Best Small Cities to Visit in 2018* by Trip Advisor. Roanoke received praise for being a bike-friendly destination and for tours that feature our local art and craft beer scenes. It also encouraged visitors to check out the Taubman Museum of Art in Downtown Roanoke.

The Springhill Suites Marriott announced they would be taking over the Cambria Suites in Roanoke and making significant changes to the hotel located on Reserve Avenue. Construction began and was completed in fiscal year 2017-18 with a grand opening in October 2018.

Long-Term Financial Planning

Comprehensive Plan

The City continues to plan for its future and provide the necessary funds to not only protect its current assets, but also to create new opportunities. The City's Comprehensive Plan, Vision 2001-2020, provides goals for development of the City over a 20-year period which began in 2001. The plan supports leadership's conviction that Roanoke's sustainability is measured not only by the health of its economy but also by its quality of life. Economic prosperity can continue and be enhanced by supporting the City's cultural and entertainment amenities, education, and other services. Protecting the natural environment, supporting a wide range of amenities, maintaining a first-class educational system, and providing ongoing educational opportunities will be the building blocks for attracting new residents and businesses. This planned and visionary approach has served the City well and will continue to be the basis for additional growth.

Budgeting for Outcomes

Roanoke was the first city in Virginia to implement the Budgeting for Outcomes (BFO) process. Budgeting for Outcomes was designed to facilitate the alignment of resources with prioritized programs and services. City Council identified and has subsequently reaffirmed seven priority areas which guide the allocation of resources: economy, education, good government, human services, infrastructure, livability, and safety. The BFO process emphasizes the allocation of resources to obtain specified outcomes. Innovation and collaboration with department and agency partners help the organization realize efficiencies and improve services while limiting additional resources required. The City has a customized Budgeting for Outcomes software system which was developed internally by the City's Department of Technology staff. The City has received state and national recognition for its BFO system and process.

Long Term Financial Planning

The City incorporates long-term financial planning during the development of each fiscal year operating budget. The planning process facilitates City Council and City management's efforts towards a long-term strategy ensuring economic growth and stability and meeting the needs of the City's citizen and business partners.

Capital Improvement Program (CIP)

In conjunction with the preparation of an annual operating budget, the City prepares a five-year Capital Improvement Program Update. This serves as a planning tool for efficient, effective and equitable distribution of public improvement resources throughout the City. The CIP focuses on maintaining capital assets, infrastructure investment for livability and economic development, and targeted livability investments. The CIP represents a balance between finite funding and competing community priorities. The CIP specifies the capital improvement and construction projects over the upcoming five-year period in order to maintain or enhance the City's \$668 million in capital assets. Detailed project descriptions, cost estimates, and funding sources are included in the CIP. The City's Capital Improvement Program for FY 2018 through FY 2022 represents \$205 million of public improvements to the City's schools, infrastructure, parks, public buildings, industrial center improvements for economic development, technology improvements, fleet replacement, and Roanoke's civic center (the Berglund Center). The CIP includes important public safety improvements such as the Fire EMS Master Plan for the construction and/or relocation of three Fire/EMS stations as well as a joint E 911/VA 811 call center for improved emergency response and system and communication redundancy.

An important part of the City's CIP, the Berglund Center houses a 10,500 seat Coliseum, 2,151 seat Performing Arts Theatre, 14,000 square foot Exhibit Hall and 46,000 square foot Special Events Center. Current and recent capital improvements include replacement of Plaza steps, paint and exterior lighting at the Coliseum, and sound system replacements for the Coliseum and Berglund Performing Arts Theatre (BPAT). Plans for FY 2019 include restroom renovations, lighting upgrades, security enhancements, BPAT stage and rigging system replacement, and HVAC improvements.

Relevant Financial Policies

Financial policies serve as the framework for the financial operation of city government as well as the basis for budget development. The City's financial policy statements in their entirety can be located in the City's Adopted Budget. Policies are in place to provide guidance in the areas of budget, expenditures, reserves, revenues, and debt management. Reserves may only be used upon appropriation of City Council, and the reserve policies contain stipulations regarding reserve usage and replenishment.

Major Initiatives and Accomplishments

Education

Roanoke City Council places education as the top priority of the government and its citizens, providing more funding toward education than any other area of the government. Roanoke Schools have demonstrated significant performance improvements in recent years. On-time graduation rates in 2017-18 are remaining steady at 90%. The number of schools that are fully accredited by the Commonwealth of Virginia is also increasing. Based on 2017-18 student achievement, 24 out of 24 schools are fully accredited for 2017-18. This is up from 23 fully accredited schools in the prior year. Roanoke is committed to providing students with safe and effective learning environments, and to that end, Roanoke City Public Schools updates its Capital Improvement Plan annually. The most significant project involves the new construction of Fallon Park Elementary. Current projects underway include various maintenance upgrades for Fishburn Park, Grandin Court, Lincoln Terrace and Fairview Elementary Schools; Jackson Middle, Patrick Henry High School and the Governor's School. Completed gymnasium projects included Hurt Park and Round Hill Elementary. More information regarding the important achievements of Roanoke City Public Schools is available in the separately published School CAFR.

The Roanoke region is home for several institutions of higher learning such as Hollins University, the Jefferson College of Health Sciences, Roanoke College and Virginia Western Community College and is in close proximity to leading universities such as Virginia Tech and Radford. Roanoke works closely with these institutions in developing partnerships which benefit the City's citizenry, businesses and environs.

Public Safety

Public safety is one of the top priorities of the City. Roanoke is in an elite group of cities with accreditation of all three of its primary public safety departments – Police, Fire-EMS and Sheriff. Each agency is committed to public safety and continuously evaluates services, community interaction, technology and initiatives in an effort to provide the most effective utilization of resources.

The Roanoke Police Department has been accredited by the Commission on Accreditation for Law Enforcement Agencies (CALEA) since July, 1994, and is the only law enforcement agency in the Commonwealth of Virginia to attain accreditation in two CALEA programs – Law Enforcement and

Training Academies. Roanoke Police successfully launched the Roanoke Valley HOPE Initiative in August 2016. The program is designed to connect drug users with police and the right health resources. The program has helped over 150 people find detox and treatment for substance use disorder.

Roanoke Fire-EMS has been an accredited agency with the Commission on Fire Accreditation International Inc. (CFAI) since 2002, meeting the criteria established through the CFAI's voluntary self-assessment and accreditation program. The fire protection services of the City of Roanoke, as rated by an insurance industry advisory company, improved to a Class 1 ISO rating from a Class 2. The classification by the Insurance Service Office (ISO), known as the Public Protection Classification program, assesses the fire-protection efforts in a particular community. The City of Roanoke is one of 252 nationwide Internationally Accredited Fire agencies and one of only 6 in Virginia that hold an ISO rating of 1 as well as holding accreditation. The Fire-EMS Department is also a partner with Roanoke County, the Town of Vinton, and the City of Salem in a Regional Fire-EMS Training Center, a regional hiring process, and has automatic and enhanced mutual aid response agreements in place to ensure the closest and most efficient response of Fire-EMS resources. The regional hiring process has enabled Roanoke Fire-EMS to increase its emphasis on recruiting a diverse workforce, including the launch of a new website. As a strategy to provide a more diverse and inclusive workforce, the City's Fire-EMS Department lowered its hiring age to 18.

The Roanoke City Sheriff's Office remains nationally accredited through the American Correctional Association, since 1991, and the National Commission on Correctional Healthcare, since 1987.

Human Services

Roanoke, as the largest city west of the state capitol, supports a high demand for human services from the community. Human Services unites public and private institutions to encourage and support caring communities by assisting individuals and families to achieve self-sufficiency and healthy lives with a variety of financial and employment programs. A partnership was developed with Roanoke City Public Schools and the City of Roanoke Central Intake program to provide assistance to 141 students preventing them from entering into homelessness or quickly rehousing them to a stable home environment.

Neighborhoods

The City understands attractive, healthy and safe neighborhoods contribute to the overall welfare of the community. Promoting the development of neighborhoods into vibrant and sustainable places for people of all ages, ethnicity, lifestyles, and income translates into a quality of life with broader economic effects such as increasing property values. Community organizations in conjunction with law and code enforcement initiatives play an important role in preventing neighborhoods from becoming environments for crime, blight and other types of deterioration. Residents participating in these organizations are often more engaged in their communities, and, as such, provide a great link of communication between local government and residents. The City continues to support the development of neighborhoods and those who inhabit them.

The City also provides opportunities for civic groups to enhance their neighborhoods by making financial resources available to undertake self-help projects through the Office of Neighborhood Services Neighborhood Development Grant Program. The City continues to encourage individuals and neighborhood organizations to enhance their neighborhood's quality of life.

Roanoke has a high-performing HUD-funded Lead Safe program. The program assessed and removed lead hazards from 92 homes during the grant cycle completed in January 2018. HUD awarded another 3-year grant to continue the Lead Safe program through 2020.

The City leverages federal, local and in-kind contributions from public and private sources with the utilization of Community Development Block Grant (CDBG) funding and city funding to support the program. Neighborhood projects include wide ranging elements such as infrastructure, housing, community gardening and recording of oral histories.

Recreational and Outdoor Opportunities

The City is branded by its unique combination of urban amenities surrounded by significant natural beauty and outdoor and recreational activities. The City's Parks and Recreation Department offers more than 2,000 recreation programs and supports more than 100 cultural events on an annual basis and serving more than 50,000 individuals.

The GO Outside Festival (GO Fest) has become an autumn staple with over 15 outdoor activities and events. This year the GO Fest served more than 30,000 people over the course of three days. This annual event encourages healthy and active outdoor recreation by combining the things outdoor enthusiasts love, such as camping, music, gear, races, and demonstrations, all in a beautiful outdoor setting.

The Appalachian Trail and Blue Ridge Parkway surround the city. The City's greenway system continues to grow and develop, gaining favor with visitors as well as residents of the Roanoke Valley. More than 19 miles of paved trails currently exist. The Lick Run, Garden City, Tinker Creek, Murray Run, Mill Mountain, and Roanoke River greenways serve thousands of patrons annually. The City continues to enhance accessibility to roadways and trailways for cycling enthusiasts and is a "Bicycle Friendly Community." With more than 90 miles of natural surface trails, the City has become a national destination for mountain biking enthusiasts. Together with neighboring localities, the region received the Silver Ride Center designation from the International Mountain Bicycling Association, the only such center on the East Coast.

Libraries

The City supports and promotes lifelong learning for all citizens. The Library Master Plan includes projects to enhance the delivery of programs and services throughout the community at the seven library locations. The Roanoke Public Libraries provide many resources to citizens including free computer training, free internet and free wireless access at all locations, as well as a range of free events for children and adults throughout the year. One of the largest programs offered by the Roanoke Public Libraries is the Summer Reading Program, which continues to grow. In 2018, 25,530 participants attended the Summer Reading program compared to 16,602 in 2017.

For more than a decade, the Libraries have been undergoing an extensive system-wide renovation process. Most recently, in 2014 with the renovation of the City's Main Library, the City completed renovations to the Raleigh Court library in 2016. Raleigh Court library reopened in March 2016 and includes a community room that can be used for meetings outside of opening hours, a separate teen area, a recording studio, and a courtyard. Since reopening, circulation at the Raleigh Court branch has more than tripled. Expansion and renovation of the Williamson Road branch has been completed and the branch reopened on November 13, 2017. Improvements at Williamson Road include an expansion that doubled the SF of the branch, a large community room available for use after hours, an enclosed patio for programs, study rooms and an expanded youth and teen center. The Melrose branch is currently under construction and will be completed in the spring of 2019.

Libraries support the public education programs of Roanoke City Public Schools through a variety of partnerships and initiatives, including the All-America City Award-winning Star City Reads initiative. Star City Reads is a citywide coalition of 31 community partners, spearheaded by the Libraries, working to improve the grade-level reading outcomes of Roanoke children. Its programs include the Summer Reading Program, which is coordinated with the RCPS+ summer enrichment program; Books on Buses, a collaboration with Valley Metro that creates mobile libraries; Feed and Read, a partnership with Feeding America and the YMCA that provides free USDA-approved meals and literacy activities for children year round at every library; and distribution of the Roanoke Baby Board Book to every child born at Carilion with the support of Turn the Page volunteers. Since 2014, Turn the Page volunteers have worked with the Libraries to distribute the Roanoke Baby Board Book to more than 12,000 children born at Carilion Clinic. In addition, the Libraries coordinate all book distribution for Star City Reads with over 100,000 books given to Roanoke's children since 2012. The Libraries continue to promote education for all of the Roanoke Valley with relevant programs for children, teens, and adults.

Transportation and Parking

Economic activity is directly associated with the City's position as the major trade and transportation center in Western Virginia. The City is located at the intersection of major rail and highway routes.

The City has worked diligently to address the transportation and parking needs of citizens and visitors in the downtown area. The City-owned Greater Roanoke Transit Company, or Valley Metro, provides a range of transit services to address the needs of the community. Services include: fixed route, Starline Trolley which circulates between downtown and the Carilion Clinic Campus, Smart Way which links the Roanoke Valley to the New River Valley, and STAR paratransit service.

The City's public parking system in downtown includes seven garages and four surface lots, and the monitoring and enforcement of on-street parking. The parking system offers competitive daily, overnight, and monthly rates, and, at many locations, free after hours and weekend parking. "Park Roanoke" accepts credit/debit cards at the garages and lots, and at the main parking offices downtown.

Environmental Leadership

Roanoke government is committed to the protection of the environment while providing first class municipal services to citizens and visitors. Education and training, pollution control, reduction of the City's carbon footprint, reduction of solid and hazardous waste and improving the environmental management system are components of this program.

The City's Stormwater Utility Division is actively working on projects to reduce flooding and improve water quality. Stormwater management activities are necessary to protect the general health, safety, and welfare of the residents of the City. This year, as part of the City's Sediment and Bacteria TMDL Action Plan, a Bacteria Monitoring Program was developed to accomplish the following: 1. to detect average levels of bacteria in the Roanoke River and tributary streams; 2. to determine locations of any potential bacterial "hotspots" and 3. to track identified "hotspots" upstream to their source. The Stormwater fee provides a dedicated source of revenue needed to address water quality, a backlog of drainage improvement projects, and increased maintenance of drainage infrastructure.

Regional Cooperation

The City of Roanoke works closely with regional partners on economic development and service delivery. The Western Virginia Water Authority, of which Roanoke is a founding member, expanded membership to

Franklin County. The Roanoke Valley Resource Authority, which provides regional landfill services, expanded membership to include the City of Salem. This year the Roanoke Valley Broadband Authority installed an additional 25 miles of open access high speed fiber in Roanoke County, expanding network now to 80 miles! Regional local governments also partnered to create the Western Virginia Regional Industrial Facilities Authority. Through this authority, the cities of Roanoke and Salem and Roanoke County worked with a private foundation to assemble 104 acres of land near the interchange of Interstates 81 and 581 for future industrial development. The development is underway with infrastructure being built in 2018 and 2019 including the grading of a large site pad. The City also works closely with Roanoke Regional Airport Commission, Regional Center for Animal Care and Protection, and Roanoke Valley Detention Commission.

Future Challenges

Roanoke has weathered the Great Recession well and in many ways is stronger and more resilient than it was in 2009. Reserves are up, the bond rating is stable, school graduation rates are stable, population is increasing, the unemployment rate is decreasing, and the economy has grown. Changing national demographics bode well for Roanoke as younger generations choose to live in urban areas with access to the outdoors. Roanoke is well positioned to attract these individuals.

Despite the growing economy, favorable demographic preferences, and Roanoke's financial strength, the future still poses several challenges. Continued modest growth in revenues has not kept pace with increases in costs of infrastructure and core services. Volatility in investment markets presents a conundrum in regards to funding pension plans while increases in medical cost threaten affordable health care for employees, both critical benefits in attracting and maintaining a highly skilled work force. The Commonwealth of Virginia continues to manage volatile revenue generation. There is uncertainty regarding the impact of the state's fiscal standing on the City and localities within the region. The challenge for local governments is how to maintain, and in some cases increase, service levels with reduced available funding. The City regularly assesses the influence of economic factors to minimize the impact to key services and ensure that the City continues to remain financially sound.

Awards and Acknowledgements

The GFOA awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Roanoke, Virginia, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government unit must publish an informational and efficiently organized CAFR, whose content conforms to program standards. The CAFR must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory section of the CAFR and is valid for a period of one year. The City has received a Certificate of Achievement for 45 consecutive years. This report was prepared in conformity with the Certificate of Achievement program requirements and standards, and it will be submitted to the GFOA to determine eligibility for another certificate.

In addition, the City also received the GFOA *Distinguished Budget Presentation* Award for its annual budget document for the fiscal year ended June 30, 2018. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communication device. The City has been a recipient of the Distinguished Budget Presentation Award for the last 33 consecutive years.

Other Awards and Recognitions

- Cisco Leadership in Community Policing Award recognizing the collaborative partnership with Feed America of Southwest Virginia and the development of the Community Solution Center
- Bronze SolSmart Designation for adopting programs and practices that make it faster, easier, and cheaper to go solar, helping to attract solar industry investment and generate economic development and local jobs.
- Virginia Energy Efficiency Council selected the Weatherize Roanoke Market Rate Program as the 2nd Place winner in its annual Leadership Awards for local government residential energy efficiency programs.
- Awarded a fourth consecutive Pacesetter Award from the Campaign for Grade Level Reading, winning in both categories: Community Collaboration and Measurable statistical progress. Reading scores have increased from 65.1 to 76.1.
- Received the Governor's Award for Environmental Excellence for the Roanoke River Kayak Launch and trail work at Carvins Cove.
- Fleet Management Division honored with the 100 Best Fleets Designation.
- Named a Top Ten Digital City by the Center for Digital Government. Roanoke was ranked fourth in the 2017 Digital Cities Survey for the 75,000 to 124,999 population category.
- Parks and Recreation established a new partnership with Mill Mountain Theatre Conservatory to offer the "The Haunting," an interactive murder mystery dinner theatre at Mountain View Center. This program was awarded the Virginia Recreation and Park Society Best New Special Event Award which staff accepted at the 2017 VRPS Annual Conference.
- Public Works Department received the 2017 National Safe and Sustainable Snowfighting Award from The Salt Institute.
- Recognized by the AARP as an age-friendly community joining approximately 200 other U.S. communities with this distinction.

The preparation of this report would not have been possible without the efficient and dedicated services of the Department of Finance. We would like to thank the members of City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,
Robert S. Cowell, Jr.



City Manager



Amelia C. Merchant
Director of Finance

***CITY OF ROANOKE
DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2018***

Members of City Council

Sherman P. Lea
Anita J. Price
William D. Bestpitch
Michelle L. Davis
Raphael “Ray” E. Ferris
John A. Garland
David B. Trinkle

Mayor
Vice-Mayor

Constitutional Officers

Brenda L. Hamilton
Timothy A. Allen
Donald S. Caldwell
Evelyn W. Powers
Sherman A. Holland

Clerk of Circuit Court
Sheriff
Commonwealth's Attorney
Treasurer
Commissioner of the Revenue

City Council Appointed Officials

Robert S. Cowell, Jr.
Daniel J. Callaghan
Stephanie M. Moon-Reynolds
Troy A. Harmon, CPA

City Manager
City Attorney
City Clerk
Municipal Auditor

Other City Officials

Sherman M. Stovall
R. Brian Townsend
Amelia C. Merchant

Assistant City Manager
Assistant City Manager
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Roanoke
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

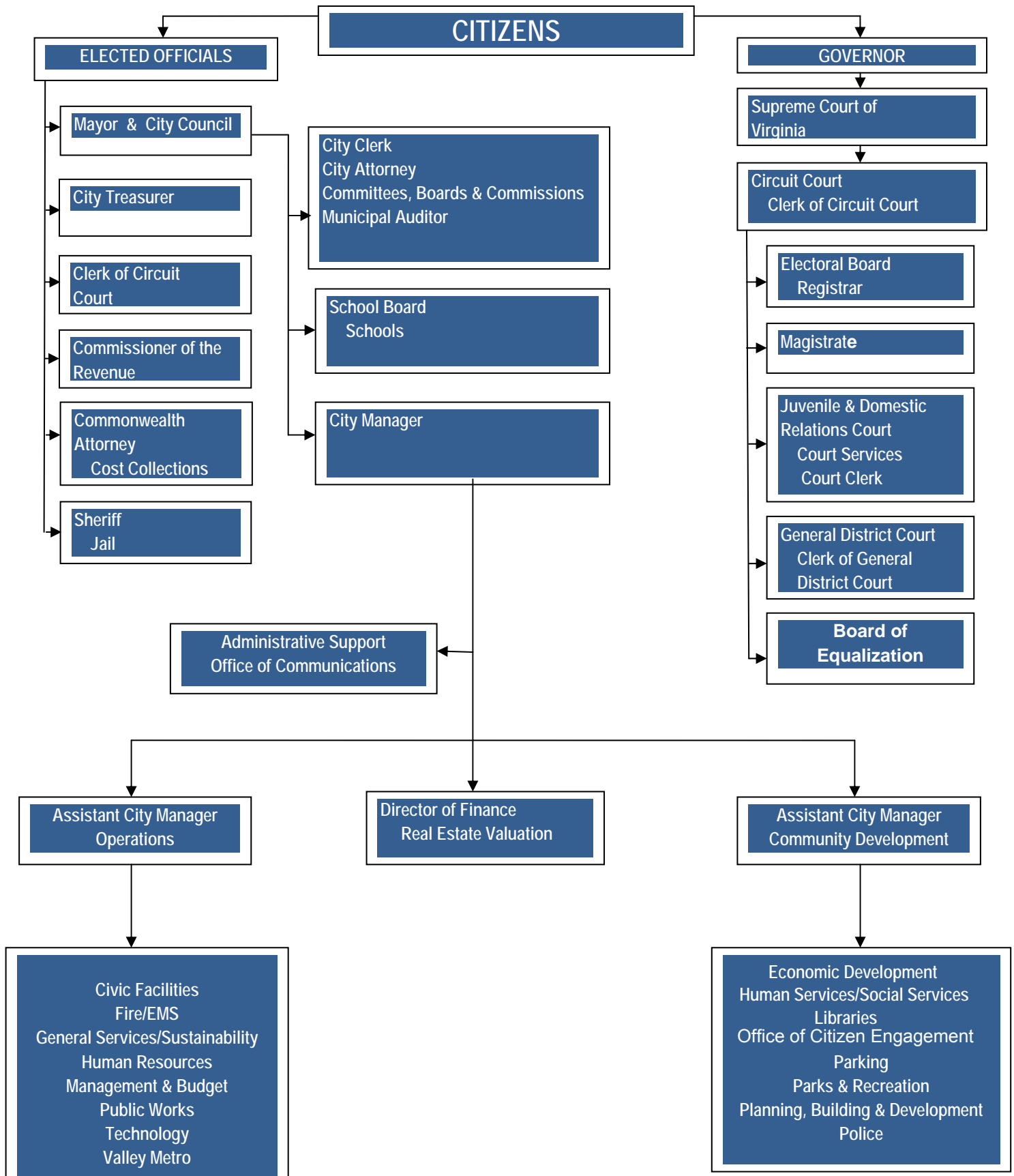
Christopher P. Morrell

Executive Director/CEO

CITY OF ROANOKE, VIRGINIA

Organizational Chart

FY2017 – 2018



FINANCIAL SECTION

THIS PAGE INTENTIONALLY BLANK

Report of Independent Auditor

To the Honorable Members of the City Council
City of Roanoke, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia (the “City”), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City’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 did not audit the financial statements of the School Board of the City of Roanoke, Virginia (the “School Board”), which represent 77.68%, 110.85%, and 94.52%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Board, is based solely on the report of the other auditors. 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia, 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

Implementation of GAAP

As discussed in Footnote 2 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board (the "GASB") 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.

Change in Reporting Entity

As discussed in Footnote 2 to the financial statements, the City has restated the fund balance of the General Fund and the Capital Projects Fund along with the net position of the Internal Service Funds to reflect a change in fund reporting presentation, 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 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 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. 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 City's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the City of Roanoke, Virginia'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 City of Roanoke, Virginia'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 City of Roanoke, Virginia's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive, flowing style.

Roanoke, Virginia
November 30, 2018

THIS PAGE INTENTIONALLY BLANK

**CITY OF ROANOKE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

This section of the City of Roanoke, Virginia's (City) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2018. The MD&A should be read in conjunction with the preceding transmittal letter and the City's financial statements.

FINANCIAL HIGHLIGHTS

- At the end of the fiscal year, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$346.0 million. This amount represents an increase of \$25.3 million, or 8.0%, over the prior year's ending balance of \$320.7 million, as restated. Net position was comprised of \$456.2 million, attributable to the City's net investment in capital assets, \$41,733 restricted for debt service, offset by a negative unrestricted amount of \$110.2 million.
- Net position for governmental activities increased \$22.4 million. For the fiscal year, \$342.7 million of revenues, generated by taxes and other revenues for governmental programs, exceeded expenses by \$25.3 million (before transfers), an improvement over the prior year of \$13.7 million after restatement.
- In the City's business-type activities, net position increased by \$2.9 million compared to the prior year, as restated. Total change in net position for business-type activities experienced a deterioration of \$1.5 million over the prior year of \$4.4 million, as restated.
- The City's governmental funds reported a combined ending fund balance of \$52.6 million, a 18.9% decrease compared to prior year. Of the total fund balance, 0.2% was nonspendable, 10.8% was restricted, 22.8% was committed (mainly for projects in the capital improvement program) and 66.2% remained available for spending at the City's discretion as unassigned.
- The City has maintained its bond rating of AA+ from Moody's and Fitch Ratings.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements.

The City's financial statements present two types of statements, each with a different focus on the City's finances. The focus is on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both short-term and long-term information about the City's overall financial status. The fund financials focus on the individual parts of City government, reporting the City's operations in more detail than the government-wide statements, which present a longer-term view. Presentation of both perspectives provides the user a broader overview, enhances the basis for comparisons, and better reflects the City's accountability.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position (Exhibit A) and the Statement of Activities (Exhibit B). These statements provide information about the City as a whole using the full accrual basis of accounting, which is the method used by most private-sector enterprises. All current year revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net Position, the difference between the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the financial health, or position, of the City. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the City, one needs to consider other nonfinancial factors such as changes in the City's property tax base and condition of the City's infrastructure.

In the Statement of Net Position and the Statement of Activities, the City's fund-based activity is classified as follows:

Governmental activities – Most of the City's basic services are reported here, including general government, judicial administration, public safety, public works, health and welfare, parks, recreation, and culture, and community development departments. Property taxes, other local taxes, and federal and state grants finance most of these activities.

Business-type activities – The City's Stormwater Utility, Civic Facilities and Parking operations are reported here as the City charges fees for services.

Component units – The City includes two discretely presented component units in this report, the School Board of the City of Roanoke (School Board) and the Greater Roanoke Transit Company (GRTC). Although legally separate, the component units are included as the City is financially accountable for them and as such, exclusion could cause the City's financial statements to be misleading.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds - not the City as a whole. Funds are accounting units that the City uses to keep track of specific sources of funding and spending for particular purposes. The City has three types of funds:

Governmental funds – Most of the City's basic services are reported in governmental funds. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term overview that helps the reader determine the financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them. Governmental funds include the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund (Grant Fund).

Proprietary funds – When the City charges for the services it provides, these services are generally reported in proprietary funds, which like the government-wide financial statements, utilize the full accrual basis of accounting and their statements provide both short and long-term financial information.

The City's enterprise funds, a type of proprietary fund, are accounted for in the same manner as the government-wide business-type activities; however, the fund financial statements provide more detail and additional information, such as cash flows. The City's enterprise funds include Stormwater Utility, Civic Facilities and Parking.

The City uses an internal service fund, another type of proprietary fund, to report activities that provide or cover services by one City department to other City departments on a cost reimbursement basis. Beginning with fiscal year 2018, the City had only the Risk Management Fund as an internal service fund. This fund is utilized to cover cost of claims made against the City either for medical and dental, workers' compensation or other general liabilities. The City is self-insured.

Internal service fund activity is reported as governmental activity on the government-wide financial statements.

Fiduciary funds – Resources held for other governments, individuals, or agencies not part of the City are reported as fiduciary funds. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Roanoke Pension Plan is reported as a pension trust fund. Additionally, the City reports assets for other postemployment benefits (OPEB) related to its healthcare plan for retirees and line of duty benefits for its public safety employees in an OPEB trust fund. The City reports assets held on behalf of the Hotel Roanoke Conference Center Commission as an agency fund, which are custodial in nature and do not involve measurement of results of operations.

FINANCIAL ANALYSIS OF THE PRIMARY GOVERNMENT

A comparative analysis of government-wide information follows:

**Summary of Net Position
as of June 30, 2018 and 2017
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 105.0	\$ 109.2	\$ 8.6	\$ 9.2	\$ 113.6	\$ 118.4
Capital assets, net	593.4	576.8	75.0	73.7	668.4	650.5
Total assets	698.4	686.0	83.6	82.9	782.0	768.9
Deferred outflows of resources	39.9	44.3	2.5	2.6	42.4	46.9
Other liabilities*	28.3	19.5	2.4	2.8	30.7	22.3
Long-term liabilities	379.5	421.6	34.5	36.9	414.0	458.5
Total liabilities	407.8	441.1	36.9	39.7	444.7	480.8
Deferred inflows of resources	33.1	14.1	0.6	0.2	33.7	14.3
Net Position:						
Net investment in capital assets	411.6	391.3	44.6	41.3	456.2	432.6
Restricted	-	0.5	-	-	-	0.5
Unrestricted (deficit)*	(114.2)	(116.7)	4.0	4.3	(110.2)	(112.4)
Total net position	\$ 297.4	\$ 275.1	\$ 48.6	\$ 45.6	\$ 346.0	\$ 320.7

*As restated, for additional discussion see Footnote 2

Net Position:

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$346.0 million at the close of the fiscal year. The City's combined net position, (the City's bottom line) increased by \$25.3 million from prior year's ending balance of \$320.7 million as restated. Net position from governmental activities increased by \$22.3 million. Business-type activities resulted in an increase in net position of \$3.0 million.

The largest component of the City's net position was the investment in capital assets (\$456.2 million) (e.g., land, buildings, infrastructure improvements, machinery, and equipment, net of accumulated depreciation) less any related outstanding debt used to acquire those assets. The increase in the City's net position was a result of increases in capital asset investment offset by an increase in the deficit balance in unrestricted net position and restricted debt funding. Net position is reported as restricted when constraints on its use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. Restricted net position related to governmental activities totaled \$41,733

and was restricted for debt service. The City's unrestricted net position, which is used to finance the day-to-day operations of the City, totaled a negative \$109.9 million, an increase of \$16.0 million from fiscal year 2017 unrestricted net position.

Summary of Changes in Net Position:

The following table summarizes the changes in net position:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	\$ 36.5	\$ 15.5	\$ 6.1	\$ 5.6	\$ 42.6	\$ 21.1
Operating grants and contributions	71.2	70.7	1.8	2.1	73.0	72.8
Capital grants and contributions	6.7	7.1	-	1.1	6.7	8.2
General Revenues:						
Property taxes	116.9	114.2	-	-	116.9	114.2
Local portion of state sales tax	21.4	19.7	-	-	21.4	19.7
Business and professional occupational license taxes	13.6	12.9	-	-	13.6	12.9
Utility taxes	10.1	9.7	-	-	10.1	9.7
Prepared food and beverage taxes	16.6	16.0	-	-	16.6	16.0
Commonwealth share-personal property taxes	8.1	8.1	-	-	8.1	8.1
Cigarette taxes	2.2	2.3	-	-	2.2	2.3
Transient room taxes	5.4	4.3	-	-	5.4	4.3
Telecommunications taxes	6.4	6.6	-	-	6.4	6.6
Motor vehicle license tax	3.0	2.8	-	-	3.0	2.8
Other tax	4.2	3.5	-	-	4.2	3.5
Stormwater Fee	-	-	6.1	6.0	6.1	6.0
Other	6.0	5.9	0.6	-	6.6	5.9
Payment from Component Unit	13.9	14.3	-	-	13.9	14.3
Interest and investment income	0.5	0.3	0.2	0.3	0.7	0.6
Total Revenues	\$ 342.7	\$ 313.9	\$ 14.8	\$ 15.1	\$ 357.5	\$ 329.0

(Continued)

**Summary of Changes in Net Position
For the Years Ended June 30, 2018 and 2017
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Expenses						
General Government	\$ 24.3	\$ 17.5	\$ -	\$ -	\$ 24.3	\$ 17.5
Judicial Administration	9.5	9.5	-	-	9.5	9.5
Public Safety	74.3	76.2	-	-	74.3	76.2
Public Works	37.8	28.6	-	-	37.8	28.6
Health and Welfare	44.9	44.9	-	-	44.9	44.9
Parks, Recreation and Cultural	11.9	12.7	-	-	11.9	12.7
Community Development	16.7	13.0	-	-	16.7	13.0
Education	86.8	83.9	-	-	86.8	83.9
Economic Development	0.3	5.0	-	-	0.3	5.0
Interest and Fiscal Charges	9.1	9.1	-	-	9.1	9.1
Civic Facilities	-	-	6.4	5.4	6.4	5.4
Parking	-	-	3.5	3.3	3.5	3.3
Stormwater Utility	-	-	4.8	4.1	4.8	4.1
Other	1.9	2.0	-	0.2	1.9	2.2
Total Expenses	317.5	302.4	14.7	13.0	332.2	315.4
Increase in Net Position						
before Transfers	25.2	11.5	0.1	2.1	25.3	13.6
Transfers	(2.9)	(2.3)	2.9	2.3	-	-
Increase in Net Position	22.3	9.2	3.0	4.4	25.3	13.6
Total Net Position, Beginning*	275.1	265.9	45.6	41.2	320.7	307.1
Total Net Position, Ending	\$ 297.4	\$ 275.1	\$ 48.6	\$ 45.6	\$ 346.0	\$ 320.7

* as restated

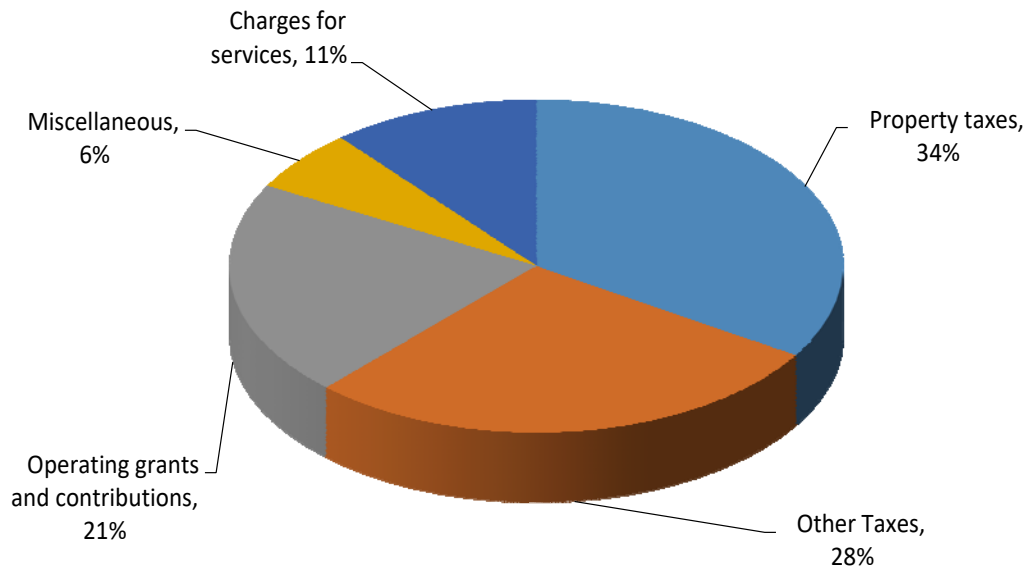
Governmental Activities

The net position of governmental activities increased \$22.3 million as compared to the \$9.2 million increase in prior year. The restatement was necessary for implementation of GASB 75 and to account for the dissolution of the Department of Technology and Fleet Management Funds and a portion of the Risk Management Fund. Significant current year activities affecting net position include:

- Governmental Activities revenues increased 9.2% and were mainly due to increased revenue in charges for services, property taxes, state sales tax, and transient room tax revenues.
- The City continued to maintain and implement financial controls to ensure that the expenses of general government programs were contained within budget. Staffing was at levels based on ongoing program activities and departments maintained fiscal restraint.

Revenues generated for governmental activities are presented below by category:

Revenue by Source – Primary Government for the year ended June 30, 2018



The property tax classification was approximately 34% of the total revenue generated by governmental activities and included real estate tax, the local portion of personal property tax, and public service corporation taxes. Real estate tax revenue, the largest source of revenue for the City, totaled \$84.0 million. The assessed value of real property in the City increased 2.27% for the 2018 calendar year mainly due to new construction.

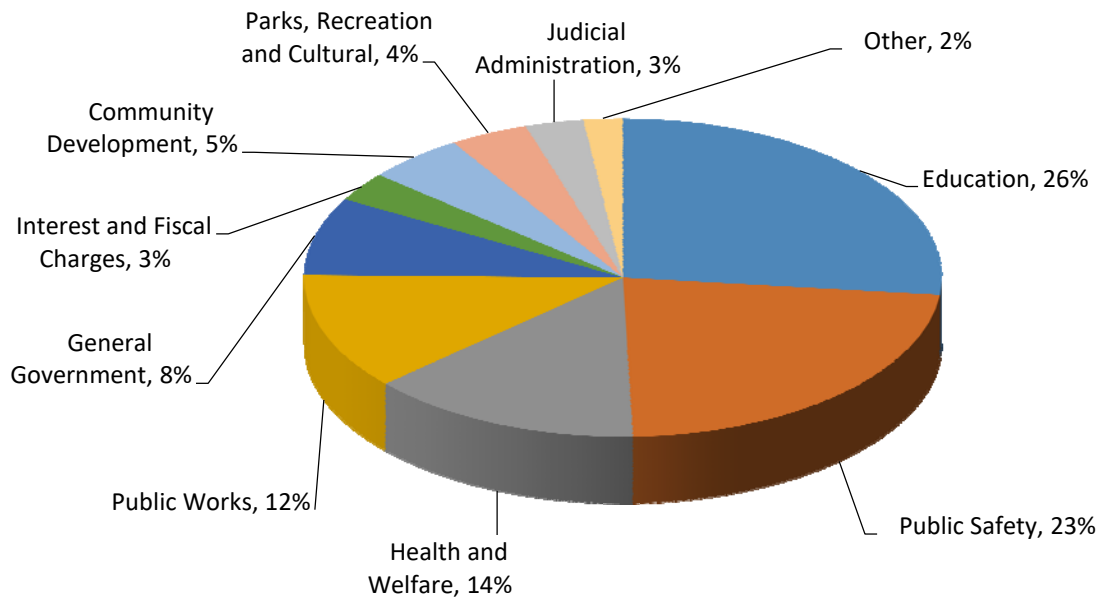
Personal property tax revenue, including the Commonwealth share and public service tax, totaled \$38.2 million. The revenue received locally from citizens totaled \$30.1 million. Funding from the Commonwealth under its amended Personal Property Tax Relief Act (PPTRA) program provided revenue totaling \$8.1 million. Revenue from the Commonwealth provided relief of 48.3% on the first \$20,000 in vehicle value for the current fiscal year and is included in the other taxes category.

Sales, prepared food and beverage, business and professional occupational license, utility, telecommunication, transient room and cigarette taxes as well as funding from the Commonwealth under PPTRA comprised the majority of other local taxes collected by the City. Other taxes equated to approximately 28% of total revenues generated for governmental activities.

Operating grants and contributions was approximately 21% of governmental activities revenues. Social service programs, street maintenance funds, reimbursement for shared expenses of constitutional officers, reimbursement for funding received under House Bill 599 for law enforcement, and jail per diems are some of the major sources of revenue included in this category.

Charges for services included items such as fines, court fees, inspection fees, reimbursements for housing prisoners, solid waste collection fees, and recreation and other program-based fees. Expenses of the governmental activities are shown below by functional area:

Expenses – Primary Government for the year ended June 30, 2018



Education comprised 26% of governmental activities. Funding of \$81.2 million was provided to the Roanoke City School Board to support operations and debt service.

Public Safety expenses comprised approximately 23% of expenses of the governmental activities. Operations of the City Jail, Police and Fire Departments were included in this category, along with expenses of Emergency Medical Services, Communications (E911 Call Center), and the cost of juvenile justice programs.

Public Works and Health and Welfare expenses comprised approximately 12% and 14%, respectively, of governmental activities expenses. Expenses for Solid Waste Management, Building Maintenance, Street Paving, and Street Maintenance were included in the Public Works category. The Children's Services Act and social services programs were the majority of expenses reported in the Health and Welfare category.

Business-type Activities

The net position of business-type activities increased the City's net position \$3.0 million, primarily related to Charges for services and other. Expenses for the City's business-type activities totaled \$14.7 million. The increase compared to the prior fiscal year was mainly related to the Civic facilities and City's stormwater utility operation.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds - For the fiscal year ended June 30, 2018, the governmental funds reported a combined ending fund balance of \$52.6 million, a decrease of \$12.3 million from the prior year. Approximately 66.3% of this total (\$34.9 million) constitutes unassigned fund balance and consists of the Unassigned General Fund Reserve, which provides the City with sufficient working capital and a margin of financial safety to address unforeseen, one-time expenditure emergencies or declines in revenues for which there is no other budgetary resource or other designations of fund balance available to satisfy the funding need. Committed fund balance of approximately \$12.0 million consisted of funding for outstanding purchase commitments and future years' capital project expenditures. Approximately \$5.7 million of the fund balance is restricted and consists of funds, provided by bonded debt, for future capital project expenditures and funds restricted to debt service. The remaining fund balance of approximately \$85,885 is nonspendable and consists of prepaid balances and inventory.

The City reports fund balance in accordance with accounting principles generally accepted in the United State of America (GAAP), which categorizes fund balance into five classifications based upon constraints placed on the use of resources. See Note 1 of the Notes to Basic Financial Statements for additional information on the fund balance categories.

The General Fund is the primary operating fund of the City. The total fund balance increased by \$3.6 million (revenue of \$290.7 million less expenditures of \$263.2 million and other financing uses of \$24.0 million net transfers) and the unassigned fund balance increased by \$5.1 million to \$34.9 million.

Local taxes increased by 4.3% compared to last year. Taxes related to real estate, personal property, state sales tax, transient occupancy, prepared foods and beverages, business and occupational licenses, and motor vehicle licenses all increased for the fiscal year 2018. Cigarette and communications taxes decreased for the fiscal year 2018. Real Estate taxes, the City's largest single source of revenue, increased 2.7% as a result primarily of an increase in property value.

Intergovernmental revenue is the second largest source of General Fund revenues accounting for \$72.5 million in fiscal year 2018. The Commonwealth is the primary source of Intergovernmental revenue by providing revenues for social services programs, street maintenance funds, and law enforcement funding received under House Bill 599.

In fiscal year 2018, the total increase in funding from the Commonwealth compared to fiscal year 2017 was approximately \$0.2 million or 0.2%.

The Capital Projects Fund balance decreased \$15.8 million primarily due to increase in infrastructure capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund begins each fiscal year with budgeted revenue and expenditure amounts that are equal. During the year, encumbrances unpaid at the end of the prior year are liquidated, increasing expenditures. Other budgetary adjustments are made to recognize additional sources and uses of funding or to accept donations.

Actual General Fund revenues were \$8.2 million or 2.6% higher than the original adopted fiscal year 2018 revenues estimates and were higher than the final revenue estimates by \$4.2 million or 1.3%. The General Fund revenue increase was driven by local tax revenue performance, primarily real estate tax, sales tax, transient occupancy tax, and business and occupational license taxes.

In the local tax area, sales tax, transient occupancy tax, business license, and foods and beverage taxes exceeded the original adopted budget. The fiscal year 2018 indicated an underestimate of the performance of the local economy and the budget projected modest growth in real estate and other local tax revenue estimates in fiscal year 2018 while actual growth was notable.

Charges for services revenues exceeded the original adopted budget by \$1.4 million primarily due to charges for public safety services. Public safety services primarily provide emergency medical services and additional police services to the community.

Intergovernmental revenue is the second largest source of General Fund revenue accounting for \$72.5 million in fiscal year 2018. The Commonwealth is the primary source of Intergovernmental revenue by providing revenues for social services programs, street maintenance funds, and law enforcement funding received under House Bill 599. The funding from the Commonwealth remained stable in fiscal year 2018 compared to fiscal year 2017 with a slight increase of approximately \$0.2 million or 0.2%.

General Fund expenditures and transfers were higher than the original budget by \$9.2 million or 3.3% due to an increase in one-time funding for capital projects and grants as a result of higher than anticipated tax revenues and unassigned fund balance. Commitments at the departmental level were closely monitored during the fiscal year as modest tax growth was anticipated. LEAN methodology continues to be a focus for the City to continually improve efficiencies and reduce costs for the benefit of Roanoke citizens.

During fiscal year 2018, City Council amended the budget several times. These budget amendments or supplemental appropriation ordinances were primarily for the following purposes:

- To reappropriate funds to pay commitments in the form of encumbrances established prior to June 30, 2017, but not paid by that date. Encumbrances for General Fund purchase orders authorized and issued, but for which goods and services were not received or paid by June 30, 2017 totaled \$3.5 million.
- To appropriate excess local revenues over expenditures and funding from the Commonwealth to capital projects and street paving.
- To appropriate additional Commonwealth funding for State mandated programs to the Comprehensive Services Act program.

CAPITAL ASSETS

As of June 30, 2018, the City's capital assets for its governmental and business-type activities amounted to \$668.4 million net of accumulated depreciation. This investment includes land, historical treasures, construction in progress, land improvements, buildings and structures, equipment and infrastructure. The City's capital assets increased year over year by \$17.9 million or 2.8% when compared to fiscal year ended 2017.

The following table shows summarized balances of major categories of capital assets as of June 30, 2018 and 2017.

**Summary of Capital Assets
Net of Depreciation
as of June 30, 2018 and 2017
(In Millions)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and Improvements	\$ 49.1	\$ 49.5	\$ 5.2	\$ 5.1	\$ 54.3	\$ 54.6
Buildings and Improvements	269.2	269.8	52.6	54.5	321.8	324.3
Equipment	26.8	27.3	2.3	1.8	29.1	29.1
Infrastructure	218.9	217.2	14.4	3.6	233.3	220.8
Construction in Progress	28.8	19.0	0.5	2.0	29.3	21.0
Historical Treasures	0.7	0.7	-	-	0.7	0.7
Total	<u>\$ 593.5</u>	<u>\$ 583.5</u>	<u>\$ 75.0</u>	<u>\$ 67.0</u>	<u>\$ 668.5</u>	<u>\$ 650.5</u>

The City uses the Modified Approach for certain infrastructure assets deemed 'inexhaustible' as defined by GAAP, and is required to conduct a semi-annual (January and July) assessment of the condition level of 100% of the Flood Reduction infrastructure asset. The assessment is based on the United States Army Corps of Engineers (USACE) 'Inspection, Maintenance and Operational Report'. City and USACE policy require the condition level to be maintained at or above a Fair (2) rating. As of June 30, 2018, the infrastructure had an average assessment rating of 2.60, which is above the required minimum rating of 2. The fiscal year 2018 Budget (estimated) of \$75,000 was consistent with the prior year to insure adequate funding for maintenance if the maintenance was performed by procured contractors. Actual costs were higher because the City procured the services for maintenance of several bench cuts during the year.

Comparison of Estimated to Actual Maintenance Costs

	2016	2017	2018
Estimated	\$54,500	\$75,000	\$75,000
Actual	\$36,414	\$27,204	\$81,595

Detailed information regarding capital assets is disclosed in Note 6 of the Notes to the Basic Financial Statements and Required Supplementary Information, Section 2.

LONG-TERM DEBT

At June 30, 2018, the City's long-term liabilities, excluding net pension liability, compensated absences and claims payable, totaled \$235.7 million, comprised of \$204.2 million related to governmental activities and \$31.5 million related to business-type activities. Total debt decreased by \$17.0 million during the fiscal year. Interest and fiscal charges for 2018 were \$8.6 million, or 2.5% of total governmental funds' expenditures.

Bond anticipation notes were issued in fiscal year 2018 for the purpose of providing funds towards the current school capital projects, parks and recreation improvements, bridge renovation projects, stormwater management projects, curbs, gutter and sidewalk improvement projects, streetscape improvements and 911 center improvement projects.

The City's most recent ratings obtained in September 2018 were AA+ from Fitch and Moody's. The City's continued strong bond ratings will translate into reduced borrowing costs related to its capital improvement projects.

The *Charter of the City* and *Code of Virginia* limit the City's net debt to 10% of the assessed valuation of real estate within the City limits. The limit applies to tax supported debt paid by the governmental funds. Long-term liabilities of business-type funds will be met by revenues generated by those funds. The City considers long-term debt of its Stormwater Utility and Parking Enterprise Funds to be self-supporting. Additionally, in accordance with its contractual agreement with the Western Virginia Water Authority, the City will receive funding from the Authority toward \$7.0 million of general obligation debt. The City's tax-supported debt of \$229.9 million less the Debt Service Fund Balance designated for the repayment of debt service is well below the legal debt margin of \$697.0 million.

The School Board Component Unit relies upon the City to provide full faith and credit for any debt obligations incurred. Therefore, the City reports School Board Component Unit long-term liabilities, other than claims payable, net pension liability, other postemployment benefits and compensated absences, as its own. In addition to bonded debt and capital lease obligations, the City's long-term obligations include compensated absences and claims payable.

Detailed information concerning the City's long-term liabilities is presented in Notes 9, 10, 12 and 13 of the Notes to Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The average unemployment in the Roanoke Metropolitan Statistical Area (MSA), which includes the City, for fiscal year 2018 was 3.5%, according to the Bureau of Labor Statistics, down from an average of 4.0% in the prior fiscal year. Comparatively, average unemployment in fiscal year 2018 was 3.4% for the Commonwealth down from 3.9%. Employment in Roanoke is diverse with representation within the area of all census-defined industries. The industries providing the largest number of jobs in the region are health care and social assistance.

Roanoke's income levels trail the state and national averages; however, they compare quite well when adjusted for the cost of living. Fiscal year 2018 financial performance was indicative of an improving economy. However, the City anticipates challenges continuing with economic uncertainties and conditions.

The City's General Fund tax revenues increased in FY 2018 primarily due to real estate, personal property tax, sales tax and transient occupancy tax. With strategic expenditure controls and monitoring, the City was able to provide additional funding to Roanoke City Public Schools. Also, the City was able to increase the General Fund unassigned fund balance by \$5.1 million to reach a 12% level three years ahead of the goal of FY 2021. Lastly, the revenue performance and expenditure control successfully provided for the beginning of the Budget Stabilization Reserve one year ahead of the goal of FY 2019 as adopted in the City's recently amended reserve policy.

The average assessed value of single-family housing units increased from \$125,495 in fiscal year 2017 to \$128,453 in fiscal year 2018, or 2.36%. The value for residential permits increased 2.42% and the value for commercial permits increased 2.08% from fiscal year 2017 to fiscal year 2018.

Fiscally responsible budgeting for 2018 provided for continued programming levels for services in response to modest increases in property tax revenues. Programming levels remained stable.

General Fund fiscal year 2018 estimated revenues increased 2.88% compared to the fiscal year 2018 adopted budget. The increase was attributable to economic growth in real estate, personal property and several local taxes. General property taxes increased \$3.2 million, a positive economic indicator. The General Fund fiscal year 2019 adopted budget increased 3.15% compared to the budget adopted in the prior fiscal year reflective of management's conservative estimates of local economy growth. Local taxes comprise 43.5% of all budgeted fiscal year 2019 General Fund revenues.

For fiscal year 2019, total local tax revenues are estimated to grow modestly. Funding from the Commonwealth is projected to 2.18% in fiscal year 2019. Funding to Schools is projected at \$81.2 million, an increase of 0.01% compared to amounts transferred during fiscal year 2018.

The City's Pension Plan investment performance again posted positive returns in fiscal 2018 exceeding the actuarial expected rate of return. The Plan's annual return ranked in the top decile of all retirement plan performances. The increased plan market value was primarily a result of a positive investment performance attributed to strong domestic returns as well as positive returns in international equities, convertible bonds, and real estate. The Plan's fiduciary net position, as a percent of the total pension liability, improved from 74.0% to 77.3% as a result of the positive investment performance experienced in fiscal 2018. The outlook for the U. S. economy remains optimistic, based on current economic indicators, while recognizing the potential for volatility arising from rising short-term U.S. interest rates, oil price fluctuations, and increasing trade tensions.

As the City looks ahead toward fiscal 2020, budgetary pressures continue, but are anticipated to be no more impactful than in previous years due to local economic growth. Strategic focus areas include providing capital investment to maintain City assets and core operations, a strategic focus on priority services and funding of employee health care and compensation costs. The priorities are challenging given competition for finite resources.

The real estate market in the City is showing stability. The City is monitoring the situation carefully and expects information prior to the beginning of the budgeting process for fiscal year 2020. The real estate assessment process aligns well with the budgeting process in that real estate assessments are established in January of each year with an effective date of July 1st of the same year. This allows the City to plan and revise programs as needed to maintain a balanced budget as real estate tax revenues are known and defined.

The Roanoke economy appears to be continuing to recover from the recession. Local taxes indicate increased economic activity. Management believes that the conservative current fiscal year 2019 revenue estimates will be met. Challenges exist in predicting the timing and rate of improvement moving forward. It continues to be difficult to anticipate the level of funding from the Commonwealth and federal governments in upcoming years. There will continue to be significant pressure on local governments to fund programs previously funded by these government entities in areas such as public education and social services. The City's focus will be on a deliberate prioritization of services and programs that are responsive to the needs of those who are being served.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional information should be directed to the Director of Finance, 215 Church Avenue, SW, Room 357, Roanoke, Virginia 24011, telephone (540) 853-2824 or email finance@roanokeva.gov. The City's website address is www.roanokeva.gov.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	GRTC
Assets					
Cash and Cash Equivalents	\$ 64,641,893	\$ 7,690,334	\$ 72,332,227	\$ 28,932,665	\$ 925,242
Due from City of Roanoke	-	-	-	3,881,538	-
Due from Component Unit	270,736	-	270,736	-	-
Due from Other Governments	20,017,375	383,586	20,400,961	7,038,997	844,344
Internal Balances	9,027	(9,027)	-	-	-
Taxes and Accounts Receivable, Net	19,648,084	365,478	20,013,562	197,042	109,835
Inventory	43,235	46,606	89,841	-	464,439
Other Assets	372,650	65,014	437,664	970,936	47,820
OPEB Prepayment	-	-	-	16,209	-
Net Pension Asset	-	-	-	1,138,650	-
Capital Assets:					
Land, Construction in Progress,					
Right-of-Way, and Historical Treasures	142,014,011	5,753,335	147,767,346	-	720,724
Other Capital Assets, Net	451,437,444	69,262,470	520,699,914	3,034,853	9,881,237
Capital Assets, Net	593,451,455	75,015,805	668,467,260	3,034,853	10,601,961
Total Assets	698,454,455	83,557,796	782,012,251	45,210,890	12,993,641
Deferred Outflows of Resources					
Deferred Outflows related to Pensions and OPEB	35,172,823	1,469,604	36,642,427	19,263,093	-
Deferred Outflows from Debt Refundings					
Resulting in Loss Transactions	4,683,708	1,035,862	5,719,570	-	-
Total Deferred Outflows of Resources	39,856,531	2,505,466	42,361,997	19,263,093	-
Liabilities					
Accounts Payable and Accrued Expenses	19,149,170	1,038,284	20,187,454	5,390,331	923,953
Accrued Interest Payable	2,281,905	360,777	2,642,682	-	-
Due to Component Unit	3,881,538	-	3,881,538	-	-
Due to City of Roanoke	-	-	-	270,736	-
Due to Fiduciary Funds	366,468	8,234	374,702	-	-
Due to Other Governments	665,004	99,332	764,336	-	-
Unearned Revenues	1,968,296	915,167	2,883,463	2,133,702	-
Other Liabilities	-	-	-	5,772,366	568,864
Net Pension Liability	132,266,984	2,568,939	134,835,923	127,115,602	-
Net OPEB Liability	16,791,088	316,518	17,107,606	19,739,000	-
Long-term Liabilities Due Within					
One Year	30,006,116	2,703,028	32,709,144	823,216	-
Long-term Liabilities Due in More					
Than One Year, Net	200,385,390	28,856,105	229,241,495	4,416,614	-
Total Liabilities	407,761,959	36,866,384	444,628,343	165,661,567	1,492,817
Deferred Inflows of Resources					
Uncollected Service Charges	177,053	-	177,053	-	-
Deferred Inflows related to Pensions and OPEB	32,935,638	634,829	33,570,467	16,349,214	-
Total Deferred Inflows of Resources	33,112,691	634,829	33,747,520	16,349,214	-
Net Position					
Net Investment in Capital Assets	411,618,245	44,576,168	456,194,413	3,034,853	10,601,961
Restricted for:					
Debt Service	41,733	-	41,733	-	-
Unrestricted	(114,223,642)	3,985,881	(110,237,761)	(120,571,651)	898,863
Total Net Position	\$ 297,436,336	\$ 48,562,049	\$ 345,998,385	\$ (117,536,798)	\$ 11,500,824

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 24,328,091	\$ 4,739,554	\$ 603,845	\$ 303,561
Judicial Administration	9,467,166	2,820,550	7,648,156	-
Public Safety	74,345,373	17,607,863	10,301,306	-
Public Works	37,807,388	4,523,202	14,857,054	5,956,720
Health and Welfare	44,859,128	4,045,350	31,822,601	-
Parks, Recreation and Cultural	11,933,151	1,732,638	274,566	465,385
Community Development	16,736,291	939,662	2,968,210	-
Education	86,800,538	-	-	-
Economic Development	287,114	-	2,758,454	-
Other	1,911,156	-	-	-
Interest and Fiscal Charges	9,050,841	82,445	1,431	-
Total Governmental Activities	317,526,237	36,491,264	71,235,623	6,725,666
Business-type Activities:				
Civic Facilities	6,444,174	2,675,281	649,579	-
Parking	3,542,666	3,471,777	-	-
Stormwater Utility	4,860,983	-	1,181,275	-
Total Business-type Activities	14,847,823	6,147,058	1,830,854	-
Total Primary Government	\$ 332,374,060	\$ 42,638,322	\$ 73,066,477	\$ 6,725,666
Component Units:				
School Board of the City of Roanoke	\$ 199,628,430	7,022,385	53,096,581	-
Greater Roanoke Transit Company	11,308,872	1,908,445	-	2,276,232

General Revenues:

Taxes:

General Property - Real Estate and Personal Property
 Local Portion of State Sales
 Business and Professional Occupational License
 Utility
 Prepared Food and Beverage
 Commonwealth Share - Personal Property
 Cigarette
 Transient Room
 Telecommunication
 Motor Vehicle License
 Other taxes
 Stormwater Fees
 Recovered Costs
 Other
 State Aid Not Restricted to a Specific Program
 Payment from City of Roanoke
 Payment from Component Unit
 Grants and Contributions Not Restricted to Specific Programs
 Interest and Investment Income
 Miscellaneous
 Transfers

Total General Revenues and Transfers

Change in Net Position

Total Net Position at Beginning of Year, as restated***Total Net Position at End of Year**

* For additional information, see Footnote 2

See Notes to Basic Financial Statements.

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total	Component Units	
			School Board	GRTC
\$ (18,681,131)	\$ -	\$ (18,681,131)	\$ -	\$ -
1,001,540	-	1,001,540	-	-
(46,436,204)	-	(46,436,204)	-	-
(12,470,412)	-	(12,470,412)	-	-
(8,991,177)	-	(8,991,177)	-	-
(9,460,562)	-	(9,460,562)	-	-
(12,828,419)	-	(12,828,419)	-	-
(86,800,538)	-	(86,800,538)	-	-
2,471,340	-	2,471,340	-	-
(1,911,156)	-	(1,911,156)	-	-
(8,966,965)	-	(8,966,965)	-	-
(203,073,684)	-	(203,073,684)	-	-
-	(3,119,314)	(3,119,314)	-	-
-	(70,889)	(70,889)	-	-
-	(3,679,708)	(3,679,708)	-	-
-	(6,869,911)	(6,869,911)	-	-
\$ (203,073,684)	\$ (6,869,911)	\$ (209,943,595)	\$ -	\$ -
-	-	-	(139,509,464)	-
-	-	-	-	(7,124,195)
\$ 116,947,597	\$ -	\$ 116,947,597	\$ -	\$ -
21,426,783	-	21,426,783	-	-
13,557,252	-	13,557,252	-	-
10,118,287	-	10,118,287	-	-
16,609,514	-	16,609,514	-	-
8,133,906	-	8,133,906	-	-
2,152,811	-	2,152,811	-	-
5,375,713	-	5,375,713	-	-
6,357,300	-	6,357,300	-	-
2,955,266	-	2,955,266	-	-
4,311,908	-	4,311,908	-	-
-	6,074,799	6,074,799	-	-
513,563	-	513,563	-	-
-	-	-	-	271,561
2,137,753	-	2,137,753	61,425,627	-
-	-	-	81,237,799	1,900,349
13,867,878	-	13,867,878	-	-
2,028,702	138,229	2,166,931	-	5,478,541
499,454	226,209	725,663	293,687	-
1,347,395	478,154	1,825,549	938,651	-
(2,884,671)	2,884,671	-	-	-
\$ 225,456,411	\$ 9,802,062	\$ 235,258,473	\$ 143,895,764	\$ 7,650,451
22,382,727	2,932,151	25,314,878	4,386,300	526,256
275,053,609	45,629,898	320,683,507	(121,923,098)	10,974,568
\$ 297,436,336	\$ 48,562,049	\$ 345,998,385	\$ (117,536,798)	\$ 11,500,824

CITY OF ROANOKE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 34,724,076	\$ -	\$ 851,137	\$ 16,338,815	\$ 51,914,028
Due from Other Funds	60,642	400,000	-	1,463,079	1,923,721
Due from Component Unit	-	4,663	-	-	4,663
Due from Other Governments	9,658,845	-	1,129,496	2,225,834	13,014,175
Taxes Receivable, net of Allowance	18,648,978	-	-	-	18,648,978
Accounts Receivable	2,644,763	-	87,957	-	2,732,720
Allowance for Uncollectible Receivables	(1,733,614)	-	-	-	(1,733,614)
Inventory	43,235	-	-	-	43,235
Prepays and Other	42,650	-	-	-	42,650
Total Assets	64,089,575	404,663	2,068,590	20,027,728	86,590,556
LIABILITIES					
Accounts Payable and Accrued Expenditures	13,200,996	362,926	442,026	5,117,253	\$ 19,123,201
Due to Other Governments	665,004	-	-	-	665,004
Due to Other Funds	2,229,547	4	1,381	-	2,230,932
Due to Component Unit	1,381,026	-	-	2,235,939	3,616,965
Unearned Revenues	343,113	-	1,625,183	-	1,968,296
Total Liabilities	17,819,686	362,930	2,068,590	7,353,192	27,604,398
DEFERRED INFLOWS OF RESOURCES					
Uncollected Taxes and Charges	6,425,178	-	-	-	6,425,178
Total Deferred Inflows of Resources	6,425,178	-	-	-	6,425,178
FUND BALANCES					
Nonspendable	85,885	-	-	-	85,885
Restricted	-	41,733	-	5,615,256	5,656,989
Committed	4,904,658	-	-	7,059,280	11,963,938
Unassigned	34,854,168	-	-	-	34,854,168
Total Fund Balances	39,844,711	41,733	-	12,674,536	52,560,980
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 64,089,575	\$ 404,663	\$ 2,068,590	\$ 20,027,728	\$ 86,590,556

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS'
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds \$ 52,560,980

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

Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported as assets in the governmental funds.

Governmental capital assets, at cost	948,165,498	
Less: accumulated depreciation	<u>(354,714,043)</u>	593,451,455

Other assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.

Deferred outflows of resources from debt refundings resulting in loss transactions	17,010,758	
Less: accumulated amortization	(12,327,050)	
Receivable from Western Virginia Water Authority	<u>7,003,200</u>	11,686,908

Property taxes receivable, which are expected to be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.

6,248,125

Long-term liabilities, including bonds payable with related accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Governmental bonds and loans payable	(181,159,931)	
Governmental BANs payable	(7,479,800)	
Capital lease obligation	(3,964,359)	
Bond premium	(24,629,232)	
Less: accumulated amortization of bond premium	13,028,095	
Compensated absences	(7,172,571)	
Accrued interest payable	<u>(2,281,905)</u>	(213,659,703)

Long-term liabilities and deferred flows of resources related to pensions and other post-employment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.

Net deferred outflows related to pensions	34,444,529	
Net deferred inflows related to pensions	(31,393,355)	
Net pension liability	(132,266,984)	
Net deferred outflows of resources related to OPEB	728,294	
Net deferred inflows of resources related to OPEB	(1,542,282)	
Net OPEB liability	<u>(16,791,088)</u>	(146,820,886)

Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, deferred inflows and net position of the Internal Service Fund are included with governmental activities in the Statement of Net Position.

(6,030,543)

Total Net Position of Governmental Activities

\$ 297,436,336

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Local Taxes	\$ 199,197,682	\$ -	\$ -	\$ -	\$ 199,197,682
Permits, Fees and Licenses	1,415,842	-	-	-	1,415,842
Fines and Forfeitures	1,167,250	-	-	-	1,167,250
Rental Income	190,533	-	-	-	190,533
Investment Income	267,185	-	1,431	233,925	502,541
Intergovernmental	72,456,572	15,521,790	7,979,430	6,702,506	102,660,298
Charges for Services	15,138,288	-	-	-	15,138,288
Miscellaneous	911,619	255,353	102,370	3,338,795	4,608,137
Total Revenues	290,744,971	15,777,143	8,083,231	10,275,226	324,880,571
EXPENDITURES					
Current Operating:					
General Government	19,721,060	-	13,907	-	19,734,967
Judicial Administration	8,058,852	-	416,910	-	8,475,762
Public Safety	64,793,710	-	2,304,601	-	67,098,311
Public Works	28,224,469	-	103,500	-	28,327,969
Health and Welfare	39,971,605	-	2,793,591	-	42,765,196
Parks, Recreation and Cultural	9,408,107	-	37,816	-	9,445,923
Community Development	9,824,769	-	3,024,280	-	12,849,049
Greater Roanoke Transit Company	1,899,605	-	-	-	1,899,605
Education	81,237,799	-	51,368	-	81,289,167
Other	11,551	-	-	-	11,551
Debt Service:					
Principal Retirement	-	20,978,384	-	-	20,978,384
Interest and Other Charges	-	8,387,208	-	-	8,387,208
Bond Issuance Cost	-	121,399	-	-	121,399
Capital Outlays	-	-	-	40,383,339	40,383,339
Total Expenditures	263,151,527	29,486,991	8,745,973	40,383,339	341,767,830
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,593,444	(13,709,847.90)	(662,742)	(30,108,113)	(16,887,259)
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	-	-	-	7,479,800	7,479,800
Transfers In	194,000	13,212,316	1,123,024	7,479,583	22,008,923
Transfers Out	(24,187,445)	-	(60,000)	(646,148)	(24,893,593)
Total Other Financing Sources and (Uses), net	(23,993,445)	13,212,316	1,063,024	14,313,235	4,595,130
Net Change in Fund Balances	3,599,999	(497,532)	400,282	(15,794,878)	(12,292,129)
Fund Balances at Beginning of Year, as restated*	36,244,712	539,265	(400,282)	28,469,414	64,853,109
Fund Balances at End of Year	\$ 39,844,711	\$ 41,733	\$ -	\$ 12,674,536	\$ 52,560,980

*For additional information, see Footnote 2

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balance - Governmental Funds \$ (12,292,129)

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

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 asset.

Expenditures for capital assets	40,438,589	
Donation of capital assets	22,874	
Loss on sale of asset	(88,677)	
Less current year depreciation expense	<u>(23,699,514)</u>	16,673,272

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Governmental Funds.

Net change in deferred revenue related to taxes	613,007	
Net principal reimbursed by Western Virginia Water Authority	<u>(1,210,700)</u>	(597,693)

Bond and other long-term debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Bond and other long-term debt proceeds	(7,479,800)	
Amortization of deferred bond premium	1,360,510	
Deferred outflows from debt refundings resulting in loss transactions	(900,866)	
Principal payments	<u>21,018,446</u>	13,998,290

Governmental funds report employer pension and other post employment benefit contributions as expenditures. However, in the Statement of Activities, the cost of benefits earned net of employee contributions is reported as pension expense.

Subsequent employer pension contribution	12,486,113	
Employer pension expense	(9,156,939)	
Subsequent employer OPEB contribution and administrative expense	751,285	
Employer OPEB expense	<u>(675,154)</u>	3,405,305

Certain 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.

Change in long-term compensated absences	267,987	
Change in accrued interest payable	<u>318,570</u>	586,557

The Internal Service Fund is used by management to charge the costs of certain services to individual funds. The change in net position of the Internal Service Fund is reported with Governmental Activities.

609,125

Change in Net Position - Governmental Activities

\$ 22,382,727

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds				
	Stormwater	Civic Facilities	Parking	Total	Internal Service Fund
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 3,921,386	\$ 1,159,499	\$ 2,609,449	\$ 7,690,334	\$ 12,727,865
Due from Other Funds	4	-	-	4	-
Due from Component Unit	-	-	-	-	-
Due from Other Governments	383,586	-	-	383,586	-
Accounts Receivable, Net	226,846	138,632	-	365,478	-
Inventory	-	46,606	-	46,606	-
Other Assets	-	65,014	-	65,014	330,000
Total Current Assets	4,531,822	1,409,751	2,609,449	8,551,022	13,057,865
Capital Assets:					
Land and Land Improvements	15,347,608	1,215,005	3,431,513	19,994,126	-
Buildings and Structures	245,332	43,000,450	48,862,628	92,108,410	-
Equipment and Other Capital Assets	2,215,621	1,927,152	441,474	4,584,247	-
Construction in Progress	322,361	206,496	-	528,857	-
Less Accumulated Depreciation	(869,659)	(20,536,414)	(20,793,762)	(42,199,835)	-
Capital Assets, Net	17,261,263	25,812,689	31,941,853	75,015,805	-
Total Assets	21,793,085	27,222,440	34,551,302	83,566,827	13,057,865
Deferred Outflows of Resources					
Pension Experience, Assumptions, and Earnings	418,580	-	-	418,580	-
Pension Changes in Proportion	811,256	-	-	811,256	-
Pension Subsequent Contributions	227,557	-	-	227,557	-
OPEB Subsequent Contributions	12,211	-	-	12,211	-
Deferred Outflows from Debt Refundings Resulting in Loss Transactions	-	246,679	789,183	1,035,862	-
Total Deferred Outflows of Resources	1,469,604	246,679	789,183	2,505,466	-
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Expenses	490,102	354,523	193,660	1,038,285	24,471
Accrued Interest Payable	70,873	176,831	113,073	360,777	-
Due to Other Governments	-	99,332	-	99,332	-
Due to Other Funds	11,680	5,585	-	17,265	50,229
Unearned Revenue	-	915,167	-	915,167	-
Long-Term Liabilities Due Within One Year	418,346	1,307,092	977,590	2,703,028	2,925,708
Total Current Liabilities	991,001	2,858,530	1,284,323	5,133,854	3,000,408
Long-Term Liabilities:					
Compensated Absences Payable	70,620	-	-	70,620	-
Claims Payable	-	-	-	-	19,013,708
General Obligation Bonds Payable, Net	7,102,552	13,804,875	10,577,971	31,485,398	-
Capital Lease Obligations	1,340	1,569	206	3,115	-
Net Pension Liability	2,568,939	-	-	2,568,939	-
Net OPEB Liability	316,518	-	-	316,518	-
Less Current Maturities	(418,346)	(1,307,092)	(977,590)	(2,703,028)	(2,925,708)
Total Long-Term Liabilities	9,641,623	12,499,352	9,600,587	31,741,562	16,088,000
Total Liabilities	10,632,624	15,357,882	10,884,910	36,875,416	19,088,408
Deferred Inflows of Resources					
Pension Experience, Assumptions, and Earnings	602,903	-	-	602,903	-
OPEB Experience, Assumptions, and Earnings	30,544	-	-	30,544	-
OPEB Changes in Proportion	1,382	-	-	1,382	-
Total Deferred Inflows of Resources	634,829	-	-	634,829	-
Net Position					
Net Investment in Capital Assets	10,157,096	12,266,212	22,152,860	44,576,168	-
Unrestricted (deficit)	1,838,140	(154,975)	2,302,716	3,985,881	(6,030,543)
Total Net Position	\$ 11,995,236	\$ 12,111,237	\$ 24,455,576	\$ 48,562,049	\$ (6,030,543)

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Enterprise Funds

	Stormwater	Civic Facilities	Parking	Total	Internal Service Fund
<u>Operating Revenues</u>					
Charges for Services	\$ -	\$ 2,675,281	\$ 3,471,777	\$ 6,147,058	\$ 16,968,987
Stormwater Fees	6,074,799	-	-	6,074,799	-
Other Revenue	138,229	649,579	478,154	1,265,962	165,680
Total Operating Revenues	6,213,028	3,324,860	3,949,931	13,487,819	17,134,667
<u>Operating Expenses</u>					
Personal Services	2,165,409	1,516,188	(103,001)	3,578,596	-
Other Services and Charges	541,887	3,098,811	1,636,396	5,277,094	16,606,923
Materials and Supplies	1,260,153	3,026	514,504	1,777,683	-
Depreciation	568,906	1,246,913	1,019,697	2,835,516	-
Total Operating Expenses	4,536,355	5,864,938	3,067,596	13,468,889	16,606,923
Operating Income (Loss)	\$ 1,676,673	\$ (2,540,078)	\$ 882,335	\$ 18,930	\$ 527,744
<u>Nonoperating Revenues (Expenses)</u>					
Operating Grants	\$ 1,181,275	\$ -	\$ -	\$ 1,181,275	\$ -
Investment Income	39,626	97,033	89,550	226,209	81,381
Interest Expense	(324,628)	(579,236)	(475,070)	(1,378,934)	-
Net Nonoperating Revenues (Expenses)	896,273	(482,203)	(385,520)	28,550	81,381
Income (Loss) Before Transfers	2,572,946	(3,022,281)	496,815	47,480	609,125
<u>Transfers</u>					
Transfers In	14,504	2,870,167	-	2,884,671	-
Net Transfers	14,504	2,870,167	-	2,884,671	-
Change in Net Position	\$ 2,587,450	\$ (152,114)	\$ 496,815	\$ 2,932,151	\$ 609,125
Total Net Position at Beginning of Year, as Restated*	\$ 9,407,786	\$ 12,263,351	\$ 23,958,761	\$ 45,629,898	\$ (6,639,668)
Total Net Position at End of Year	\$ 11,995,236	\$ 12,111,237	\$ 24,455,576	\$ 48,562,049	\$ (6,030,543)

* See Footnote 2 for more information on restatement.

See Notes to Basic Financial Statements

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds				
	Stormwater	Civic Facilities	Parking	Total	Internal Service Fund
Cash Flow From Operating Activities					
Cash Received from Customers	\$ 5,922,346	\$ 2,946,946	\$ 3,471,777	\$ 12,341,069	\$ 18,830,099
Cash Payments to Suppliers for Goods and Services	(1,676,974)	(3,034,820)	(2,091,397)	(6,803,191)	(6,892,045)
Cash Payments to Other Funds for Interfund Services	(415,981)	(40,371)	(65,723)	(522,075)	48,717
Cash Payments from Other Funds for Interfund Services	281	(1,294)	2,493	1,480	-
Cash Payments to Employees	(2,200,251)	(1,493,349)	99,172	(3,594,428)	-
Cash Payments for Claims	-	-	-	-	(10,502,491)
Cash Received from Other Operating Revenues	138,229	649,579	478,154	1,265,962	165,680
Net Cash Provided by (Used in) Operating Activities	\$ 1,767,650	\$ (973,309)	\$ 1,894,476	\$ 2,688,817	\$ 1,649,960
Cash Flow From Noncapital Financing Activities:					
Transfers In	\$ 14,504	\$ 2,870,167	\$ -	\$ 2,884,671	\$ -
Net Cash Provided by Noncapital Financing Activities	\$ 14,504	\$ 2,870,167	\$ -	\$ 2,884,671	\$ -
Cash Flow From Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	\$ (3,635,350)	\$ (616,917)	\$ (363,699)	\$ (4,615,966)	\$ -
VDOT Match for Stormwater Improvements	1,181,275	-	-	1,181,275	-
Bond Anticipation Note Issuance	5,773	347,375	-	353,148	-
Principal Paid on Bonds and Capital Lease Obligations	(332,873)	(1,159,551)	(877,071)	(2,369,495)	-
Interest Paid on Bonds and Capital Lease Obligations	(278,138)	(493,836)	(470,618)	(1,242,592)	-
Net Cash Used in Capital and Related Financing Activities	\$ (3,059,313)	\$ (1,922,929)	\$ (1,711,388)	\$ (6,693,630)	\$ -
Cash Flow From Investing Activities:					
Interest Received	\$ 39,341	\$ 98,327	\$ 88,730	\$ 226,398	\$ 90,309
Net Cash Provided by Investing Activities	\$ 39,341	\$ 98,327	\$ 88,730	\$ 226,398	\$ 90,309
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,237,818)	\$ 72,256	\$ 271,818	\$ (893,744)	\$ 1,740,269
Cash and Cash Equivalents at July 1	\$ 5,159,204	\$ 1,087,243	\$ 2,337,631	\$ 8,584,078	\$ 10,987,596
Cash and Cash Equivalents at June 30	\$ 3,921,386	\$ 1,159,499	\$ 2,609,449	\$ 7,690,334	\$ 12,727,865

See Notes to Basic Financial Statements

(Continued)

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Enterprise Funds				Internal Service Fund
	Stormwater	Civic Facilities	Parking	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$ 1,676,673	\$ (2,540,078)	\$ 882,335	\$ 18,930	\$ 527,744
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	568,906	1,246,913	1,019,697	2,835,516	-
Changes in Assets and Liabilities:					
(Increase) in Due From Other Governments	(106,022)	-	-	(106,022)	-
(Increase) Decrease in Due From Other Funds	281	(1,294)	2,493	1,480	1,766,272
(Increase) Decrease in Accounts Receivable	(46,431)	15,812	-	(30,619)	94,840
(Increase) in Inventory	-	(46,606)	-	(46,606)	-
(Increase) Decrease in Other Assets	(68,526)	-	35,065	(33,461)	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	(347,183)	76,667	114,691	(155,825)	18,387
Increase in Due to Other Governments	-	22,839	-	22,839	-
Increase (Decrease) in Due to Other Funds	(180,439)	(3,415)	(763)	(184,617)	48,717
Increase (Decrease) in Other Liabilities	267,571	-	(144,594)	122,977	-
Increase in Compensated Absences Payable	2,820	-	-	2,820	-
Increase in Unearned Revenues	-	255,853	-	255,853	-
(Decrease) in Claims Payable	-	-	(14,448)	(14,448)	(806,000)
Total Adjustments	\$ 90,977	\$ 1,566,769	\$ 1,012,141	\$ 2,669,887	\$ 1,122,216
Net Cash Provided by (Used in) Operating Activities	\$ 1,767,650	\$ (973,309)	\$ 1,894,476	\$ 2,688,817	\$ 1,649,960

Noncash Capital and Financing Activities:

Stormwater Fund noncash activities in fiscal year 2018 consisted of capital asset acquisitions of \$194,016 recorded as accounts payable at June 30, 2018.

Civic Facilities Fund noncash activities in fiscal year 2018 consisted of capital asset acquisitions of \$131,795 recorded as accounts payable at June 30, 2018.

Parking Fund noncash activities in fiscal year 2018 consisted of capital asset acquisitions of \$139,031 recorded as accounts payable at June 30, 2018.

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Pension and OPEB Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 729,759	\$ 5,910,065
Receivables:		
Employer Contributions (Includes Due From Other Funds of \$374,702)	455,983	-
Employee Contributions	111,621	-
Investment Income	522,783	-
Receivable for Security Transactions	279,812	-
Due from Other Governments	-	473,936
Total Receivables	<u>1,370,199</u>	<u>473,936</u>
Investments Held by Trustee, at Fair Value:		
Cash Equivalents	14,067,235	-
Government Securities	29,693,300	-
Municipal and Agency Bonds	3,615,244	-
Corporate Bonds	22,234,787	-
Convertible Bond Mutual Funds	17,970,563	-
Common Stocks	72,289,029	-
Domestic Mutual Funds	153,793,440	-
International Mutual Funds	103,952,409	-
Real Estate Mutual Funds	14,108,389	-
Investment in Pooled Funds	6,688,789	-
Total Investments	<u>438,413,185</u>	<u>-</u>
Total Assets	<u>440,513,143</u>	<u>\$ 6,384,001</u>
LIABILITIES		
Accounts Payable and Accrued Expenses	294,197	-
Payable for Security Transactions	419,699	-
Due to other governments	-	6,384,001
Total Liabilities	<u>713,896</u>	<u>\$ 6,384,001</u>
NET POSITION RESTRICTED FOR BENEFITS	<u>\$ 439,799,247</u>	

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Pension and OPEB Trust Funds
<u>Additions/(Reductions)</u>	
Contributions from Employer	\$ 13,984,229
Contributions from Employee	3,731,352
Investment Income	
Net Appreciation in Fair Value of Investments	33,193,977
Interest and Dividends	14,732,904
Other	7,788
Total Investment Income	47,934,669
Less Investment Expenses	(1,425,572)
Net Investment Income	46,509,097
Total Additions	64,224,678
<u>Deductions</u>	
Benefit Payments	37,752,502
Administrative Expenses	541,574
Total Deductions	38,294,076
Change in Net Position	25,930,602
Fiduciary Net Position at Beginning of Year	413,868,645
Fiduciary Net Position at End of Year	\$ 439,799,247

See Notes to Basic Financial Statements.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(1) Summary of Significant Accounting Policies

The accounting policies of the City of Roanoke, Virginia (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments.

A. Reporting Entity

The City is a municipal corporation organized under the laws of the Commonwealth of Virginia (the Commonwealth) and governed by seven elected City Council members. The City's reporting entity consists of the Primary Government, as well as its component units, which are legally separate organizations for which the elected officials of the Primary Government are financially accountable. Financially accountable is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the Primary Government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Primary Government.

The accompanying financial statements present the City and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

The School Board of the City of Roanoke, Virginia (School Board) is a legally separate entity which operates seventeen elementary schools, five middle schools, and two high schools for students residing in the City. School Board members are appointed by City Council. City Council also provides fiscal guidance because it levies taxes to fund School Board's operations and issues debt for its capital projects. In accordance with GAAP, the City reports the School Board as a discretely presented component unit. Certain note disclosures are included in the City's Comprehensive Annual Financial Report for component unit transactions which are material. Additional disclosures are available in the separately published School Board Component Unit Comprehensive Annual Financial Report (CAFR).

Complete financial statements for this discretely presented component unit may be obtained by writing to the School Board of the City of Roanoke, P.O. Box 13145, Roanoke, Virginia 24031.

The Greater Roanoke Transit Company (GRTC) is a public service bus company organized to provide mass transportation services to the Roanoke Valley. GRTC, known locally as Valley Metro, is a private non-profit public service organization wholly owned by the City of Roanoke. Operations began in 1975 when the privately owned transit system, the Roanoke City Lines, went public. GRTC is dependent on various operating grants to subsidize operations. The City provides financial support to GRTC through annual appropriations for the GRTC operating budget.

Complete financial statements for this discretely presented component unit may be obtained by writing to the Greater Roanoke Transit Company, P.O. Box 13247, Roanoke, Virginia 24032.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

B. Financial Statement Presentation

The City's financial statements, which have been prepared in accordance with GAAP as promulgated by the Governmental Accounting Standards Board (GASB) includes:

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

Government-Wide Financial Statements – Financial statements are prepared using the economic resources measurement focus and full accrual accounting for all of the City's activities. These statements include all assets, liabilities, revenues and expenses of the Primary Government and its component units, excluding fiduciary activities.

The effect of interfund activity, other than service provided and used, has been eliminated from these statements. Excess revenues or expenses of the internal service funds are allocated to the appropriate governmental functional activity. The City does not allocate indirect expenses. The government-wide statements segregate governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, which rely on user fees and charges for support. The Roanoke City Public Schools and Greater Roanoke Transit Company (GRTC), which are legally separate discretely presented component units, are segregated accordingly.

Statement of Net Position – presents both governmental and business-type activities on the full accrual, economic resource basis of accounting, which incorporates long-term assets and receivables, as well as long-term debt and obligations and deferred flows of resources.

Statement of Activities – presents the net cost of each individual function. Program revenues are presented as a reduction of the total cost of providing program services. Program revenues include charges for services, operating grants and contributions and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenue are included as general revenue.

Fund Financial Statements – These statements are organized on the basis of funds, each of which is considered to be a separate accounting entity. The emphasis is on major governmental and enterprise funds. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the basic financial statements into three broad fund categories as follows:

Governmental Funds account for expendable financial resources, other than proprietary fund types. Governmental fund types use the flow of current financial resources measurement focus. The major governmental funds are:

General Fund – Accounts for all revenues and expenditures which are not accounted for in other funds. The General Fund finances the regular day-to-day operations of the City.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and fiscal charges not being financed by proprietary funds.

Special Revenue Fund – Accounts for the proceeds of specific revenue sources (other than expendable trusts or funds for major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund provides accounting for certain federal and state grants awarded to the City.

Capital Projects Fund – Accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. The proprietary fund measurement focus is on the flow of economic resources. Operating revenues include charges for services and other revenue. Operating expenses include personal services, as well as other services and charges, materials and supplies and depreciation. All revenues and expenses, excluding capital contributions and transfers, not meeting these definitions are reported as non-operating revenues and expenses. The proprietary fund types are:

Enterprise Funds – Account for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services. All funds included in this category are major funds and are as follows:

Civic Facilities Fund – Accounts for the operation of the Roanoke Civic Center. Global Spectrum, Inc. manages the civic center operations on the City's behalf.

Parking Fund – Accounts for the operation of seven parking garages and several parking lots. Lancor Parking, LLC manages the parking operations on the City's behalf.

Stormwater Utility Fund – Accounts for stormwater activities related to the City's stormwater infrastructure.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Internal Service Fund – Account for the financing of goods or services provided by one department primarily or solely to other departments within the City government on a cost-reimbursement basis. Fund included in this category is:

Risk Management Fund – Finances workers' compensation, employee medical, auto, and general liability insurance coverage.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, or other funds. The fiduciary funds are:

Pension Trust Fund – Accounts for the operations of the City's Pension Fund. It is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net position.

OPEB Trust Fund – Accounts for the assets held for, and costs of, other post-employment benefits (OPEB). It is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net position.

Agency Fund – Accounts for assets held for, and due to the Hotel Roanoke Conference Center Commission. This fund is custodial in nature and does not involve measurement of results of operations.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activities in the government-wide statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability has been incurred, regardless of the timing of related cash flows.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. General fund tax revenues are considered measurable when they have been levied. To be considered available and thus susceptible to accrual, taxes must be collected with the City's period of availability of 60 days. Uncollected taxes at the end of this period are reported as deferred revenues. Interest income and intergovernmental receivables (state and federal grants to the extent of allowable expenditures) are considered susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific situation.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements, a reconciliation between the government-wide and fund financial statements is necessary. Exhibit D presents a reconciliation of the net position as reported on the Statement of Net Position (Exhibit A) to total governmental fund balance as reported on the Balance Sheet - Governmental Funds (Exhibit C). Exhibit F presents a reconciliation of the total change in net position as reported on the Statement of Activities (Exhibit B) and the total net change in fund balances as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit E).

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as Committed Fund Balance since they do not constitute current year expenditures or liabilities and as such, are approved by Council for inclusion in the next fiscal year budget. Encumbrances are reported as expenditures using the budgetary basis of accounting. Unspent appropriations lapse at year-end. These encumbrances are subject to re-appropriation by City Council in the succeeding fiscal year. For fiscal year ended June 30, 2018, significant encumbrances in the General Fund totaled \$4.7 million related to employee health services, social services, prisoner sustenance and street and other maintenance contracts. In the Capital Projects fund, \$29.7 million was related to various capital improvement construction contracts. In Proprietary funds, \$1.4 million was encumbered related to capital projects, equipment, and contractual services and supplies.

E. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash from all funds is consolidated in one City account. Short-term investments may consist of certificates of deposit, repurchase agreements, commercial paper, investments in the Local Government Investment Pool (LGIP), and the Commonwealth Cash Reserve Fund. Cash balances, other than GRTC balances, Roanoke City Public Schools balances, Roanoke Civic Center balances, OPEB Trust Fund balances and a portion of the Trust Fund balances are deposited in a pooled account, which in turn purchases short-term investments. Interest income is allocated to the participating funds based on each fund's average daily cash balance. Cash and cash equivalents are recorded at cost, which approximates market value.

Applicable investments are measured at fair value and are categorized within the fair value hierarchy using valuation techniques as promulgated by GAAP. The hierarchy is based on the valuation of inputs used to measure the fair value of an asset and categorizes these inputs into one of three levels. See Footnote 3 for additional information regarding the categorical fair value measurement of investments. Investments of the Capital Projects Fund consist of government securities. Investments of the Pension Trust Fund consist of investments in bank common trust funds, government securities, corporate bonds, stocks, and mutual funds. The fair value of underlying assets held in the Pension Trust Fund's real estate fund is based upon independent appraisal conducted periodically throughout the year, but not less than annually.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Interfund Receivables and Payables

Outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide statements as internal balances. Outstanding balances between the City and its component units are reported as due to/from component unit or due to/from Primary Government.

G. Allowance for Uncollectible Taxes and Accounts Receivable

The City calculates its allowance for uncollectible receivables based on historical collection data and specific account analyses. At June 30, 2018, the allowance for General Fund uncollectible taxes receivable was \$2,671,217 or 12.5% of the outstanding balance of taxes receivable. At June 30, 2018, the allowance for General Fund uncollectible accounts receivable was \$1,733,614 or 65.5% of the outstanding balance of accounts receivable. In the Stormwater Fund, an allowance in the amount of \$ 27,841 or 10.9% of the delinquent stormwater fee receivables of \$254,687.

H. Property Taxes

Property taxes are assessed annually as of January 1. Real estate tax is payable in two equal installments, each due on or before October 5 and April 5. On April 6, real property taxes become an enforceable lien against the property. The annual assessment for real estate is based on 100% of the assessed fair market value. The tax rates are established annually, without limitation, by City Council. The tax rate for real estate was \$1.22 per \$100 of assessed value for the year.

Personal property tax is due on or before May 31 during the year of assessment. The personal property tax rate was \$3.45 per \$100 of assessed value for the year. The Commonwealth funds localities for a portion of the personal property taxes billed to property tax owners. The Personal Property Tax Relief Act as amended provides a flat amount of reimbursement to localities, such as the City of Roanoke, thereby altering the percent of tax relief provided. The Commonwealth's share of the tax was 48.3% for tax year 2018. A penalty of 10% of unpaid real estate and personal property tax is due for late payment. Interest on unpaid taxes is 10% in the first year. Thereafter, the interest is calculated using the Internal Revenue Service (IRS) rate. At June 30, 2018, the IRS rate was 5%.

The City bills and collects taxes and recognizes revenue upon levy for government-wide purposes. For the fund financial statements, the City recognizes revenue to the extent that it results in current receivables.

I. Inventory

Inventory for proprietary funds is valued at cost, determined using the moving weighted average method. Inventory consists of materials and supplies held for consumption and are adjusted to actual based on an annual physical count. The cost is recorded as an expense when individual items of inventory are used.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

J. Pension Trust Fund

The City's policy is to fully fund actuarially determined pension costs, which include both normal costs and amortization of unfunded accrued liability. Pension Trust Fund investments are measured at fair value using valuation techniques categorized under the hierarchy as set forth in GAAP. See Footnote 3 for additional information regarding the categorical fair value measurement of investments. Security transactions are recognized on the trade date which is the date the order to buy or sell is originated. Securities lending fees are included as a component of investment expenses.

K. Other Postemployment Benefits Trust Fund

The City's policy is to fully fund actuarially determined OPEB costs, which include both normal costs and amortization of unfunded accrued liability, by contributing to the Virginia Pooled OPEB Trust Fund (OPEB Trust Fund). The OPEB Trust Fund investments are recorded at fair value. The Trust Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. OPEB includes retirement benefits and line of duty benefits other than pension costs.

L. Capital Assets

Capital assets acquired or constructed by the City with a value in excess of \$5,000 are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets belonging to proprietary funds are also reported in the applicable fund financial statements. Capital assets are recorded at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at acquisition value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land, inexhaustible infrastructure (e.g. flood reduction), construction-in-progress, or items designated as historical treasures. The estimated useful lives for capital assets are as follows:

Land Improvements	15-40 years
Buildings and Structures	5-50 years
Equipment	2-20 years
Infrastructure	15-50 years
Software	3 years

The City has adopted the modified approach allowed for in GAAP for certain assets determined 'inexhaustible'. Assets in this category are characterized as those whose economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. Assets of this nature are not depreciated, but are required to be maintained at a certain condition level. See Footnote 6 for additional information regarding the City's application of the modified approach.

Pursuant to the City Charter, all real estate, including buildings and improvements thereon, financed by debt issued by the City for the purpose of public education on behalf of the School Board component unit are the property of the City.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

M. Compensated Absences Payable

It is the City's policy to permit employees to accumulate earned but unused compensated absences. For government-wide reporting, a liability is recorded for compensated absences when services are rendered and employees have earned the right to receive compensation for such services.

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the governmental fund's financial statements, no expenditure is reported for compensated absences until they are paid. Current and non-current portions of compensated absences totaling \$7,172,571 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and governmental fund presentations.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is comprised of three components:

Net Investment in Capital Assets - Consists of the historical cost of capital assets net of any accumulated depreciation and outstanding debt which was used to finance those assets.

Restricted - Consists of assets where limitations are imposed on their use through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or the laws and regulations of other governments.

Unrestricted - Net position not reported as net investment in capital assets or restricted.

Fund Balances – Governmental Funds

Within GAAP, fund balance is potentially divided into five classifications based upon the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted fund balance is reported as restricted when constraints placed on the use of resources is either externally imposed by creditors, grantors, constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandates payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action such as ordinance of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned amounts are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter Section 34 and the City's adoption of the annual budget at the second meeting in May of each year. Further, in accordance with the laws of the Commonwealth, the chief financial officer of the City is required to file a detailed annual statement of the fund balance with the Auditor of Public Accounts. See Virginia Code Section 15.2.2510.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending or over-encumbering for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The City maintains fund balance reserve policies to ensure sound financial management, protecting the City's credit ratings, ensuring prudent use of the City's debt issuance authority and guiding the City and its managers in policy and debt issuance decisions. Key components of the reserve policies are as follows as of June 30, 2018:

The Unassigned General Fund Reserve target is 10% of the expenditure budget to provide the City with sufficient working capital and margin of financial safety to address unforeseen, one-time expenditure emergencies or significant unforeseen declines in revenues in a specific fiscal year.

A Risk Management Reserve serves to cover the risk exposure the City has relating to its self-insurance program. The minimum funding level for the Risk Management Reserve is 25% of the three-year average of self-insured claims costs, plus 10% of the three-year

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

average of fully insured premiums, plus a \$1 million catastrophic reserve.

Once the Unassigned and Risk Management Reserves are fully funded, an Economic Downturn Reserve will be created to smooth the City's financial operations in the event of an economic downturn. The Economic Downturn Reserve will be maintained in an amount up to 5% of the General Fund Expenditure budget. As of June 30, 2018, this reserve had not been created as the Risk Management Reserve has not yet been funded, which triggers the establishment of this reserve.

The Economic and Community Development Reserve in the Capital Projects Fund and is intended to demonstrate a commitment to financial planning for economic and community development projects which may provide future growth opportunities and expansion of the tax base in Roanoke. The reserve is funded from interest earnings and the proceeds from the sale of general government property, with reserve floor is \$1 million.

The fund balance reserves may only be used upon appropriation by City Council and the reserve policies contain stipulations regarding reserve usage and replenishment. Subsequent to year end, City Council amended the reserve policies.

O. Use of Estimates

Management of the City has made use of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenditures/expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

P. Deferred Inflows/Outflows of Resources

Deferred inflows and outflows of resources represent the acquisition and consumption, respectively, of net position that applies to a future period. At June 30, 2018, the Primary Government had \$5.7 million in deferred outflows of resources representing debt refundings resulting in loss transactions which are amortized over the life of the refunded debt and \$36.6 million in deferred charges related to Pension and OPEB contributions, experience, assumptions, earnings, and proportion. The Primary Government also had \$33.6 million in deferred inflows of resources related to changes in the Pension and OPEB experience, assumptions, earnings, and proportion which are amortized over the average future service life of all plan members, except earnings, which are amortized over a five year period.

Q. Subsequent Events

The City has evaluated subsequent events (events occurring after June 30, 2018, through November 30, 2018, in connection with the preparation of these financial statements. There were no disclosures required.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

R. New GASB Pronouncements

The City has adopted these pronouncements in the fiscal year ending June 30, 2018.

GASB pronouncements are reviewed upon issuance to determine applicability and adoption. The following pronouncements have been analyzed by the City:

- (1) GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued to replace requirements of Statements No. 45, as amended, and 57. The objective of this Statement is to improve accounting and financial reporting for OPEB by improving information provided by employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.
- (2) GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- (3) GASB Statement No. 85, *Omnibus 2017*, was issued to address practice issues that have been identified during implementation and application of certain GASB statements and addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.
- (4) GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt.

S. Future GASB Pronouncements

The City will adopt the following pronouncements in the fiscal year ending June 30, 2019:

- (5) GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued to address accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.
- (6) GASB Statement No. 84, *Fiduciary Activities*, was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(2) Accounting Changes and Restatements

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), July 1, 2017. Implementation of GASB 75 required the financial reporting of the net liability of OPEB along with the deferred inflows and outflows of resources. Additionally, the City decided to change the way Internal Service Funds are reported effective July 1, 2017. The Department of Technology Fund, Fleet Management Fund, and the operating portion of the Risk Management Fund have been dissolved into the General Fund. The liability portion of the Risk Management Fund still remains as an Internal Service Fund. As a result, balances previously reported have been restated. The effects of the implementation of GASB 75 and the Internal Service Funds dissolution are as follows:

Statement of Net Position (Exhibit A)

	Original Balance Net Position June 30, 2017	Internal Service Funds Dissolution Restatement	* GASB 75 Implementation	Restated Balance Net Position June 30, 2017
Governmental Activities	\$ 293,210,293	\$ -	\$ (18,156,684)	\$ 275,053,609
Business-type Activities	45,981,309	-	(351,411)	45,629,898
School Board	(102,433,933)	-	(19,489,165)	(121,923,098)
GRTC	10,974,568	-	-	10,974,568
Total	<u>\$ 247,732,237</u>	<u>\$ -</u>	<u>\$ (37,997,260)</u>	<u>\$ 209,734,977</u>

* The GASB 75 restatement for Governmental Activities includes \$18,547,184 in liabilities, \$888,967 in deferred outflows, and removing \$498,467 in prepayments. For Business-type activities the restatement includes \$358,860 in liabilities, \$14,582 in deferred outflows, and removing \$7,133 in prepayments.

Governmental Funds (Exhibit C)

	Original Fund Balance June 30, 2017	Internal Service Funds Dissolution Restatement	GASB 75 Implementation	Restated Fund Balance June 30, 2017
General Fund	\$ 33,281,063	\$ 2,963,649	\$ -	\$ 36,244,712
Debt Service Fund	539,265	-	-	539,265
Special Revenue Fund	(400,282)	-	-	(400,282)
Capital Projects Fund	25,386,971	3,082,443	-	28,469,414
Total	<u>\$ 58,807,017</u>	<u>\$ 6,046,092</u>	<u>\$ -</u>	<u>\$ 64,853,109</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Accounting Changes and Restatements (continued)

Business-type Activities (Exhibit G)

	Original Balance Net Position June 30, 2017	Internal Service Funds Dissolution Restatement	** GASB 75 Implementation	Restated Balance Net Position June 30, 2017
Stormwater	\$ 9,759,197	\$ -	\$ (351,411)	\$ 9,407,786
Civic Center	12,263,351	-	-	12,263,351
Parking	23,958,761	-	-	23,958,761
Total	<u>\$ 45,981,309</u>	<u>\$ -</u>	<u>\$ (351,411)</u>	<u>\$ 45,629,898</u>

** The GASB 75 restatement for Stormwater includes \$358,860 in liabilities, \$14,582 in deferred outflows, and removing \$7,133 in prepayments.

Internal Service Funds (Exhibit L-1)

	Original Balance Net Position June 30, 2017	Internal Service Funds Dissolution Restatement	GASB 75 Implementation	Restated Balance Net Position June 30, 2017
Department of Technology	\$ 4,683,856	\$ (4,683,856)	\$ -	\$ -
Fleet Management	10,707,357	(10,707,357)	-	-
Risk Management	(6,921,568)	281,900	-	(6,639,668)
Total	<u>\$ 8,469,645</u>	<u>\$ (15,109,313)</u>	<u>\$ -</u>	<u>\$ (6,639,668)</u>

Capital assets and construction in progress assets in the amount of \$21,513,667 and liabilities such as debt and pension totaling \$12,450,446 are presented as part of the government-wide financial statements. Since the Internal Service Funds were already being reported in governmental activities on Exhibit A, there is no need for a restatement for these items.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(3) Deposits and Investments

Governmental Funds

The City maintains a consolidated account that is available for use by all funds, including fiduciary funds. Each fund's portion of this account is presented in the basic financial statements as "Cash and Cash Equivalents". The School Board component unit maintains separate cash and investment accounts with a combined balance as of June 30, 2018 of \$29,815,447, which includes \$882,782 held on behalf of a fiduciary fund. The GRTC component unit maintains separate cash and investment accounts consisting of cash and overnight repurchase agreements collateralized by government securities. Investments for GRTC and the School Board are presented in conjunction with City investments. The City Civic Center Facilities are managed by Spectra Venue Management, which holds a portion of cash in the amount of \$741,662 on the City's behalf. The City acts as one of the fiscal agents for the Hotel Roanoke Conference Center Commission (HRCCC) and holds total cash and investments of \$5,910,065 on HRCCC's behalf. Investments and related disclosures for the City of Roanoke Pension Plan and the OPEB Trust Fund, which are fiduciary funds, are presented separately.

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

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

Commercial Paper: The issuing corporation, or its guarantor, has a short-term debt rating of no less than A-1 or its equivalent by at least two of the Nationally Recognized Statistical Rating Organizations and must have a maturity of 270 days or less.

Corporate and Municipal Bonds: High quality corporate notes with a rating of at least AA by Moody's and Standard & Poor's Inc. with a final maturity of five (5) years or less.

Bankers' Acceptances: Must have a short-term debt rating of no less than A-1 or its equivalent by at least two of the Nationally Recognized Statistical Rating Organizations, issued by domestic banks or a federally chartered office of a foreign bank, eligible for purchase by the Federal Reserve System, and with a maturity of 180 days or less.

Negotiable Certificates of Deposit and Bank Deposit Notes: Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least A-1 by Standard & Poor's Inc., and P-1 by Moody's Investor Service, Inc., for maturities of one year or less, and a rating of at least AA by Standard & Poor's and Aa by Moody's Investor Service, Inc., for maturities over one (1) year. The final maturity may not exceed a period of five (5) years from the time of purchase.

Obligations of the Commonwealth: Those unconditionally guaranteed as to payment by the Commonwealth of Virginia. Bonds, notes, and other general obligations of the Commonwealth of

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Virginia and its agencies, authorities, and political subdivisions upon which there is no default, has a rating of at least AA by Standard & Poor's and Aa by Moody's Investor Services, Inc., matures with five (5) years of the date of purchase and otherwise meets the requirements of *Code of Virginia* 2.2 – 4501.

Obligations of the United States: Those unconditionally guaranteed as to payment by the United States with a final maturity not to exceed five (5) years.

Repurchase Agreements: Collateralized by United States Treasury agency securities, with a maximum maturity of five years, having a market value at all times of at least 102% of the value of the overnight repurchase agreements. The securities must be free and clear of any lien and held by an independent third party custodian acting solely as agent for the City, provided such third party is not the seller under the repurchase agreement. For repurchase agreements with terms of maturity of greater than one (1) day, the City will value the collateral securities daily and require that if additional collateral is required then that collateral must be delivered within one business day. The counterparty must be a primary government securities dealer who reports daily to the Federal Reserve Bank of New York or a bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency. The counterparty must have a long-term credit rating of at least AA or the equivalent from Nationally Recognized Statistical Rating Organizations (NRSRO), been in operation for at least 5 years, and is reputable among market participants.

Money Market Funds: One or more open-end investment funds, provided that the funds are registered under the Federal Investment Company Act of 1940 and provided that the fund is rated at least AAAm or the equivalent by a Nationally Recognized Statistical Rating Organization. The mutual fund must comply with all requirements of Rule 2(a) – 7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments and otherwise permitted by the *Code of Virginia* for political subdivisions.

Local Government Investment Pool (LGIP): Administered by the Treasury Board of the Commonwealth of Virginia and is rated AAAm by Standard & Poor's, Inc.

CDARS for Public Funds: Certificates of Deposit with a maximum maturity of five years with no minimum credit rating required as long as the securities are 100% FDIC insured.

Virginia Investment Pool (VIP): Administered by the Virginia Municipal League/Virginia Association of Counties and is an alternative investment pool for local governments for assets held six months or longer.

Investments (excluding Pension and OPEB Trust Funds which are presented separately) at June 30, 2018 consisted of the following:

	Total Primary Government	School Board Component Unit	Agency Fund
Investment in pooled funds, including Virginia LGIP & VIP	\$ 31,223,044	\$ 26,840,587	\$ 4,943,183
Money Market Accounts	23,809,490	-	-
Mutual Funds	10,685,109	-	-
Total	<u>\$ 65,717,643</u>	<u>\$ 26,840,587</u>	<u>\$ 4,943,183</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

Credit Risk. State law limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, and the LGIP. The State Treasurer’s Office of the Commonwealth of Virginia has regulatory oversight over the LGIP. The City’s fair value of investment in the LGIP is the same as the pooled value of its shares. It is the City’s policy to limit its investments in commercial paper to the top rating issued by an NRSRO.

At June 30, 2018, investment holdings as a percentage of total investments, excluding Pension and OPEB Trust Fund investments, were as follows:

Investment Type	Primary Government	School Board Component Unit	Agency Fund	Credit Rating
Mutual Funds	16.3%	0.0%	0.0%	AAAm
VIP	23.2	0.0	0.0	AA+f/S1
Virginia Liquidity Pool	36.2	0.0	0.0	AAAm
Virginia LGIP	24.3	100.0	100.0	AAAm
Total Investment Percentage	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

Custodial Credit Risk - Investments. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investments as of June 30, 2018 were held in the name of the City. The City’s investment policy requires all Purchase Securities, Money Market instruments and Certificates of Deposit with maturity dates less than thirty (30) days to be held by the Bank or Securities Dealer through which they were purchased. Securities with maturity dates exceeding thirty days are electronically transferred and held by a third party.

Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent, but not in the City’s name. As of June 30, 2018, the City did not hold any investments considered to be exposed to custodial credit risk. The School Board and GRTC component units do not hold any investments exposed to custodial credit risk.

Custodial Credit Risk – Deposits. In the case of a deposit, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The carrying value of the City’s deposits was \$34,623,021, including Fiduciary HRCCC Funds of \$966,882. The City’s bank balance of deposits was \$36,610,195. The City’s investment policy requires all deposits to be federally secured or held in accordance with the Virginia Security for Public Deposits Act. In agreement with the policy, the entire balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Concentration of Credit Risk. The City's investment policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No single issue shall constitute more than 5% of the total value of the portfolio, except U.S. Treasury and Federal Agency obligations. Not more than 35% of the total funds available for investment may be invested in commercial paper, and no single industry group, as defined by Standard & Poor's, shall constitute more than 5% of the bond portfolio.

At June 30, 2018, the portions of the City's debt securities that exceed 5% of the total value, excluding certificates of deposit, which were fully insured by Federal Deposit Insurance Corporation (FDIC) and the Virginia LGIP, were as follows:

Issuer	Percent of Portfolio Primary Government
State Non-Arbitrage Program	16.3%

At June 30, 2018, of the School Board's investment portfolio was invested in the Virginia LGIP \$26,840,587.

Interest Rate Risk. The City's investment policy limits maturities to a maximum of five years as a means of managing its exposure to fair value losses arising from increasing interest rates. However, as a means of limiting its exposure to an even higher degree, the City's investments are highly concentrated in investments of less than one year, and the City holds no investments with a maturity date of greater than three years.

At June 30, 2018, the Primary Government had the following investments and maturities:

	Fair Value	Less than 1 year	More than 1 year
Mutual Funds	\$ 10,685,109	\$ 10,685,109	\$ -
Virginia LGIP & VIP	31,223,044	31,223,044	-
Virginia Liquidity Pool	23,809,490	-	23,809,490
TOTAL	\$ 65,717,643	\$ 41,908,153	\$ 23,809,490

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

At June 30, 2018, the School Board Component Unit had the following investments and maturities:

	<u>Investment Maturity</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
Virginia LGIP	\$ 26,840,587	\$ 26,840,587

At June 30, 2018, the Hotel Roanoke Conference Center Commission, a fiduciary fund, had the following investments and maturities:

	<u>Investment Maturity</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
Virginia LGIP & VIP	\$ 4,943,183	\$ 4,943,183

Separately Presented Fiduciary Funds

Pension Trust Fund

Investment Policy. The Board has adopted a Statement of Investment Policy Guidelines and Objectives (Policy), which articulates the Plan's investment objectives and risk tolerance and serves as a guide for asset allocation development, investment manager and fund selection, investment per

Plan Investments at June 30, 2018 consisted of the following:

Cash Equivalents (held by Investment Agent)	\$ 77,215
Investment in pooled funds, including Virginia LGIP & VIP	14,531,658
U.S Government Securities	29,693,300
Municipal and Agency Bonds	3,615,244
Corporate Bonds	22,234,787
Convertible Bond Mutual Funds	17,970,563
Common Stocks	72,289,029
Domestic Mutual Funds	153,793,440
International Mutual Funds	103,952,409
Real Estate Mutual Funds	14,108,389
Total Investments	<u>\$ 432,266,034</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	Fair Asset Value as of 6/30/2018	Fair Value Measures Using		
		Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Investements By Fair Value Level				
Fixed Income				
U.S. Government Securities	\$ 29,693,300	\$ -	\$ 29,693,300	\$ -
Municipal and Agency Bonds	3,615,244	-	3,615,244	-
Corporate Bonds	22,234,787	-	22,234,787	-
Domestic Bond Mutual Funds	4,431,644	4,431,644	-	
Total Fixed Income	59,974,975	4,431,644	55,543,331	-
Domestic Equity				
Financial and Utility Common Stock	25,363,194	25,363,194	-	-
Basic Industrial and Materials Common Stock	12,044,933	12,044,933	-	-
Consumer and Service Common Stock	23,748,172	23,748,172	-	-
Technology and Telecommunications Common Stock	11,132,730	11,132,730	-	-
Domestic Equity Mutual Fund	103,732,614	103,732,614	-	-
Total Domestic Equity	176,021,643	176,021,643	-	-
Convertible Securities				
Convertible Bond Mutual Funds	17,970,563	17,970,563		-
Total Convertible Securities	17,970,563	17,970,563	-	-
International Equity				
International Equity Mutual Fund	85,050,978	85,050,978	-	-
Total International Equity	85,050,978	85,050,978	-	-
Short-Term Investments				
Cash and Cash Equivalents	14,608,873	14,608,873	-	-
Total Short-Term Investments	14,608,873	14,608,873	-	-
Total Investments by Fair Value Level	\$ 353,627,032	\$ 298,083,701	\$ 55,543,331	\$ -

Investments By Net Asset Value

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income Investments				
Co-mingled domestic fixed income	\$ 18,242,262	\$ -	Daily	0-3 Days
Total Fixed Income Investments	18,242,262	-		
Equity Investments				
Co-mingled domestic equity	27,386,920	-	Daily	0-3 Days
Co-mingled international equity	18,901,431	-	Daily, Bi-Monthly, Monthly	3-30 Days
Total Equity Investments	46,288,351	-		
Real Estate Investments				
Real Estate	14,108,389	-	Quarterly	45-90 Days
Total Real Estate Investments	14,108,389	-		
Total Investments	\$ 78,639,002	\$ -		

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Credit Risk. Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation to the Plan. The Plan's investment policy limits investments in fixed income securities to issues which are rated at least Baa or BBB by either Moody's or Standard and Poor's. Investment grade fixed income securities below may be purchased and held in accounts specifically selected to hold such issues. Purchases of non-U.S. government securities are restricted to issues of \$50 million or greater.

At June 30, 2018, the Plan's pooled and fixed income investments consisted of the following:

<u>S&P Rating</u>	<u>2018</u>
U.S. Government Securities	
AA	\$ 604,266
NR (1)	29,089,034
	<u>\$ 29,693,300</u>
Municipal and Agency Bonds	
AA	\$ 2,412,685
NR	1,202,559
	<u>\$ 3,615,244</u>
Corporate Bonds	
AAA	\$ 439,984
AA	3,565,056
A	9,517,418
BBB	8,712,329
	<u>\$ 22,234,787</u>
Domestic Bond Mutual Funds	
BB	\$ 18,242,262
	<u>\$ 18,242,262</u>
Investment in Pooled Funds	
AAA	\$ 13,990,020
AAAm	277,223
AA+f	264,415
	<u>\$ 14,531,658</u>

(1) The bonds within this category are implicitly backed by the U.S. Government.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan's investment policy does not specifically address custodial credit risk. The City maintains a cash and investment pool, in which the Plan is a participant. The carrying amount of the Plan's deposits was \$14,796,994, equal to the bank balance, at June 30, 2018. Of the bank balance, \$729,759 was covered by Federal depository insurance or collateralized pursuant to agreements with all participating financial institutions to pledge assets on a pooled basis to secure public deposits pursuant to the Virginia Security for Public Deposits Act (Act) Regulations of the *Code of Virginia*. Such collateralization qualifies as state depository insurance. Accordingly, the bank balance of \$729,759 as of June 30, 2018, is considered to be insured. Under the Act, banks holding public deposits in

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. The remaining bank balance of \$14,067,235 at June 30, 2018, respectively, is uninsured and uncollateralized. The uninsured and uncollateralized deposits are held by Comerica Bank.

Custodial Credit Risk – Investments The Plan held the following investments at June 30, 2018: cash equivalents; investment in pooled funds, U.S. government securities; agency and municipal bonds; corporate bonds; convertible bond mutual funds; common stocks; and domestic, international, real estate mutual funds. Investments in external investment pools and in open-end mutual funds are not considered to be exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent but not in the Plan's name. The Plan's investments are not considered to be exposed to custodial credit risk.

Concentration of Credit Risk. The Plan's investment policy prohibits the investment of more than 5% of plan assets in either fixed income or equity securities of any single issuer based on cost. Securities of the U.S. government and investment company shares (mutual funds) are exempted from this limitation. The Plan did not own securities of a single organization, other than positions in mutual funds, representing five percent or more of the Plan's fiduciary net position at June 30, 2018.

Interest Rate Risk. The Plan's Policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Policy does define the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Barclays Aggregate Bond Index, thus providing broad diversification that, in the Board's opinion, would be impractical to achieve in an actively managed portfolio. The objective of the actively managed fixed income portfolio is to outperform the Barclays Aggregate Bond Index over a moving 3 – 5 year range, with the exception of long duration fixed income, which has an objective of outperforming the Barclays Capital Long Government/Credit Index over a moving 3 – 5 year range.

The fair value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2018:

Investment Type	Fair Value	Maturities			
		<1	1-5	5-10	>10
U.S. Government Securities	\$ 29,693,300	\$ 289,443	\$ 4,844,304	\$ 6,411,179	\$ 18,148,374
Municipal and Agency Bonds	3,615,244	2,150,813	-	961,376	503,055
Corporate Bonds	22,234,787	2,284,702	5,589,215	4,141,927	10,218,943
Bond Mutual Funds	18,242,262	-	-	18,242,262	-
	<u>\$ 73,785,593</u>	<u>\$ 4,724,958</u>	<u>\$ 10,433,519</u>	<u>\$ 29,756,744</u>	<u>\$ 28,870,372</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The City maintains a cash and investment pool in which the Plan is a participant. The fair value of the Plan's investments in the pool at June 30, 2018 were:

Investment Type	Fair Value		<1
Virginia LGIP	\$	277,223	\$ 277,223
Virginia VIP		264,415	264,415
	\$	541,638	\$ 541,638

Foreign Currency Risk. The Plan's investment policy prohibits investment in securities that are not denominated in U.S. dollars and/or that are traded solely on exchanges outside the U.S., with the exception of international commingled funds. The Plan had no investments that were not denominated in U.S. dollars or that were traded solely on exchanges outside the U.S. as of June 30, 2018.

OPEB Trust Fund

The City's OPEB Trust Fund is a participant in the Virginia Pooled OPEB Trust. Funds of participating jurisdictions are pooled and are invested in name of the OPEB Trust Fund. The City's share in this pool is reported as an asset on the Statement of Fiduciary Net Position of the OPEB Trust Fund (Exhibit J).

Investment Policy. The Board of Trustees of the OPEB Trust Fund has adopted an investment policy to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. Investment decisions for the fund's assets are made by the Board of Trustees, which establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines. In addition, the Trustees review, monitor, and evaluate the performance of the investments and the Board's investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance.

Specific investment information for the OPEB Trust Fund can be obtained by writing to VML/VACo Finance, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

Credit Risk. State law (*Code of Virginia*, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the LGIP. At June 30, 2018, the City's OPEB Trust Fund was exclusively invested in the OPEB Trust Fund.

Custodial Credit Risk - Investments. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

by its trust department or agent but not in the City's name. At June 30, 2018, the OPEB Trust Fund did not hold any investments considered to be exposed to custodial credit risk.

Concentration of Credit Risk. The OPEB investment policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No single issue shall constitute more than 5% of the total value of the portfolio, except U.S. Treasury and Federal Agency obligations. Not more than 35% of the total funds available for investment may be invested in commercial paper, and no single industry group, as defined by Standard & Poor's, shall constitute more than 5% of the bond portfolio.

At June 30, 2018, the OPEB Trust Fund did not own securities other than the OPEB Trust Fund, which classified as a co-mingled multi-strategy pooled investment fund. The value of these investments has been allocated among the participants using a net asset value per share.

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multistrategy Investments				
Co-mingled multistrategy investment fund				
Total Multistrategy Investments measured at the NAV	<u>\$ 6,688,789</u>	<u>\$ -</u>	<u>Daily</u>	<u>0-3 Days</u>

The market value of the OPEB Trust Fund's fixed income holdings within the OPEB Trust Fund consisted of the following investments and maturities at June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>	
		<u>< 5 years</u>	<u>5 - 10 years</u>
Bond Mutual Funds	\$ 1,146,502	\$ -	\$ 1,146,502
Virginia VIP	19,525	19,525	-
	<u>\$ 1,166,027</u>	<u>\$ 19,525</u>	<u>\$ 1,146,502</u>

Interest Rate Risk. The investment policy of the OPEB Trust Fund does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(4) Receivables

Receivables as of June 30, 2018 consisted of the following:

Governmental Funds

	General	Special Revenue	Capital Projects	Total Governmental Activities	School Board Component Unit	GRTC Component Unit
<u>Receivables</u>						
Federal Government	\$ 99,596	\$ 1,015,394	\$ -	\$ 1,114,990	\$ 3,973,477	\$ 601,660
State Government	9,265,390	114,102	2,225,834	11,605,326	3,065,520	187,800
City of Roanoke	-	-	-	-	3,881,538	-
Other Governments	293,859	-	-	293,859	-	54,884
Total Governments	<u>\$ 9,658,845</u>	<u>\$ 1,129,496</u>	<u>\$ 2,225,834</u>	<u>\$13,014,175</u>	<u>\$10,920,535</u>	<u>\$ 844,344</u>
Taxes, net of Allowance	\$18,648,978	\$ -	\$ -	\$18,648,978	\$ -	\$ -
Accounts	2,644,763	87,957	-	2,732,720	197,042	109,835
Less: Allowance for						
Uncollectible Accounts	(1,733,614)	-	-	(1,733,614)	-	-
Subtotal	<u>\$19,560,127</u>	<u>\$ 87,957</u>	<u>\$ -</u>	<u>\$19,648,084</u>	<u>\$ 197,042</u>	<u>\$ 109,835</u>
Governmental Fund Receivables	<u>\$29,218,972</u>	<u>\$ 1,217,453</u>	<u>\$ 2,225,834</u>	<u>\$32,662,259</u>	<u>\$11,117,577</u>	<u>\$ 954,179</u>
Due from WVWA	\$ -	\$ -	\$ -	\$ 7,003,200	\$ -	\$ -
Net Governmental Activities						
Receivable	<u>\$29,218,972</u>	<u>\$ 1,217,453</u>	<u>\$ 2,225,834</u>	<u>\$39,665,459</u>	<u>\$11,117,577</u>	<u>\$ 954,179</u>

Enterprise Funds

	Stormwater	Civic Facilities	Total Enterprise Funds
<u>Receivables</u>			
State Government	\$ 383,586	\$ -	\$ 383,586
Accounts	254,687	138,632	393,319
Less: Allowance for			
Uncollectible Accounts	(27,841)	-	(27,841)
Total Receivables	<u>\$ 610,432</u>	<u>\$ 138,632</u>	<u>\$ 749,064</u>

The taxes receivable account is largely comprised of the current and past nineteen years of uncollected tax levies on real property, the current and prior four years of uncollected tax levies for personal property, and business and professional occupational license tax. The ability to collect these accounts has been considered in the allowance for uncollectible accounts.

Net taxes and accounts receivable, as reported on the government-wide Statement of Net Position, include taxes receivable of approximately \$6.1 million that are not available to pay for current period expenditures and are accordingly recorded as deferred revenue in the governmental funds balance sheet. A \$7,003,200 receivable from the Western Virginia Water Authority (WVWA) related to long-term liabilities is reported on the Statement of Net Position. Further details are presented in Footnotes 8 and 16. General Fund accounts receivable included \$264,573 related to Roanoke City Public Schools miscellaneous accounts receivable accounts which were reported by them as an accounts payable liability.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(5) Interfund Balances and Transfers

Interfund balances consisted of the following for the year ended June 30, 2018:

DUE FROM (FUND)							
DUE TO (FUND)	General	Special Revenue	Debt Service	Stormwater Utility	Civic Facilities	Internal Services	Total
General Fund	\$ -	\$ 1,381	\$ -	\$ 3,446	\$ 5,585	\$ 50,229	\$ 60,642
Debt Service	400,000	-	-	-	-	-	400,000
Capital Projects	1,463,079	-	-	-	-	-	1,463,079
Stormwater Utility	-	-	4	-	-	-	4
Pension Trust	366,468	-	-	8,234	-	-	374,702
TOTAL	\$ 2,229,547	\$ 1,381	\$ 4	\$ 11,680	\$ 5,585	\$ 50,229	\$ 2,298,427

All interfund balances represent timing differences resulting from the difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments are made.

Interfund transfers consisted of the following for the year ended June 30, 2018:

TRANSFER FROM (FUND)				
TRANSFER TO (FUND)	General	Special Revenue	Capital Projects	Total
General	\$ -	\$ -	\$ 194,000	\$ 194,000
Debt Service	13,152,315	60,000	-	13,212,315
Special Revenue	786,242	-	336,782	1,123,024
Capital Projects	7,479,583	-	-	7,479,583
Stormwater Utility	-	-	14,504	14,504
Civic Facilities	2,769,305	-	100,862	2,870,167
TOTAL	\$24,187,445	\$ 60,000	\$ 646,148	\$24,893,593

Transfers are used (1) to move revenues from the funds that are required by statute or budget to collect them to the funds that are required by statute or budget to spend them, (2) to move receipts restricted for debt service from the funds collecting them to the Debt Service Fund as debt service payments become due, and (3) to move unrestricted revenues collected in the General Fund, which finance various programs accounted for in other funds in accordance with budgetary authorizations. In fiscal year 2018, the City transferred funding for an annual operating subsidy for the Civic Center, debt service, capital projects, and internal services. Additionally, the City provided as well as required/matching funding for grants in the Special Revenue fund.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(6) Changes in Capital Assets

Primary Government:

Changes in capital assets for the year ended June 30, 2018 consisted of the following:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
<u>Governmental Activities:</u>				
<u>Capital Assets, Not Being Depreciated:</u>				
Land	\$ 44,157,138	\$ 204,793	\$ (31,500)	\$ 44,330,431
Infrastructure - Right of Way	20,156,451	19,000	-	20,175,451
Infrastructure - Inexhaustible	47,995,346	-	-	47,995,346
Construction in Progress	19,022,190	40,370,121	(30,559,326)	28,832,985
Historical Treasures	679,798	-	-	679,798
Total Capital Assets, Not Being Depreciated	\$ 132,010,923	40,593,914	(30,590,826)	142,014,011
<u>Capital Assets, Being Depreciated:</u>				
Land Improvements	\$ 9,578,093	\$ 193,473	\$ -	\$ 9,771,566
Accumulated Depreciation	(4,292,762)	(634,740)	-	(4,927,502)
Net Land Improvements	\$ 5,285,331	\$ (441,267)	-	\$ 4,844,064
Building and Structures	\$ 414,436,468	\$ 7,569,517	\$ (304,496)	\$ 421,701,489
Accumulated Depreciation	(144,592,467)	(8,245,657)	296,908	(152,541,216)
Net Building and Structures	\$ 269,844,001	\$ (676,140)	\$ (7,588)	\$ 269,160,273
Infrastructure	\$ 266,203,298	\$ 16,463,029	\$ -	\$ 282,666,327
Accumulated Depreciation	(123,914,487)	(8,075,930)	-	(131,990,417)
Net Infrastructure	\$ 142,288,811	\$ 8,387,099	\$ -	\$ 150,675,910
Equipment	\$ 89,839,407	\$ 6,200,855	\$ (4,028,157)	\$ 92,012,105
Accumulated Depreciation	(62,490,290)	(6,743,187)	3,978,569	(65,254,908)
Net Equipment	\$ 27,349,117	\$ (542,332)	\$ (49,588)	\$ 26,757,197
Total Capital Assets Being Depreciated	\$ 780,057,266	\$ 30,426,874	\$ (4,332,653)	\$ 806,151,487
Less: Accumulated Depreciation	(335,290,006)	(23,699,514)	4,275,477	(354,714,043)
Net Total Capital Assets Being Depreciated	\$ 444,767,260	\$ 6,727,360	\$ (57,176)	\$ 451,437,444
Governmental Activities' Capital Assets, Net	\$ 576,778,183	\$ 47,321,274	\$ (30,648,002)	\$ 593,451,455

Capital assets used for educational purposes totaled \$190,813,341 and are included with the Governmental Activities capital assets of the primary government. The depreciation on these assets was recorded as an Education expense in the current fiscal year.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Changes in Capital Assets (Continued)

The City uses the Modified Approach for certain infrastructure assets deemed 'inexhaustible' as defined by GAAP and therefore, these assets do not depreciate. A requirement of using this classification is the conducting of periodic evaluations in order to ensure that the assets are being maintained at or above their current condition level. Appropriate disclosure of the condition assessment for these infrastructure assets may be found in the Required Supplementary Information, table two.

Changes in capital assets for Business-type activities for the year ended June 30, 2018 consisted of the following:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
<u>Business-type Activities:</u>				
<u>Capital Assets, Not Being Depreciated:</u>				
Land	\$ 5,122,073	\$ -	\$ -	\$ 5,122,073
Right of Way/Easements	90,484	11,919	-	102,403
Construction in Progress	1,966,840	4,221,783	(5,659,766)	528,857
Total Capital Assets, Not Being Depreciated	\$ 7,179,397	\$ 4,233,702	\$ (5,659,766)	\$ 5,753,333
<u>Capital Assets, Being Depreciated:</u>				
Land Improvements	\$ 73,696	\$ -	\$ -	\$ 73,696
Accumulated Depreciation	(68,816)	(873)	-	(69,689)
Net Land Improvements	\$ 4,880	\$ (873)	\$ -	\$ 4,007
Building and Structures	\$ 91,803,613	\$ 304,797	\$ -	\$ 92,108,410
Accumulated Depreciation	(37,321,751)	(2,171,287)	-	(39,493,038)
Net Building and Structures	\$ 54,481,862	\$ (1,866,490)	\$ -	\$ 52,615,372
Infrastructure	\$ 10,293,668	\$ 4,402,286	\$ -	\$ 14,695,954
Accumulated Depreciation	(75,457)	(301,727)	-	(377,184)
Net Infrastructure	\$ 10,218,211	\$ 4,100,559	\$ -	\$ 14,318,770
Equipment	\$ 3,714,141	\$ 870,106	\$ -	\$ 4,584,247
Accumulated Depreciation	(1,898,295)	(361,629)	-	(2,259,924)
Net Equipment	\$ 1,815,846	\$ 508,477	\$ -	\$ 2,324,323
Total Capital Assets Being Depreciated	\$ 105,885,118	\$ 5,577,189	\$ -	\$ 111,462,307
Less: Accumulated Depreciation	(39,364,319)	(2,835,516)	-	(42,199,835)
Net Total Capital Assets Being Depreciated	\$ 66,520,799	\$ 2,741,673	\$ -	\$ 69,262,472
Business-type Activities' Capital Assets, Net	\$ 73,700,196	\$ 6,975,375	\$ (5,659,766)	\$ 75,015,805

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Depreciation was charged to functions as follows:

Governmental Activities:

General Government	\$ 3,167,128
Judicial Administration	247,293
Public Safety	1,929,047
Public Works	10,581,810
Health and Welfare	243,708
Parks, Recreation and Cultural	1,690,240
Community Development	18,381
Economic Development	310,535
Education	5,511,371
Total	<u><u>\$23,699,514</u></u>

Business-type activities:

Stormwater	\$ 568,906
Civic Facilities	1,246,913
Parking	1,019,697
Total	<u><u>\$ 2,835,516</u></u>

School Board Component Unit:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Equipment	\$ 7,301,600	\$ 717,227	\$ (173,659)	\$ 7,845,168
Accumulated Depreciation	(4,387,839)	(565,219)	142,742	(4,810,316)
Net Equipment	<u>2,913,761</u>	<u>152,008</u>	<u>(30,917)</u>	<u>3,034,852</u>
Component Unit Capital Assets, Net	<u><u>\$ 2,913,761</u></u>	<u><u>\$ 152,008</u></u>	<u><u>\$ (30,917)</u></u>	<u><u>\$ 3,034,852</u></u>

GRTC Component Unit:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
<u>Capital Assets, Not Being Depreciated:</u>				
Land	\$ 720,724	\$ -	\$ -	\$ 720,724
<u>Capital Assets, Being Depreciated:</u>				
Building and Structures	11,594,319	88,323	-	11,682,642
Equipment	20,198,037	2,276,400	-	22,474,437
Less: Accumulated Depreciation	(22,566,015)	(1,709,827)	-	(24,275,842)
Net Total Capital Assets Being Depreciated	<u>9,226,341</u>	<u>654,896</u>	<u>-</u>	<u>9,881,237</u>
Component Unit Capital Assets, Net	<u><u>\$ 9,947,065</u></u>	<u><u>\$ 654,896</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,601,961</u></u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(7) Construction in Progress and Contract Commitments

A summary of construction in progress by function and contract commitments (encumbrances) at June 30, 2018 is as follows:

Primary Government:

	Project	Expended/	Contract
<u>Governmental Activities:</u>	<u>Authorizations</u>	<u>Expensed as of</u>	<u>Commitments</u>
<u>Function</u>		<u>June 30, 2018</u>	<u>(Encumbrances)</u>
General Government	\$ 1,481,326	\$ 699,488	\$ 241,790
Parks, Recreation and Cultural	19,154,204	11,450,781	615,982
Economic Development	497,980	177,288	-
Community Development	14,218,060	9,240,322	2,632,673
Public Safety	4,171,490	1,002,970	11,816,792
Public Works	49,228,338	25,037,547	11,455,028
Education	12,337,655	6,429,560	-
Department of Technology	4,288,488	1,785,097	1,275,136
Fleet	3,535,000	3,120,215	1,121,939
Subtotal	108,912,541	58,943,269	29,159,341
Non-Capitalized Projects	31,372,160	26,252,143	525,123
Total	\$ 140,284,701	\$ 85,195,412	\$ 29,684,464

Business-type Activities:

<u>Fund</u>			
Stormwater Utilities	\$ 5,081,714	\$ 684,883	\$ 644,850
Civic Facilities	751,194	318,410	253,619
Parking	894,000	154,775	87,805
Total	\$ 6,726,908	\$ 1,158,068	\$ 986,274

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(8) Unearned Revenues

Unearned revenues represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenues for the Civic Facilities proprietary fund (shown as Business-type activities in the table below) is reported as such on the face of the statements (see Exhibit G). Unearned revenues as reported in the governmental and proprietary funds financial statements at June 30, 2018 consists of the following:

Governmental activities:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Other receivables for which revenue recognition criteria have not been met	\$ 343,113	\$ 1,625,183	\$ 1,968,296

Business-type activities:

	<u>Civic Facilities Fund</u>	<u>Total</u>
Unearned Ticket and Other Event Revenue	\$ 915,167	\$ 915,167

(9) Long-Term Liabilities

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The fund balance of the Debt Service Fund at June 30, 2018 of \$41,733 was restricted for future retirement of long-term debt. The City Charter limits the legal debt to 10% of the assessed valuation of real estate within the City limits. The City's legal debt margin at June 30, 2018 was \$467,098,220. The City has no overlapping debt. The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. Outstanding long-term liabilities, gross of governmental activities deferred refunding amounts, at June 30, 2018, were comprised of the following:

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Long Term Debt Summary

At June 30, 2018 the long-term indebtedness of the City consisted of the following:

Series/Description	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
<u>General Obligation Bonds</u>					
2006B Public Improvement Bonds (Subject to AMT)	4.00% - 5.00%	2/8/2006	2/1/2026	5,500,000	\$ 275,000
2008A VRA Public Improvement Bonds	3.13% - 5.13%	12/10/2008	10/1/2018	6,910,000	350,000
2010A Refunding Bonds	2.00% - 5.00%	3/11/2010	10/1/2021	32,792,400	15,751,100
2010B Public Improvement Bonds	1.25% - 5.80%	3/11/2010	10/1/2029	2,680,000	1,680,000
2010C Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	2,605,000	1,755,000
2010D Public Improvement Bonds (Market Bldg.)	2.00% - 4.00%	8/11/2010	7/15/2030	5,470,000	3,705,000
2010E Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	5,665,000	4,905,000
2012A Public Improvement Bonds	2.00% - 5.00%	3/14/2012	2/1/2032	6,925,000	1,175,400
2012B Refunding Bonds	0.43% - 2.96%	3/14/2012	10/1/2023	6,880,000	2,860,000
2012C Refunding Bonds	4.00% - 5.00%	3/14/2012	2/1/2025	11,140,000	11,140,000
2013A Public Improvement Bonds	1.00% - 5.00%	2/27/2013	7/15/2033	9,905,176	7,912,364
2013A Refunding Bonds	0.37% - 2.73%	2/27/2013	7/15/2025	9,520,000	9,520,000
2013B Refunding Bonds	0.37% - 2.73%	2/27/2013	7/15/2024	15,350,000	7,670,000
2013C RCACP	2.46%	11/1/2013	9/30/2022	1,829,500	913,400
2014A Public Improvement Bonds	3.00% - 5.00%	3/5/2014	4/1/2034	11,603,955	7,992,576
2015 Public Improvement Bonds New Money	2.00% - 4.00%	3/25/2015	4/1/2035	17,420,000	15,514,200
2015 Public Improvement Bonds Refunding	2.00% - 4.00%	3/25/2015	4/1/2029	6,130,000	5,912,600
2016 Public Improvement Bonds New Money	2.00% - 5.00%	3/8/2016	4/1/2036	15,170,000	14,175,000
2016 Public Improvement Bonds Refunding	2.00% - 5.00%	3/8/2016	4/1/2033	16,505,000	15,716,000
2017 GOB New Money	3.00% - 5.00%	3/23/2017	4/1/2037	20,980,000	20,320,000
Qualified Zone Academy Bond (QZAB) - Fallon Park	0.00%	12/29/2004	12/29/2020	439,100	110,058
QZAB - Patrick Henry High School	0.00%	12/27/2006	12/27/2022	1,097,571	424,304
QZAB - School Capital Projects - 2012	0.00%	10/31/2012	12/1/2034	2,014,104	1,556,350
					<u>\$ 151,333,352</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Series/Description	Interest Rates	Issue Date	Maturity	Issue Amount	Governmental Activities
General Obligation Bonds (Water Fund-to be contractually repaid by the Western Virginia Water Authority)					
2010A Refunding Bonds - Water (WVWA)	2.00% - 5.00%	3/4/2010	10/1/2021	3,263,800	\$ 1,598,200
2012B Refunding Bonds - Water (WVWA)	0.43% - 2.96%	3/14/2012	10/1/2023	7,105,000	5,405,000
					<u>\$ 7,003,200</u>
Capital Lease Liabilities					
Social Services Building Lease	11.80%	2/1/2004	1/1/2024	4,857,000	\$ 2,556,877
Xerox Lease - General, DOT, Fleet and Risk	12.00%	11/1/2013	10/31/2018	799,946	70,820
Net App Capital Solution Lease	3.72%	12/1/2014	11/30/2019	400,036	82,875
RDS Lease	3.97%	10/1/2015	9/1/2025	1,648,155	1,253,787
					<u>\$ 3,964,359</u>
Bond Anticipation Note					
Capital Projects BAN	2.84%	4/5/2018	4/4/2021	28,206,000	<u>\$ 7,479,800</u>
School Fund Bonds and Loans (1)					
1998A VPSA Subsidized Addison	3.60% - 5.10%	11/19/1998	7/15/2018	5,000,000	\$ 250,000
1998B VPSA Subsidized Huff Lane	3.60% - 5.10%	11/19/1998	7/15/2018	1,200,000	62,165
1999A VPSA Subsidized Governor's School	5.10% - 6.10%	11/18/1999	7/15/2019	3,250,000	310,000
1999B VPSA Subsidized Hurt Park	5.10% - 6.10%	11/18/1999	7/15/2019	1,250,000	122,490
2000B VPSA Subsidized Garden City	4.98% - 5.85%	11/16/2000	7/15/2020	2,750,000	406,045
2000B VPSA Subsidized Grandin Court	4.98% - 5.85%	11/16/2000	7/15/2020	1,900,000	280,540
2000B VPSA Subsidized Preston Park	4.98% - 5.85%	11/16/2000	7/15/2020	1,900,000	280,540
2001B VPSA Subsidized Fairview	3.10% - 5.35%	11/15/2001	7/15/2021	2,750,000	545,106
2001B VPSA Subsidized Fishburn Park	3.10% - 5.35%	11/15/2001	7/15/2021	2,500,000	495,550
2003C VPSA Subsidized Roanoke Academy	3.10% - 5.35%	11/6/2003	7/15/2023	5,000,000	1,456,959
2004B VPSA Subsidized Lincoln Terrace	4.10% - 5.60%	11/1/2004	7/15/2024	1,300,000	432,957
2005D VPSA Subsidized Fallon Park	4.60% - 5.10%	11/10/2005	7/15/2025	1,160,900	434,098
2005D VPSA Subsidized Westside	4.60% - 5.10%	11/10/2005	7/15/2025	3,850,000	1,439,639
2006B VPSA Subsidized Patrick Henry	4.23% - 5.10%	11/9/2006	7/15/2026	7,500,000	3,173,681
2008B VPSA Non-Subsidized William Fleming/Roofs	3.60% - 5.35%	12/11/2008	7/15/2028	7,500,000	3,703,609
2010 VPSA Qualified School Construction Bonds (QSCB) Elementary Schools	0.00%	7/8/2010	6/1/2027	1,135,000	615,000
2014B VPSA Refunding	3.00%- 5.00%	5/15/2014	7/15/2026	1,245,000	855,000
2015A VPSA Refunding	4.10% - 5.35%	2/17/2015	7/15/2028	9,555,000	7,460,000
Literary Fund Loan-Lucy Addison Middle School	4.00%	10/1/1999	10/1/2019	5,000,000	500,000
					<u>\$ 22,823,379</u>
Subtotal Government Activities					<u>\$ 192,604,090</u>

(1) VPSA = Virginia Public School Authority

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Series/Description	Interest Rates	Issue Date	Maturity	Issue Amount	Business-Type Activities
<u>Enterprise Fund Bonds</u>					
2010A Civic Facilities Refunding Bonds	2.00% - 5.00%	3/4/2010	10/1/2021	4,382,700	\$ 1,802,900
2012A Civic Facilities Bonds	2.00% - 5.00%	3/14/2012	2/1/2032	685,000	120,000
2012C Civic Facilities Refunding Bonds	4.00% - 5.00%	3/14/2012	2/1/2025	3,345,000	3,345,000
2013A Civic Facilities Bonds	1.00% - 5.00%	2/27/2013	7/15/2033	883,200	706,800
2013A Civic Facilities Refunding Bonds	1.00% - 5.00%	2/27/2013	7/15/2025	2,015,000	2,015,000
2014A Civic Facilities Bonds	3.00% - 5.00%	3/5/2014	4/1/2034	936,800	748,800
2015 Civic Facilities Bonds	2.00% - 4.00%	3/25/2014	4/1/2035	980,000	875,000
2015 Civic Facilities Refunding Bonds	2.00% - 4.00%	3/25/2014	4/1/2025	70,000	70,000
2016 Civic Facilities Bonds	2.00% - 5.00%	3/8/2016	4/1/2036	2,795,000	2,615,000
2016 Civic Facilities Refunding Bonds	2.00% - 5.00%	3/8/2016	4/1/2036	330,000	330,000
2010A Parking Refunding Bonds-Gainsboro & Campbell Ave.	2.00% - 5.00%	3/4/2010	10/1/2021	2,861,100	1,527,800
2012C Parking Refunding Bonds-Campell Avenue	4.00% - 5.00%	3/14/2012	2/1/2025	900,000	900,000
2013A Parking Refunding Bonds	1.00% - 5.00%	2/27/2013	7/15/2025	1,255,000	1,255,000
2014B Parking Refunding Bonds	1.00% - 4.25%	3/5/2014	4/1/2032	7,110,000	5,715,000
2015 Parking Refunding Bonds	2.00% - 4.00%	3/25/2014	4/1/2025	160,000	160,000
2016 Parking Refunding Bonds	2.00% - 5.00%	3/8/2016	4/1/2028	545,000	545,000
2012A Public Improvement Bonds SW	2.00% - 5.00%	3/14/2012	2/1/2032	255,750	204,600
2013A Public Improvement Bonds SW	1.00% - 5.00%	2/27/2013	7/15/2033	1,001,624	815,836
2014A Public Improvement Bonds SW	3.00% - 5.00%	3/5/2014	4/1/2034	1,020,058	858,624
2015 Public Improvement Bonds Refunding SW	2.00% - 4.00%	3/25/2015	4/1/2029	125,250	122,400
2016 Public Improvement Bonds Refunding SW	2.00% - 5.00%	3/8/2016	4/1/2033	721,500	699,000
2015 Stormwater Utility Fund Bonds	2.00% - 4.00%	3/25/2014	4/1/2035	1,090,000	970,800
2016 Stormwater Utility Fund Bonds	2.00% - 5.00%	3/8/2016	4/1/2035	1,805,000	1,685,000
2017 Stormwater Utility Fund Bonds	3.00% - 5.00%	3/8/2016	4/1/2037	1,540,000	1,490,000
					<u>\$ 29,577,560</u>
<u>Capital Lease Liabilities</u>					
Xerox Lease - Stormwater Fund	12.00%	11/1/2013	10/31/2018	\$	1,340
Xerox Lease - Civic Facilities	12.00%	11/1/2013	10/31/2018		1,569
Xerox Lease - Parking Fund	12.00%	11/1/2013	10/31/2018		206
				<u>\$</u>	<u>3,115</u>
<u>Bond Anticipation Note</u>					
Civic Facilities BAN	2.84%	4/5/2018	4/4/2021	1,000,000	\$ 347,375
Stormwater Utility Fund BAN	2.84%	4/5/2018	4/4/2021	2,000,000	5,772
				<u>\$</u>	<u>353,147</u>
Subtotal Business-type Activities					<u>\$ 29,933,822</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The Annual Requirements to amortize primary government debt outstanding at June 30, 2018 are as follows:

FISCAL YEAR	GENERAL OBLIGATION SERIAL BONDS		WESTERN VIRGINIA WATER AUTHORITY GENERAL OBLIGATION SERIAL BONDS		VPSA/LITERARY FUND LOANS		TOTAL GOVERNMENTAL ACTIVITIES DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018-19	\$ 14,801,185	\$ 5,432,877	\$ 1,233,400	\$ 189,759	\$ 3,369,403	\$ 1,087,731	\$ 19,403,988	\$ 6,710,367
2019-20	14,683,700	4,965,374	1,263,200	156,823	3,079,258	929,986	19,026,158	6,052,183
2020-21	12,368,074	4,468,296	1,305,400	118,921	2,631,658	788,464	16,305,132	5,375,681
2021-22	11,993,313	3,992,147	1,331,200	75,727	2,328,350	670,061	15,652,863	4,737,935
2022-23	9,737,060	3,526,470	925,000	40,765	2,085,618	562,032	12,747,678	4,129,267
2024-28	43,119,150	11,870,785	945,000	13,995	8,432,933	1,374,812	52,497,083	13,259,592
2029-33	32,720,450	5,472,302	-	-	896,160	22,852	33,616,610	5,495,154
2034-37	11,910,420	907,661	-	-	-	-	11,910,420	907,661
TOTAL	\$ 151,333,352	\$ 40,635,912	\$ 7,003,200	\$ 595,990	\$ 22,823,380	\$ 5,435,938	\$ 181,159,932	\$ 46,667,840

The following general obligation debt is issued to support business-type activities. The annual requirements to amortize business-type activities debt outstanding as of June 30, 2018 are as follows:

FISCAL YEAR	CIVIC FACILITIES FUND SERIAL BONDS		PARKING FUND SERIAL BONDS		STORMWATER FUND SERIAL BONDS		TOTAL BUSINESS-TYPE DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018-19	\$ 1,204,700	\$ 484,933	\$ 905,100	\$ 367,103	\$ 332,680	\$ 248,347	\$ 2,442,480	\$ 1,100,383
2019-20	1,199,900	447,083	928,600	340,121	354,060	235,092	2,482,560	1,022,296
2020-21	1,276,500	398,995	965,400	305,464	357,830	220,649	2,599,730	925,108
2021-22	1,315,400	350,814	983,700	270,136	370,380	205,441	2,669,480	826,391
2022-23	1,196,000	291,371	820,000	233,994	368,730	189,040	2,384,730	714,405
2024-28	3,950,000	726,329	3,695,000	721,419	2,053,600	709,580	9,698,600	2,157,328
2029-33	1,715,000	298,467	1,805,000	182,531	2,007,300	366,334	5,527,300	847,332
2034-37	771,000	42,763	-	-	1,001,680	65,728	1,772,680	108,491
TOTAL	\$ 12,628,500	\$ 3,040,755	\$ 10,102,800	\$ 2,420,768	\$ 6,846,260	\$ 2,240,211	\$ 29,577,560	\$ 7,701,734

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

CHANGES IN GENERAL LONG-TERM LIABILITIES

	Balance			Balance	Amounts
	June 30, 2017	Increases	Decreases	June 30, 2018	Due Within One Year
<u>Primary Government - Governmental Activities:</u>					
General Obligation Serial Bonds:					
General Obligation Serial Bonds	\$ 166,816,671	\$ -	\$ 15,483,319	\$ 151,333,352	\$ 14,801,185
General Obligation Serial Bonds - WVWA	8,213,900	-	1,210,700	7,003,200	1,233,400
Add: Bond Premiums	12,949,098		1,347,961	11,601,137	1,347,990
Subtotal General Obligation Serial Bonds	187,979,669	-	18,041,980	169,937,689	17,382,575
Bond Anticipation Note	-	7,479,800	-	7,479,800	-
State Literary Fund Loans	750,000	-	250,000	500,000	250,000
VPSA School Bonds	25,669,403	-	3,346,024	22,323,379	3,119,403
Capital Lease Obligations	4,692,762	-	728,403	3,964,359	649,905
Claims Payable	19,819,708	8,890,491	9,696,491	19,013,708	2,925,708
Compensated Absences Payable	7,440,557	7,008,000	7,275,986	7,172,571	5,678,525
Subtotal Governmental Activities:	246,352,099	23,378,291	39,338,884	230,391,506	30,006,116
<u>Primary Government - Business-type Activities:</u>					
General Obligation Serial Bonds:					
General Obligation Serial Bonds	31,938,420	-	2,360,860	29,577,560	2,442,480
Add: Bond Premiums	1,736,919	-	182,229	1,554,691	186,813
Subtotal General Obligation Serial Bonds	33,675,339	-	2,543,089	31,132,251	2,629,293
Bond Anticipation Note	-	353,147	-	353,147	-
Capital Lease Obligations	11,750	-	8,635	3,115	3,115
Compensated Absences Payable	82,248	85,968	97,596	70,620	70,620
Subtotal Business-type Activities:	33,769,337	439,115	2,649,320	31,559,133	2,703,028
Total Primary Government Long-Term Liabilities	\$ 280,121,436	\$ 23,817,406	\$ 41,988,204	\$ 261,950,639	\$ 32,709,144
<u>School Board Component Unit:</u>					
Claims Payable	\$ 6,574,414	\$ 19,492,727	\$ 18,115,223	\$ 7,951,918	\$ 5,772,368
Compensated Absences Payable	3,084,454	3,618,036	3,642,210	3,060,280	823,216
Total School Board Component Unit	\$ 9,658,868	\$ 23,110,763	\$ 21,757,433	\$ 11,012,198	\$ 6,595,584

During fiscal year 2018, the Debt Service Fund was used to account for the repayment of long-term liabilities of governmental activities as shown in the tables preceding this paragraph.

On April 5, 2018 the City issued \$31,296,000 principal amount of a Bond Anticipation Note with all of the funds consisting of the principal amount of improvement bonds. There were no refunding opportunities with this bond issuance. All of the Bond Anticipation Note for both the governmental funds and the proprietary funds are considered long term at June 30, 2018. There are no plans with in the next fiscal year to replace the Bond Anticipation Note with permanent financing.

The 2018 Bond Anticipation Note was issued for the purpose of providing funds towards the current school capital projects, parks and recreation improvements, bridge renovation projects, stormwater management projects, curbs, gutter and sidewalk improvement projects, streetscape improvements, street improvements, civic facilities improvements and equipment, 911 Call Center, Fire/EMS equipment, and fleet purchases.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

On July 1, 2004, WVWA commenced operations. In conjunction with its formation, the Authority assumed certain indebtedness of the City, and it agreed to pay the City amounts equal to debt service on Water and Water Pollution Control debt to be retained by the City. As of June 30, 2018, the City had \$7,003,200 in outstanding general obligation debt, which will contractually be repaid by the Water Authority over the remaining 6 year life of the bonds. Further details are presented in footnotes 3 and 16.

(10) Capital Leases

Blue Eagle Partnership

During 2004, the City entered into an agreement with Blue Eagle Partnership to rent the third floor of a building to house the City's Social Services Department. Under the lease agreement, the City paid monthly rent in the range of \$52,300 to \$57,400 to Blue Eagle, representing principal and interest payments with interest at 11.8%. After 2006, the rent increase is a maximum of 2% or 50% of CPI, whichever is lower. The lease term is 20 years. Ownership of the building is retained by Blue Eagle Partnership. Capital lease accounting is required due to the net present value of payments through the term of the lease.

The building lease asset and obligation are accounted for as Governmental Activities. At June 30, 2018, the original cost of the building under the capital lease totaled \$4,857,000 and accumulated depreciation on the building totaled \$3,398,998.

Xerox, Inc.

In November 2013, the City entered into an agreement with Xerox, Inc. to lease copy machines and related equipment. Under the lease agreement, the City pays \$18,948 monthly to Xerox, Inc., representing principal and interest with interest at 12.0%. The lease term is 5 years. Ownership of the equipment does not transfer to the City at the completion of the lease term. The City is in the process of negotiating a new lease with Xerox, Inc. for the next fiscal year. Capital lease accounting is required due to the net present value of payments through the term of the lease.

The Xerox lease asset and obligation are accounted for as Governmental Activities and in various proprietary funds. At June 30, 2018, the original cost of the equipment under the capital lease totaled \$851,808 and there was \$789,992 of accumulated depreciation on these assets.

NetApp Capital Solutions

In December 2014, the City entered into an agreement with NetApp Capital Solutions for data storage equipment. Under the lease agreement, the City pays \$85,961 annually to NetApp, representing principle and interest with interest at 3.7%. The lease term is 5 years. Ownership of the equipment transfers to the City at the completion of the lease term.

The NetApp lease asset and obligation are accounted for as Governmental Activities. At June 30, 2018, the original cost of the equipment under the capital lease totaled \$400,036 and there was \$286,272 of accumulated depreciation on the assets.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Recycling Disposal and Solutions (RDS) Lease

In October 2015, the City of entered into an agreement with Recycling Disposal and Solutions for equipment to initiate a recycling program. Under the lease agreement, the City pays \$199,300 annually to Recycling Disposal and Solutions representing principle and interest at 3.97%. The lease term is for 10 years.

The Recycling Disposal and Solution lease asset and obligation are accounted for as Governmental Activities. At June 30, 2018, the original cost of the equipment under the capital lease totaled \$1,648,155 and there was \$904,905 of accumulated depreciation on the assets.

Future lease obligations for capital leases are as follows:

	Governmental Funds	Enterprise Funds	Total (Memo Only)
<u>Future Minimum Lease Payments:</u>			
2019	\$ 1,064,367	\$ 3,193	\$ 1,067,560
2020	919,938	-	919,938
2021	934,351	-	934,351
2022	949,052	-	949,052
2023	964,047	-	964,047
2024-2026	901,187	-	901,187
Minimum lease payments	\$ 5,732,942	\$ 3,193	\$ 5,736,135
Less: Amounts representing interest	(1,768,583)	(78)	(1,768,661)
Present value of minimum lease payments	\$ 3,964,359	\$ 3,115	\$ 3,967,474
Less: Current portion	(649,905)	(3,115)	(653,020)
Long-term lease obligation at June 30, 2018	<u>\$ 3,314,454</u>	<u>\$ -</u>	<u>\$ 3,314,454</u>

(11) Fund Balances

All classifications of Governmental Fund balances reflect City Code requirements or City Council action in the context of adoption of the City's budget except for those required to comply with accounting standards. Reserve policies include a required review every two years to ensure adequacy and appropriateness in light of economic changes. Additional information regarding these reserve policies may be found in the City of Roanoke's Reserve and Debt Management Policies.

All fiscal year 2018 outstanding purchase commitments were re-appropriated to the 2018-19 fiscal year by City Council on May 14, 2018.

The General Fund balance of \$39,844,711 is categorized as non-spendable, committed or unassigned. The City had committed funds of \$4,654,658 for outstanding purchase commitments for goods and services ordered, but not received by June 30, 2018 and \$250,000 held in reserves. The City had a nonspendable fund balance of \$85,885 consisting of prepaid expenses and gasoline inventory. The remaining fund balance of \$34,854,168 was unassigned.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The Debt Service Fund balance of \$41,733 is restricted for future debt service payments.

The Capital Projects Fund balance of \$12,674,536 is comprised of \$5,615,256, related to outstanding bond proceeds and is categorized as restricted; committed funds of 1) \$5,991,905 for outstanding purchase commitments for goods and services ordered but not received by June 30, 2018 and 2) \$1,067,375 committed for the Economic Community Development Reserve.

(12) Pensions and Deferred Compensation Plan

City employees participate in one of two different pension plans and may participate in a deferred compensation plan. The first plan is primarily for City employees, the City of Roanoke Pension Plan (Pension Plan). Sheriff's employees participate in the second plan, the Virginia Retirement System (VRS). All City employees may also participate in an Internal Revenue Code Section 457 deferred compensation Plan.

Disclosure concerning these plans is as follows:

City of Roanoke Pension Plan - Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit plan established by City Council and is included in the City's basic financial statements as a Pension Trust Fund. The Pension Plan was established by City Ordinance No. 8559 dated May 27, 1946, effective July 1, 1946. The Pension Plan covers substantially all employees of the City, all employees of the Roanoke Regional Airport Commission, and the Roanoke Valley Juvenile Detention Center, as well as certain employees of the City of Roanoke School Board, the Roanoke Valley Resource Authority, and the Western Virginia Water Authority. The City is the major contributor of employer contributions to the Pension Plan. City Council appoints members of the Pension Plan Board of Trustees to administer the Pension Plan. The Pension Plan is not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

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

Effective July 16, 2012, City Council adopted a restatement of the Chapter of the City Code governing the Pension Plan. The restated Chapter 22.3, Pensions and Retirement, provides for the introduction of an Internal Revenue Code Section 401(h) health savings account, established as a component of the Pension

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Plan effective July 1, 2013, and established new benefit tiers effective July 1, 2014. The restated Chapter 22.3 also provides for a defined cost of living adjustment effective July 1, 2013.

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

Employees who are members of the ESRS, hired prior to July 1, 2014, with 5 years or more of credited service and age 65 or over, general employees who have attained age 50 with age plus service equal to 80, and deputized police officers and firefighters who have attained age 45 with age plus service equal to 70, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.1% of their final average compensation for each year of credited service up to a maximum of 63%. Final average compensation is the employee's average salary, excluding overtime, over the highest 36 consecutive months of credited service. Employees with 5 years of credited service may retire at age 55 and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees terminate before rendering five years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

Employees hired after June 30, 2014 become members of ESRS and choose between participation as a traditional defined benefit ESRS member or as a Hybrid member. Employees hired after June 30, 2014 were required to contribute 5% of earnable compensation to the plan. Effective July 1, 2015, the required contribution of 5% of earnable compensation was extended to employees hired prior to July 1, 2015. Employees have 60 days from their date of hire to make an irrevocable election to participate as either a traditional defined benefit ESRS member or a Hybrid member. Employees electing Hybrid membership participate in ESRS and accrue a lesser defined benefit than traditional defined benefit ESRS members and also participate in a defined contribution plan established under Section 401(a) of the Internal Revenue Code. Employees who make no election participate as traditional defined benefit ESRS members. ESRS members hired after June 30, 2014, choosing participation as a traditional defined benefit member may retire with 5 years or more of credited service and age 65 or over, general employees who have attained age 55 with age plus service equal to 85, and deputized police officers and firefighters who have attained age 50 with age plus service equal to 75, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.0% of their final average compensation for each year of credited service up to a maximum of 63%. Final average compensation is the employee's average salary, excluding overtime, over the highest 60 consecutive months of credited service. Employees with 15 years of credited service may retire at age 55 (age 50 for deputized police officers and firefighters) and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees terminate before rendering five years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age. Member contributions for traditional defined benefit participants are invested in the pension trust fund.

Employees choosing participation as Hybrid members participate in ESRS for the defined benefit component of their retirement benefit, subject to the same eligibility criteria as outlined for the traditional defined benefit participants. Hybrid members' defined benefit component is payable monthly for life in

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

an amount equal to 1.0% of their final average compensation for each year of credited service up to a maximum of 63%. Final average compensation is the employee's average salary, excluding overtime, over the highest 60 consecutive months of credited service. Hybrid member contributions are deposited in a defined contribution plan established under Section 401(a) of the Internal Revenue Code. Hybrid members are responsible for the investment of funds in their defined contribution plan account.

Effective July 1, 2000, an additional monthly supplement equal to the greater of (a) \$159 or (b) 75% of the amount the City contributes toward the cost of a single active employee's health insurance shall be paid for eligible retirees terminating the month in which the retiree attains age 65. Any member of the City of Roanoke Pension Plan who was an employee of one of the participating employers of the Pension Plan (not including employees of the City of Roanoke School Board) and who retired after earning 20 or more years of creditable service but prior to attaining the age of 65 is eligible for this supplement. This supplement is not available to retirees receiving the early retiree incentive plan supplement granted in 1991. Employees hired after June 30, 2013 are not eligible for this supplement.

The Internal Revenue Code Section 401(h) health savings account operates similarly to a defined contribution plan. Employees eligible to participate in the City of Roanoke Pension Plan are required to contribute 1% of earnable compensation in their health savings account. Employees hired after June 30, 2013 and employees hired prior to July 1, 2014, who made an irrevocable election to forego eligibility for the monthly supplemental benefit enacted effective July 1, 2000, receive an employer paid matching contribution equal to 1% of their earnable compensation. Employees vest in the employer paid matching contribution upon the attainment of 5 years of creditable service in the Pension Plan. The Board of Trustees has delegated authority for the oversight of the 401(h) health savings account to the Defined Contribution Board established under the Chapter 22.3 of the City Code. The Defined Contribution Board has contracted with an independent financial services organization for the custody and administration of the 401(h) accounts. Assets accumulated in the individual accounts are available for use upon separation from service for reimbursement of qualified medical expenses, as defined in section 213(d) of the Internal Revenue Code, as a tax-free distribution. Non-vested employer contributions, including earnings thereon, are forfeited upon separation from service. Any balance remaining in the account is forfeited upon death or attainment of maximum age of the last eligible recipient.

Contributions

Effective July 1, 2015, employees contribute 5% of earnable compensation into the pension trust. Employees hired on or after July 1, 2014, electing participation as a Hybrid plan member contribute 5% of earnable compensation into a defined contribution plan member account. Employer contributions to the Pension Plan are based on a percentage of the earnable compensation of the active members. The City's contribution rate for the fiscal year ended June 30, 2018 was 17.04%, which, when combined with the required employee contribution of 5%, totaled 22.04%. For fiscal year 2018, the total contribution rate of 22.04% of earnable compensation, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$11,266,984 for fiscal year ended June 30, 2018.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Pension Liabilities, Pension Expense, Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2018 the City reported a liability of \$127,175,183 for its proportionate share of the 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 City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Pension Plan relative to the projected contributions of all Pension Plan participating employers, actuarially determined. At June 30, 2017, the City's proportion was 88.53%, which was an increase of .72% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$7,313,494. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ (6,554,665)
Change in assumptions	3,591,212	-
Net difference between projected and actual earnings on pension plan investments	17,623,373	(23,292,039)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,138,443	-
City contributions subsequent to the measurement date	11,266,984	-
Total	<u>\$ 33,620,012</u>	<u>\$ (29,846,704)</u>

The City reported \$11,266,984 as deferred outflows of resources, resulting from the City's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the City's Pension will be recognized in the City's Pension expense in future reporting periods as follows:

Year Ending June 30,	<u>Amount</u>
2019	\$ (5,960,167)
2020	2,507,915
2021	951,495
2022	(4,992,919)
2023	-
Thereafter	-
	<u>\$ (7,493,676)</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, updated to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	3.50 percent, average, including inflation
Investment Rate of Return	7.25 percent, net of investment expenses
Cost of Living Adjustments	1.5 percent for eligible participants, based on 2/3 of assumed inflation

Mortality rates or pre-retirement and healthy annuitants were based on 125% of RP-2000 Combined Healthy Mortality for males and females with generation mortality projection using Scale AA. For Disableds, mortality rates were based Society of Actuaries RP-2014 adjusted to 2006 Disabled Retiree Mortality Table.

Investment Rate of Return

The long-term expected rate of return on Pension Plan investments was determined using projected long-term rates of returns developed for each asset class. The expected long-term rate of return for each asset class as weighted by the Investment Policy target asset allocation was used, to derive the overall expected rate of return for the portfolio. The following table reflected the long-term expected arithmetic real rate of return based upon the defined target allocation for each asset class as defined in the Statement of Investment Policy:

	Allocation Target	Weighted Contribution to Rate of Return
US Equity	48.5%	4.85%
International Equity	22.0%	2.42%
Real Estate	6.0%	0.42%
US Fixed Income	23.5%	1.18%
	<u>100.0%</u>	<u>8.87%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions will made at the actuarially determined 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 on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Sensitivity of the City's Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75 %) than the current rate:

	1% decrease 6.25%	Current 7.25%	1% increase 8.25%
City's proportionate share of the net pension plan liability	<u>\$ 181,137,542</u>	<u>\$ 127,175,183</u>	<u>\$ 81,633,646</u>

Detailed information about the pension fund's fiduciary net position is available in a separately issue City of Roanoke Pension Plan CAFR. That report may be obtained by writing to the City of Roanoke Retirement Office, 215 Church Ave, SW, Room 461, Roanoke, Virginia 24011 or via the City's website at www.roanokeva.gov.

Virginia Retirement System - Plan Description

The City contributes to the VRS, a mixed agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (VRS or the System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees hired prior to July 1 2010 and members vested as of January 1, 2013 are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs). Non-hazardous duty employees hired after July 1, 2010 and those not vested as of January 1, 2013 are eligible for an unreduced retirement benefit when they reach their normal Social Security retirement age or when their age and service equal the sum of 90. Benefits are payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service, and 1.85% of their (AFS) for each year of credited service for elected Sheriffs. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. Average final salary is defined as the highest consecutive 36 months of salary for employees hired prior to July 1 2010 and members vested as of January 1, 2013, for all others average final salary is defined the highest consecutive 60 months of salary. Non-hazardous duty employees hired on or after January 1, 2014 become members of the VRS Hybrid Retirement Plan. The VRS Hybrid Retirement Plan combines features of a defined benefit and a defined contribution plan. Employees covered under the VRS Hybrid Plan are eligible for an unreduced benefit when they reach their normal Social Security retirement age or when their age and service equal the sum of 90. Benefits are payable monthly for life in an amount equal to 1% of their AFS for each year of credited service. Hybrid members make mandatory contributions to the defined contribution component of the plan and may make additional voluntary contributions to the plan, which the employer is required to match. Employees vest in the matching employer contributions based upon a tiered schedule. Employees are 100% vested in all matching employer contributions upon reaching 4 years of creditable service. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available CAFR that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at the following address: <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

VRS Contributions

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2018 was 16.36% of annual covered payroll. Contributions to the VRS from the City were \$1,446,685 for the fiscal year ended June 30, 2018.

VRS Pension Liabilities, Pension Expense, Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2017 the City reported a liability of \$7,660,740 for its proportionate share of the net pension liability for employees covered under the Virginia Retirement System (VRS). 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.

For the year ended June 30, 2017, the City recognized pension expense of \$914,638 for employees covered under the VRS. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,929	\$ 457,631
Change in assumptions	-	119,535
Net difference between projected and actual earnings on pension plan investments	-	794,083
City contributions subsequent to the measurement date	1,446,685	-
Total	<u>\$ 1,480,614</u>	<u>\$ 1,371,249</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The City reported \$1,446,685 as deferred outflows of resources, resulting from the City's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the City's Pension will be recognized in the City's Pension expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	\$ (700,760)
2020	41,033
2021	(151,832)
2022	(525,761)
Thereafter	-
	<u>\$ (1,337,320)</u>

VRS Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, updated to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	3.5% - 4.75%
Investment Rate of Return	7.0%, net of plan investment expenses, including inflation*
Pre-retirement mortality	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-retirement mortality	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years
Disableds mortality	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

* 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 the pension liabilities.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

VRS Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a long-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. Using stochastic projection results provides an expected range of real rates of return over various time horizons.

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40%	4.54%	1.82%
Fixed Income	15%	0.69%	0.10%
Credit Strategies	15%	3.96%	0.59%
Real Assets	15%	5.76%	0.86%
Private Equity	15%	9.53%	1.43%
	<u>100.0%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
			<u>7.30%</u>

* 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%.

VRS Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that system 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 and the member rate. 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

VRS Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 61,357,734	\$ 50,763,429	\$ 10,594,305
Changes for the year:			
Service cost	1,348,893	-	1,348,893
Interest	4,195,752	-	4,195,752
Changes of assumptions	(159,919)	-	(159,919)
Difference between expected and actual experience	(320,535)		(320,535)
Contributions - employer	-	1,439,698	(1,439,698)
Contributions - employee	-	451,501	(451,501)
Net investment income	-	6,147,715	(6,147,715)
Benefit payments, including refunds of employee contributions	(2,836,839)	(2,836,839)	-
Administrative expenses	-	(35,693)	35,693
Other changes	-	(5,465)	5,465
Net changes	<u>2,227,352</u>	<u>5,160,917</u>	<u>(2,933,565)</u>
Balances at June 30, 2017	<u>\$ 63,585,086</u>	<u>\$ 55,924,346</u>	<u>\$ 7,660,740</u>

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate

The following presents the City's net pension liability calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% decrease 6.00%	Current 7.00%	1% increase 8.00%
Net Pension Liability	<u>\$ 15,944,927</u>	<u>\$ 7,660,740</u>	<u>\$ 771,512</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

School Board Component Unit

Defined Benefit Pension Plans

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

A. Plan Description

The School Board contributes to a cost-sharing and agent multiple-employer defined benefit pension plan (Plan 1, Plan 2 and Hybrid) administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers must participate in one VRS cost sharing plan. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit when they meet the age and service requirements for their plan. The plans also provide for a reduced benefit based on age and service requirements specific to each plan. The unreduced benefit is actuarially reduced to calculate the reduced benefit amount. A cost-of-living adjustment (COLA) based on changes in the Consumer Price Index for all Urban Consumers is granted on July 1 of the second calendar year after retirement and is effective each July 1 thereafter, when provided. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Actuarial assumptions common to the various VRS plans are disclosed below. Plan specific disclosures follow.

B. Actuarial Assumptions

Long-Term Expected Rate of Return

The long-term expected rate of return on the pension System's 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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40%	4.54%	1.82%
Fixed Income	15%	0.69%	0.10%
Credit Strategies	15%	3.96%	0.59%
Real Assets	15%	5.76%	0.86%
Private Equity	15%	9.53%	1.43%
	<u>100.0%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
			<u>7.30%</u>

* 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%.

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 System 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, 2018, the rate contributed by the employer for the school division's 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, 2018 on, participating employers 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.

C. Virginia Retirement System – Statewide Professional Cost-Sharing Pool

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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Each school division's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarial rate for the Teacher Retirement Plan was 21.32%.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 68.28% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$12,791,612 and \$11,471,695 for the years ended June 30, 2018 and June 30, 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the School Board reported a liability of \$123,985,000 for its proportionate share of the 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 Board's proportion of the Net Pension Liability was based on the School Board'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 Board's proportion was 1.00817% as compared to 1.00844% at June 30, 2016. For the year ended June 30, 2018, the School Board recognized pension expense of \$10,069,000. Since there was a change in proportionate share between measurement dates, 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. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,779,000
Change in assumptions	1,809,000	-
Net difference between projected and actual earnings on pension plan investments	-	4,504,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,256,000	30,000
City contributions subsequent to the measurement date	12,791,612	-
Total	<u>\$ 16,856,612</u>	<u>\$ 13,313,000</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The \$12,791,612 reported as deferred outflows of resources related to pensions resulting from the school division'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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ (3,948,000)
2020	443,000
2021	(1,185,000)
2022	(4,104,000)
2023	(454,000)
	<u>\$ (9,248,000)</u>

Actuarial Assumptions

The total pension asset for General Employees in the School Division's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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 – 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*
Mortality rates:	General employees - 14% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various setbacks or set forwards for both males and females.

*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 rate for GASB 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.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Sensitivity of the School Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School Board's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net pension 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% decrease 6.00%	Current 7.00%	1% increase 8.00%
School proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 185,151,000</u>	<u>\$ 123,985,000</u>	<u>\$ 73,888,000</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan'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, Virginia 23218-2500.

D. Virginia Retirement System – Nonprofessional Employees

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>7</u>
Inactive members:	
Vested inactive members	8
Non-vested inactive members	129
Inactive members active elsewhere in VRS	<u>11</u>
Total inactive members	148
Active members	<u>126</u>
Total covered employees	<u>281</u>

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 options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board's contractually required contribution rate for the year ended June 30, 2018 was 8.36% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

This 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. Contributions to the pension plan from the political subdivision were \$98,135 and \$93,237 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Asset

The political subdivision's net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2016	\$ 1,673,168	\$ 2,592,783	\$ (919,615)
Changes for the year:			
Service cost	327,500	-	327,500
Interest	115,185	-	115,185
Changes of assumptions	(95,226)	-	(95,226)
Difference between expected and actual experience	22,079		22,079
Contributions - employer	-	93,237	(93,237)
Contributions - employee	-	164,828	(164,828)
Net investment income	-	332,502	(332,502)
Benefit payments, including refunds of employee contributions	(55,331)	(55,331)	-
Administrative expenses	-	(1,688)	1,688
Other changes	-	(306)	306
Net changes	<u>314,207</u>	<u>533,242</u>	<u>(219,035)</u>
Balances at June 30, 2017	<u>\$ 1,987,375</u>	<u>\$ 3,126,025</u>	<u>\$ (1,138,650)</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The following presents the net pension asset of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension asset 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% decrease 6.00%	Current 7.00%	1% increase 8.00%
School Board's net pension asset	<u>\$ (828,102)</u>	<u>\$ (1,138,650)</u>	<u>\$ (1,389,124)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$24,701. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,863	\$ 7,325
Change in assumptions	-	66,105
Net difference between projected and actual earnings on pension plan investments	-	51,725
Employer contributions subsequent to the measurement date	98,135	-
Total	<u>\$ 114,998</u>	<u>\$ 125,155</u>

The \$98,135 reported as deferred outflows of resources related to pensions resulting from the School Board'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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ (52,409)
2020	(16,563)
2021	(10,523)
2022	(28,797)
2023	-
Thereafter	-
	<u>\$ (108,292)</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

City of Roanoke Pension Plan

Plan Description

Effective July 1, 2006, this plan was closed to new employees. As of that date, new School Board non-professional employees' are members of a VRS agent multiple-employer retirement plan which is described in detail in previous sections. Details regarding the School Board Pension Plan may be found previously in this footnote. School Board employee's contribution 5% of eligible compensation. The School Board's contribution is based on a percentage of the annual compensation of the active members.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Pension Plan – School Board, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage- point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% decrease (6.25%)	Current Discount (7.25%)	1% increase (8.25%)
Net Pension Liability	<u>\$ 4,458,964</u>	<u>\$ 3,130,602</u>	<u>\$ 2,009,531</u>

At June 30, 2018, the Schools reported a liability of \$3,130,602 for its proportionate share of the Collective Net Pension Liability of the City's Pension Plan. The Collective Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Collective Net Pension Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Collective Net Pension Liability was based on the Schools' 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 to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for the City Plan's participating employers.

At June 30, 2017, the School Board's proportion was 2.17938% as compared to 2.9386% at June 30, 2016.

For the year ended June 30, 2018, the School Board recognized pension expense of \$180,032. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2018 the schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 161,353
Change in assumptions	88,403	
Net difference between projected and actual earnings on pension plan investments	433,825	573,367
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,191,531
School Board contributions subsequent to the measurement date	248,488	-
Total	<u>\$ 770,716</u>	<u>\$ 1,926,251</u>

\$248,488 is reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	<u>Amount</u>
2019	\$ (451,608)
2020	(243,154)
2021	(281,466)
2022	(427,795)
2023	-
Thereafter	-
	<u>\$ (1,404,023)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, updated to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	3.50 percent, average, including inflation
Investment Rate of Return	7.25 percent, net of investment expenses
Cost of Living Adjustments	1.5 percent for eligible participants, based on 2/3 of assumed inflation

Mortality rates or pre-retirement and healthy annuitants were based on 125% of RP-2000 Combined Healthy Mortality for males and females with generation mortality projection using Scale AA. For Disableds, mortality rates were based Society of Actuaries RP-2014 adjusted to 2006 Disabled Retiree Mortality Table.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Investment Rate of Return

The long-term expected rate of return on Pension Plan investments was determined using projected long-term rates of returns developed for each asset class. The expected long-term rate of return for each asset class as weighted by the Investment Policy target asset allocation was used, to derive the overall expected rate of return for the portfolio. The following table reflected the long-term expected arithmetic real rate of return based upon the defined target allocation for each asset class as defined in the Statement of Investment Policy:

	<u>Allocation Target</u>	<u>Weighted Contribution to Rate of Return</u>
US Equity	48.5%	4.85%
International Equity	22.0%	2.42%
Real Estate	6.0%	0.42%
US Fixed Income	23.5%	1.18%
	<u>100.0%</u>	<u>8.87%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions will made at the actuarially determined 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 on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(13) Other Postemployment Benefit Plans

Primary Government – OPEB Employees' Post-Retirement Health Plan

A. Plan Description

Employees with 15 continuous years of active service and under the age of 65 who retire from the City may participate in the Employees' Post-Retirement Health Plan and benefit from a lower insurance rate as a result of inclusion in the plan with active City employees. This lower rate results in an implicit benefit that qualifies as an OPEB as defined by GAAP. The City Plan (the Plan) is a single employer OPEB plan and is administered by the City of Roanoke to provide medical insurance to eligible retirees. The OPEB for City retirees was authorized by the City Council. The Plan does not issue a stand alone financial report.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

B. Plan Membership

As of June 30, 2018, plan membership was as follows:

	<u>2018</u>
Active Participants	1,599
Retired Participants	122
Non-duty disabled Participants	2
Spouses	31
Total Participants	<u><u>1,754</u></u>

C. Contributions

The contribution requirements of the Plan members and the City are established and may be amended by City Council. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health insurance, the employees retiring prior to January 1, 2010, contribute 100% of the blended premium payment. Employees retiring on or after January 1, 2010, contribution 100% of the blended premium plus an additional amount based on the tier of coverage chosen. For the fiscal year ended June 30, 2018, the retirees contributed \$762,000 to the Plan for health insurance. The City contributed \$136,000 to a qualified trust as defined by GAAP, to fund the annual required contribution of \$898,000 for fiscal year 2018. It is the City's intent to fully fund the annual required contribution each year.

D. OPEB Liabilities, OPEB Expense, Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2018 the City reported an employer's net OPEB liability of \$8,068,593. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the City recognized OPEB expense of \$811,760. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (516,666)
Net difference between projected and actual earnings on pension plan investments	-	(164,387)
City contributions subsequent to the measurement date	898,000	-
Administrative fees subsequent to the measurement date	4,461	-
Total	<u>\$ 902,461</u>	<u>\$ (681,053)</u>

The City reported \$898,000 as deferred outflows of resources, resulting from the City's contributions subsequent to the measurement date, will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the City's OPEB will be recognized in the City's OPEB expense in future reporting periods as follows:

Year Ended June 30,	Amounts
2018	\$ (127,208)
2019	(122,747)
2020	(127,208)
2021	(127,207)
Thereafter	<u>(172,222)</u>
	<u>\$ (676,592)</u>

The components of the Plan's net OPEB liability as of a measurement date of June 30, 2018 were as follows:

Total OPEB liability	\$ 13,272,331
Plan fiduciary net position	<u>4,526,115</u>
Net OPEB liability	<u>\$ 8,746,216</u>
Fiduciary net position as a percent of total OPEB liability	34.10%

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 12,218,474	\$ 3,333,588	\$ 8,884,886
Changes for the year:			
Service cost	307,511	-	307,511
Interest	852,459	-	852,459
Difference between expected and actual experience	(602,777)		(602,777)
Contributions - employer	-	947,000	(947,000)
Net investment income	-	430,894	(430,894)
Benefit payments, including refunds of employee contributions	(696,000)	(696,000)	-
Administrative expenses	-	(4,408)	4,408
Net changes	(138,807)	677,486	(816,293)
Balances at June 30, 2017	\$ 12,079,667	\$ 4,011,074	\$ 8,068,593

E. Actuarial Method and Significant Assumptions

The total OPEB liability was determined as part of the actuarial valuation at the date indicated, using the following actuarial assumptions:

Valuation Date	June 30, 2017
Valuation Method	Entry Age Normal
Investment Rate of Return	7.0%
Long-term projected salary increase	None Assumed
Healthcare cost trend rates	A range of 9.16% in 2018 to 5.5% in 2033
Pre-retirement mortality	125% of the RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection using Scale AA
Post-retirement mortality	125% of the RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection using Scale AA

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expenses 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.

In an effort to assist local governments in funding their OPEB liabilities, the Virginia Association of Counties and the Virginia Municipal League established the VML/VACo OPEB Trust Fund. The OPEB Trust Fund is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials of participants in the OPEB Trust Fund. The Board of Trustees has adopted an investment policy to achieve a compound annualized rate of return over a market cycle, including current income and capital appreciation, in excess of 5% after inflation, in a manner consistent with prudent risk-taking. The Trust currently invests in the following assets classes and strategies:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity:		
Large Cap	26%	11.39%
Small Cap	10%	12.68%
International	13%	12.39%
Emerging Markets	5%	13.74%
Private Equity	5%	14.03%
Fixed Income:		
Core Bonds	7%	6.40%
Core Plus	14%	6.67%
Diversified Hedge Funds	10%	9.92%
Real Assets	10%	8.86%
	<u>100.0%</u>	<u>10.49%</u>

Specific investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

G. 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 employer contributions will be made at current contribution rates. Based on the current and historical commitment of the City to fully fund actuarially determined contribution amounts, the OPEB Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future payments. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

H. Sensitivity of net OPEB liability to changes in the discount rate

The net OPEB liability is shown below as calculated on the current 7.00% discount rate and also as calculated using discount rates 1 percent lower or 1 percent higher:

1% Lower	Current Rate	1% Higher
6.00%	7.00%	8.00%
<u>\$ 9,481,806</u>	<u>\$ 8,068,593</u>	<u>\$ 6,858,931</u>

I. Sensitivity of net OPEB liability to changes in healthcare cost trend rates

The net OPEB liability is shown below as calculated on the projected healthcare cost trend rate 9.25% rate and also as calculated using rates 1 percent lower or 1 percent higher:

1% Lower	Current Rate	1% Higher
8.25%	9.25%	10.25%
<u>\$ 6,713,081</u>	<u>\$ 8,068,593</u>	<u>\$ 9,668,095</u>

Primary Government – OPEB Line of Duty Benefits

A. Plan Description

The Line of Duty Act (LODA) provides benefits to local government employees who hold specified hazardous duty positions (Code of Virginia §9.1-400 et seq.). By statute, LODA benefits must be provided. The Virginia Department of Accounts administers the benefit. As of July 1, 2011, the General Assembly shifted the financial responsibility from the state government to local governments. The Line of Duty plan is a single employer OPEB plan to provide a death benefit of \$100,000 to beneficiaries of public safety officers who die in the line of duty and a death benefit of \$25,000 to beneficiaries of public safety employees who die within five years of becoming disabled as a result of a qualifying illness as defined in the LODA. A medical benefit is also provided to the disabled public safety employees, their surviving spouses, and their dependents. The Commonwealth of Virginia has the authority to establish and amend Line of Duty Plan benefits. The City of Roanoke Line of Duty plan does not issue a stand-alone financial report.

B. Plan Membership

As of June 30, 2018, plan membership was as follows:

	2018
Active Participants	711
Disableds	6
Spouses	7
Dependent Children	6
Total Participants	730

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

C. Contributions

The contribution requirements of the City are established and may be amended by the Commonwealth of Virginia. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For the fiscal year ended June 30, 2018, members of the plan did not contribute. The City contributed \$161,700 to the Line of Duty plan for death benefits and health insurance based on projected pay-as-you-go financing. The City also contributed \$173,200 to a qualified trust as defined by GAAP, to fund the actuarial determined contribution of \$334,900 for fiscal year 2018. It is the City's intent to fully fund the actuarial determined contribution each year.

D. OPEB Liabilities, OPEB Expense, Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2018 the City reported a Net OPEB liability of \$2,168,561. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the City recognized OPEB expense of \$297,593. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2018, the City 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	\$ -	\$ 27,370
Net difference between projected and actual earnings on pension plan investments	-	65,820
City contributions subsequent to the measurement date	173,200	-
Administrative fees subsequent to the measurement date	2,004	-
Total	<u>\$ 175,204</u>	<u>\$ 93,190</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The City reported \$173,200 as deferred outflows of resources, resulting from the City's contributions subsequent to the measurement date, will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the City's OPEB will be recognized in the City's OPEB expense in future reporting periods as follows:

Year Ended June 30:	Amounts
2018	\$ (19,496)
2019	(17,492)
2020	(19,496)
2021	(19,496)
Thereafter	<u>(15,206)</u>
	<u>\$ (91,186)</u>

The components of the Plan's net OPEB liability as of the measurement date of June 30, 2018 were as follows:

Total OPEB liability	\$ 3,369,053
Plan fiduciary net position	<u>2,162,674</u>
Net OPEB liability	<u>\$ 1,206,379</u>
Fiduciary net position as a percent of total OPEB liability	64.19%

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Changes in Net OPEB Liability - LODA

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 3,702,788	\$ 1,410,630	\$ 2,292,158
Changes for the year:			
Service cost	149,688	-	149,688
Interest	266,113	-	266,113
Difference between expected and actual experience	(30,411)		(30,411)
Contributions - employer	-	328,000	(328,000)
Net investment income	-	183,124	(183,124)
Benefit payments, including refunds of employee contributions	(101,700)	(101,700)	-
Administrative expenses	-	(2,137)	2,137
Net changes	283,690	407,287	(123,597)
Balances at June 30, 2017	\$ 3,986,478	\$ 1,817,917	\$ 2,168,561

E. Actuarial Method and Significant Assumptions

The total OPEB liability was determined as part of the actuarial valuation at the date indicated, using the following actuarial assumptions:

Valuation Date	June 30, 2017
Valuation Method	Entry Age Normal
Investment Rate of Return	7.0%
Long-term projected salary increase	None Assumed
Healthcare cost trend rates	A range of 7.0 % in 2018 to 5.0% in 2023 for Pre-Medicare and 5.5 % in 2018 to 5.00% in 2023 for Post-Medicare
Pre-retirement mortality	125% of the RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection using Scale AA
Post-retirement mortality	125% of the RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection using Scale AA
Disabled Mortality	The SOA RP-2014 Adjusted to 2006 Disabled Retiree Mortality Table with base rates only.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expenses 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.

In an effort to assist local governments in funding their OPEB liabilities, the Virginia Association of Counties and the Virginia Municipal League established the VML/VACo OPEB Trust Fund. The OPEB Trust Fund is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials of participants in the OPEB Trust Fund. The Board of Trustees has adopted an investment policy to achieve a compound annualized rate of return over a market cycle, including current income and capital appreciation, in excess of 5% after inflation, in a manner consistent with prudent risk-taking. The Trust currently invests in the following assets classes and strategies:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity:		
Large Cap	26%	11.39%
Small Cap	10%	12.68%
International	13%	12.39%
Emerging Markets	5%	13.74%
Private Equity	5%	14.03%
Fixed Income:		
Core Bonds	7%	6.40%
Core Plus	14%	6.67%
Diversified Hedge Funds	10%	9.92%
Real Assets	10%	8.86%
	<u>100.0%</u>	<u>10.49%</u>

G. 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 employer contributions will be made at current contribution rates. Based on the current and historical commitment of the City to fully fund actuarially determined contribution amounts, the OPEB Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future payments. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

H. Sensitivity of Net OPEB Liability to Changes in The Discount Rate

The net OPEB liability is shown below as calculated on the current 7.00% discount rate and also as calculated using discount rates 1 percent lower or 1 percent higher:

1% Lower	Current Rate	1% Higher
6.00%	7.00%	8.00%
<u>\$ 2,786,653</u>	<u>\$ 2,168,561</u>	<u>\$ 1,678,075</u>

I. Sensitivity of net OPEB liability to changes in healthcare cost trend rates

The net OPEB liability is shown below as calculated on the projected healthcare cost trend rate 7.25% rate and also as calculated using rates 1 percent lower or 1 percent higher:

1% Lower	Current Rate	1% Higher
6.25%	7.25%	8.25%
<u>\$ 1,629,594</u>	<u>\$ 2,168,561</u>	<u>\$ 2,848,210</u>

Primary Government – Health Insurance Credit Program

A. Plan Description

Employees of the City Sheriff's Department participate in the VRS program which provides a credit toward the cost of health insurance coverage for employees retiring with 15 or more years of creditable service. The amount of monthly health insurance credit is \$2.50 per year of creditable service to a maximum of \$75 per month, and may not exceed the monthly health insurance premium paid the retiree. VRS issues a stand-alone CAFR, which includes the Health Insurance Credit Program (HIC).

B. Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. The City's contractually required employer contribution rate for the year ended June 30, 2018 was 0.26% of covered employee compensation for employees in the VRS HIC 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 City to the VRS HIC Program were \$22,991 and \$22,904 for the years ended June 30, 2018 and June 30, 2017, respectively.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

C. City HIC Program OPEB Liabilities, HIC Program OPEB Expense, and Deferred Outflows of Resources and Inflows of Resources Related to HIC Program OPEB

At June 30, 2018 the City reported a net OPEB liability of \$285,452. The Net VRS HIC Program OPEB Liability was measured as of June 30, 2017. The total VRS HIC Program OPEB liability used to calculate the Net VRS HIC Program OPEB Liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the City recognized VRS HIC Program OPEB expense of \$18,098.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the VRS HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on State HIC OPEB plan investments	\$ -	\$ 2,966
City contributions subsequent to the measurement date	<u>22,991</u>	<u>-</u>
Total	<u><u>\$ 22,991</u></u>	<u><u>\$ 2,966</u></u>

The HIC OPEB reported \$22,991 as deferred outflows of resources, resulting from the City's contributions subsequent to the measurement date, will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,	Amounts
2019	\$ (742)
2020	(742)
2021	(742)
2022	(740)
2023	-
Thereafter	<u>-</u>
	<u><u>\$ (2,966)</u></u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Changes in Net OPEB Liability - HIC

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 376,392	\$ 83,168	\$ 293,224
Changes for the year:			
Service cost	5,836	-	5,836
Interest	25,637	-	25,637
Change of assumptions	(6,386)		(6,386)
Contributions - employer	-	22,904	(22,904)
Net investment income	-	9,633	(9,633)
Benefit payments, including refunds of employee contributions	(20,294)	(20,294)	-
Administrative expenses	-	(158)	158
Other	-	480	(480)
Net changes	4,793	12,565	(7,772)
Balances at June 30, 2017	\$ 381,185	\$ 95,733	\$ 285,452

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. Actuarial Method and Significant Assumptions

The total HIC OPEB liability for the City HIC 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	2.5%
Salary Increases	3.5% - 5.35%
Investment Rate of Return	7.0%, net of plan investment expenses, including inflation*
Pre-retirement mortality	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-retirement mortality	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Disableds mortality	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

* 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 the OPEB liabilities.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the 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 (Pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table – RP2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40%	4.54%	1.82%
Fixed Income	15%	0.69%	0.10%
Credit Strategies	15%	3.96%	0.59%
Real Assets	15%	5.76%	0.86%
Private Equity	15%	9.53%	1.43%
	<u>100.0%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
			<u>7.30%</u>

* 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%.

F. Discount Rate

The discount rate used to measure the total HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the City for the VRS HIC Program 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, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

G. Sensitivity of the City's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the City's VRS HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the City's net HIC 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% decrease 6.00%	Current 7.00%	1% increase 8.00%
City's VRS HIC OPEB Plan Net OPEB Liability	<u>\$ 327,744</u>	<u>\$ 285,452</u>	<u>\$ 249,660</u>

H. HIC OPEB Fiduciary Net Position

Detailed information about the VRS HIC 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, Virginia 23218-2500.

City - Group Life Insurance Program

The VRS Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI 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 GLI Program is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI 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.

A. Plan Description

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 upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia. 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 GLI Program OPEB.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

B. Contributions

The contribution requirements for the GLI Program 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. The total rate for the GLI 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%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. 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. Contributions for the GLI program were \$424,840 and \$419,704 for the years ended June 30, 2018 and June 30, 2017, respectively.

C. OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2018 the City reported a net OPEB liability of \$6,585,000 for its proportionate share of the VRS GLI program Net OPEB Liability. The Net VRS GLI program OPEB Liability was measured as of June 30, 2017. The total VRS GLI program OPEB liability used to calculate the Net VRS GLI program OPEB Liability was determined by an actuarial valuation as of that date. The City's proportion of the net VRS GLI program OPEB Liability was calculated based on the City's actuarially determined employer contributions to the VRS GLI 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 City's proportion was 0.43757% and 0.44177% for the years ended June 30, 2018 and June 30, 2017, respectively.

For the year ended June 30, 2018 the City recognized VRS GLI OPEB expense of \$64,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS GLI Net OPEB expense was related to deferred amounts from changes in proportion.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the VRS GLI program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 146,000
Change in assumptions	-	339,000
Net difference between projected and actual earnings on OPEB plan investments	-	248,000
Changes in Proportion	-	64,000
Employer contributions subsequent to the measurement date	<u>424,840</u>	<u>-</u>
Total	<u><u>\$ 424,840</u></u>	<u><u>\$ 797,000</u></u>

The City reported \$424,840 as deferred outflows of resources, resulting from the City's contributions subsequent to the measurement date, will be recognized as a reduction of the Net VRS Group Life Insurance OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VRS Group Life Insurance program OPEB will be recognized in the VRS Group Life Insurance expense in future reporting periods as follows:

Year Ended June 30,	Amounts
2019	\$ (163,000)
2020	(163,000)
2021	(163,000)
2022	(163,000)
2023	(101,000)
Thereafter	<u>(44,000)</u>
	<u><u>\$ (797,000)</u></u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. Actuarial Method and Significant Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal 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.

Investment Rate of Return	7.0%, net of investment expenses, including inflation*
Mortality Rates - Non-Larges Ten	
Locality Employers - Hazardous Duty	
Employees:	
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.
Mortality Rates - Non-Largest Ten Locality Employers - General Employees	
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 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% increase compounded from ages 70 to 90
Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

* 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 the OPEB liabilities.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40%	4.54%	1.82%
Fixed Income	15%	0.69%	0.10%
Credit Strategies	15%	3.96%	0.59%
Real Assets	15%	5.76%	0.86%
Private Equity	15%	9.53%	1.43%
	<u>100.0%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
			<u>7.30%</u>

* 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%.

F. Discount Rate

The discount rate used to measure the GLI OPEB liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance 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 employer for the OPEB liabilities 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, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the VRS GLI Program net GLI OPEB liability using the discount rate of 7.00%, as well as what the City's proportionate share of the net GLI 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% decrease 6.00%	Current 7.00%	1% increase 8.00%
City's Proportionate share of the VRS GLI Net OPEB Liability	\$ 8,518,000	\$ 6,585,000	\$ 5,019,000

H. GLI Program Fiduciary Net Position

Detailed information about the GLI 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, Virginia 23218-2500.

School Board – General Employee Health Insurance Credit Program

A. Plan Description

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than Teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the General Employee HIC Program:

Inactive Members or Beneficiaries currently receiving benefits	2
Inactive Members:	
Vested Inactive Members	1
Non-vested inactive Members	0
Inactive Members	0
Total Inactive Members	3
Active Members	126
Total covered employees	129

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

B. Contributions

Contributions to the VRS General Employee HIC programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability.

The General Employee HIC program is governed by *Code of Virginia* 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly. The total contribution rate was .11% of covered employee compensation. Contributions for the HIC program were \$4,036 and \$3,534 for the years ended June 30, 2018 and June 30, 2017, respectively.

C. OPEB Asset, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB asset was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB asset was determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB asset was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017.

At June 30, 2018 the School Board reported a net OPEB asset of \$16,209 for the VRS General Employee HIC. The HIC OPEB Asset was measured as of June 30, 2017. The total HIC program OPEB liability used to calculate the Net HIC OPEB Liability was determined by an actuarial valuation as of that date. The School Board's HIC OPEB Asset was calculated based on the School Board's actuarially determined employer contributions to the VRS HIC OPEB plan for the year ended June 30, 2017. For the year ended June 30, 2018 the School Board recognized VRS HIC OPEB expense of \$3,233.

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to the VRS HIC program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ -	\$ 1,164
Net difference between projected and actual earnings on OPEB plan investments	-	1,644
Employer contributions subsequent to the measurement date	<u>4,036</u>	<u>-</u>
Total	<u><u>\$ 4,036</u></u>	<u><u>\$ 2,808</u></u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The School Board reported \$4,036 as deferred outflows of resources, resulting from the School Board's contributions subsequent to the measurement date, will be recognized as a reduction of the Net VRS General Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VRS HIC OPEB will be recognized in the VRS HIC expense in future reporting periods as follows:

Year Ended June 30:	Amounts
2019	\$ (603)
2020	(603)
2021	(603)
2022	(603)
2023	(192)
Thereafter	(204)
	<u>\$ (2,808)</u>

Changes in net OPEB asset of the General Employee HIC Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 29,212	\$ 42,312	\$ (13,100)
Changes for the year:			
Service cost	5,042	-	5,042
Interest	2,032	-	2,032
Changes of assumptions	(1,356)	-	(1,356)
Difference between expected and actual experience	-	-	-
Contributions - employer	-	3,534	(3,534)
Net investment income	-	5,134	(5,134)
Benefit payments	(358)	(358)	-
Administrative expenses	-	(88)	88
Other changes	-	247	(247)
Net changes	<u>5,360</u>	<u>8,469</u>	<u>(3,109)</u>
Balances at June 30, 2017	<u>\$ 34,572</u>	<u>\$ 50,781</u>	<u>\$ (16,209)</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. Actuarial Method and Significant Assumptions

The total HIC OPEB liability for the VRS General Employee HIC was based on an actuarial valuation as of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary Increases, Including Inflation	
Locality - general employees	3.5% - 5.35%
Healthcare cost trend rates	
Under age 65	7.75% - 5.00%
Ages 65 and older	5.75% - 5.00%
Investment Rate of Return	7.0%, net of plan investment expenses, 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 the OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail in Footnote 12.

E. Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40%	4.54%	1.82%
Fixed Income	15%	0.69%	0.10%
Credit Strategies	15%	3.96%	0.59%
Real Assets	15%	5.76%	0.86%
Private Equity	15%	9.53%	1.43%
	<u>100.0%</u>		<u>4.80%</u>
Inflation			<u>2.50%</u>
			<u>7.30%</u>

**CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

- * 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%.

F. Discount Rate

The discount rate used to measure the HIC OPEB liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance 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 employer for the OPEB liabilities 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, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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.

G. Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the School Board's proportionate share of the VRS General Employee HIC Credit net OPEB liability using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net HIC 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% decrease 6.00%	Current 7.00%	1% increase 8.00%
HIC Net OPEB Asset	<u>\$ (11,324)</u>	<u>\$ (16,209)</u>	<u>\$ (20,244)</u>

H. OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan 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-annualreport.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

School Board – Teacher Health Insurance Credit Program

A. Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. Members 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.

Specific information about the Teacher HIC is available at: <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>.

The Teacher HIC is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plan.

B. Contributions

Contributions to the VRS Teacher HIC programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability.

The Teacher HIC program is governed by *Code of Virginia* 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. The total contribution rate was 1.231% of covered employee compensation. Contributions for the HIC program were \$987,227 and \$884,561 for the years ended June 30, 2018 and June 30, 2017, respectively.

C. OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2018 the School Board reported a net OPEB liability of \$12,810,000 for its proportionate share of the VRS Teacher HIC Net OPEB Liability. The Net HIC OPEB Liability was measured as of June 30, 2017. The total HIC program OPEB liability used to calculate the Net HIC OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net HIC OPEB Liability was calculated based on the School Board's actuarially determined employer contributions to the VRS HIC OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. the School

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Board's proportions were 1.00976% and 1.00838% for June 30, 2017 and June 30, 2018 respectively.

For the year ended June 30, 2018 the School Board recognized VRS HIC OPEB expense of \$1,044,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Teacher HIC OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to the VRS HIC program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ -	\$ 132,000
Net difference between projected and actual earnings on OPEB plan investments	-	23,000
Changes in Proportion	16,000	-
Employer contributions subsequent to the measurement date	<u>987,227</u>	<u>-</u>
Total	<u><u>\$ 1,003,227</u></u>	<u><u>\$ 155,000</u></u>

The School Board reported \$987,227 as deferred outflows of resources, resulting from the School Board's contributions subsequent to the measurement date, will be recognized as a reduction of the VRS Teacher HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VRS HIC OPEB will be recognized in the VRS HIC expense in future reporting periods as follows:

Year Ended June 30,	Amounts
2019	\$ (24,000)
2020	(24,000)
2021	(24,000)
2022	(24,000)
2023	(18,000)
Thereafter	<u>(25,000)</u>
	<u><u>\$ (139,000)</u></u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. Actuarial Method and Significant Assumptions

The total HIC OPEB liability for the VRS Teacher HIC was based on an actuarial valuation as of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary Increases, Including Inflation	
Teachers	3.5% - 5.95%
Healthcare cost trend rates	
Under age 65	7.75% - 5.00%
Ages 65 and older	5.75% - 5.00%
Investment Rate of Return	7.0%, net of plan investment expenses, 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 the OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail in Footnote 12.

E. Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amount is as follows: (amounts expressed in thousands):

Total OPEB Liability	\$1,364,702
Plan Fiduciary net position	<u>96,091</u>
Employers Net OPEB Liability	<u>\$1,268,611</u>
 Plan Fiduciary net position as a percentage of total OPEB liability	 7.04%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GAAP in the VRS notes to the financial statements and required supplementary information.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40%	4.54%	1.82%
Fixed Income	15%	0.69%	0.10%
Credit Strategies	15%	3.96%	0.59%
Real Assets	15%	5.76%	0.86%
Private Equity	15%	9.53%	1.43%
	<u>100.0%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
			<u>7.30%</u>

* 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%.

G. Discount Rate

The discount rate used to measure the HIC OPEB liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance 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 employer for the OPEB liabilities 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, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

H. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School Board's proportionate share of the VRS Teacher HIC net OPEB liability using the discount rate of 7.00%, as well as what the School Board's proportionate share of the net HIC 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% decrease 6.00%	Current 7.00%	1% increase 8.00%
HIC Net OPEB Liability	<u>\$ 14,297,365</u>	<u>\$ 12,810,000</u>	<u>\$ 11,545,915</u>

I. OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan 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-annualreport.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

School Board - Group Life Insurance Program

A. Plan Description

All full-time teachers and employees of political subdivisions are automatically covered by the VRS GLI Program upon employment. 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 GLI Program OPEB.

The GLI program is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. The GLI program is considered a multiple employer, cost sharing plan.

Specific information for the GLI is available at: <https://www.varetire.org/members/benefits/lifeinsurance/basic-group-life-insurance.asp>

B. Contributions

Contributions to the VRS GLI programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability.

The GLI program is governed by *Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly. The total contribution rate was 1.31% of covered employee compensation with the rate allocated between employee at 0.79% and employer at 0.52%, with employers being able to pay all or part of the employee contribution. Contributions for the GLI program were \$445,504 and \$441,640 for the years ended June 30, 2018 and June 30, 2017, respectively.

C. OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

At June 30, 2018 the School Board reported a net OPEB liability of \$6,929,000 for its proportionate share of the VRS GLI program Net OPEB Liability. The Net VRS GLI program OPEB Liability was measured as of June 30, 2017. The total VRS GLI program OPEB liability used to calculate the Net VRS GLI program OPEB Liability was determined by an actuarial valuation as of that date. The School Board's proportion of the Net VRS GLI program OPEB Liability was calculated based on the School Board's actuarially determined employer contributions to the VRS GLI 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 Board's proportions of the VRS GLI program were as follows:

	Teacher SGLI	Non-Teacher SGLI Plan 1	Non-Teacher SGLI Plan 2
June 30, 2018 Proportionate Share of Liability	\$6,504,000	\$262,000	\$163,000
June 30, 2017 Proportion	0.43222%	0.01741%	0.01081%
June 30, 2016 Proportion	0.42798%	0.01709%	0.01459%
June 30, 2018 expense (income)	\$84,000	\$4,000	(\$8,000)

For the year ended June 30, 2018 the School Board recognized VRS GLI OPEB expense of \$80,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS GLI Net OPEB expense was related to deferred amounts from changes in proportion.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to the VRS GLI program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 154,000
Change in assumptions	-	356,000
Net difference between projected and actual earnings on OPEB plan investments	-	261,000
Changes in Proportion	68,000	56,000
Employer contributions subsequent to the measurement date	<u>445,504</u>	<u>-</u>
Total	<u><u>\$ 513,504</u></u>	<u><u>\$ 827,000</u></u>

The School Board reported \$445,504 as deferred outflows of resources, resulting from the School Board's contributions subsequent to the measurement date, will be recognized as a reduction of the Net VRS GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VRS Group Life Insurance program OPEB will be recognized in the VRS GLI expense in future reporting periods as follows:

Year Ended June 30,	Amounts
2019	\$ (157,000)
2020	(157,000)
2021	(157,000)
2022	(157,000)
2023	(92,000)
Thereafter	<u>(39,000)</u>
	<u><u>\$ (759,000)</u></u>

D. Actuarial Method and Significant Assumptions

The total GLI OPEB liability for the VRS GLI Program was based on an actuarial valuation as of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary Increases, Including Inflation	
Locality - general employees	3.5% - 5.35%
Teachers	3.5% - 5.95%
Investment Rate of Return	7.0%, net of plan investment expenses, including inflation*

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

* 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 the OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail in Footnote 12.

E. Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amount is as follows: (amounts expressed in thousands):

Total OPEB Liability	\$ 2,942,426
Plan Fiduciary net position	<u>1,437,596</u>
Employers Net OPEB Liability	<u>\$ 1,504,830</u>
 Plan Fiduciary net position as a percentage of total OPEB liability	 48.86%

F. Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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:

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40%	4.54%	1.82%
Fixed Income	15%	0.69%	0.10%
Credit Strategies	15%	3.96%	0.59%
Real Assets	15%	5.76%	0.86%
Private Equity	15%	9.53%	1.43%
	<u>100.0%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
			<u>7.30%</u>

* 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%.

G. Discount Rate

The discount rate used to measure the GLI OPEB liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance 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 employer for the OPEB liabilities 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, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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.

H. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School Board's proportionate share of the VRS GLI Program net GLI OPEB liability using the discount rate of 7.00%, as well as what the City's proportionate share of the net GLI 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:

	<u>1% decrease 6.00%</u>	<u>Current 7.00%</u>	<u>1% increase 8.00%</u>
GLI Net OPEB Liability	<u>\$ 8,961,950</u>	<u>\$ 6,929,000</u>	<u>\$ 5,280,984</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

I. OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan 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-annualreport.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

(14) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk management activities related to claims are accounted for in the Risk Management Internal Service Fund. Beginning in fiscal year 2018, all other risk management activities are accounted for in the General Fund.

Claims expenditures/expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred but not reported (IBNR) based on an annual actuarial study performed by a third party.

The City self-insures general liability and automotive liability insurance with a self-insured retention of \$1,000,000 per occurrence; worker's compensation has a self-insured retention of \$1,250,000 per occurrence. The City purchases excess liability and worker's coverage to protect against settlements that exceed the amount of the self-insured retention. The amount of settlements did not exceed insurance coverage for each of the past ten years.

The City has property insurance coverage that includes boiler and machinery with a \$25,000 per occurrence deductible for property, and a \$1,000 per occurrence deductible for boiler and machinery. Flood insurance is purchased through the National Flood Insurance Program which is administered by the Federal Emergency Management Agency (FEMA) to protect properties that are located in designated flood zones with a deductible of \$5,000 based on damage assessment and replacement cost. Pollution legal liability coverage is purchased and provides coverage of up to \$5 million over a three-year period with a \$100,000 deductible per occurrence. The amount of insurance claims did not exceed coverage limits. The City has Cyber Insurance coverage which includes cost of defense, event management, network interruption, limited extortion coverage, and judgement if sued up to limits of policy of \$1,000,000. The City-owned Civic Center is managed by Global Spectrum, LP. As a part of its contract with the City, Global Spectrum is responsible for securing the liability coverage to address the unique exposures of this facility and its many events.

The City purchases a liability policy and an accidental injury medical policy to protect up to 100 active volunteers who perform tasks on behalf of the City. The amount of settlements did not exceed insurance coverage for each of the past ten years. The City is self-insured for employee health insurance and worker's compensation with stop loss provisions to limit catastrophic claims exceeding \$1,250,000 for worker's compensation and \$300,000 for health insurance.

Included in long-term liabilities at June 30, 2018 were claims payables of \$19,013,708 as a provision for unasserted claims. Other risks insured through the City's self-insurance program adequately covered any claims incurred over each of the past nine years.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Changes in the reported liability during the past two years are shown in the following tabulation:

	2017-18	2016-17
Claims liability at July 1	\$ 19,819,708	\$ 20,769,720
Claims incurred	8,890,491	17,447,802
Claims payments	(9,696,491)	(18,397,814)
Claims liability at June 30	<u>\$ 19,013,708</u>	<u>\$ 19,819,708</u>

Surety Bond coverage is as follows:

Company:	Amount:
----------	---------

Travelers Property Casualty Insurance Company:

Public Employee Pension/Crime/Dishonesty	\$1,000,000
--	-------------

NGM Insurance Company:

Treasurer – Public Official Bond	1,000,000
----------------------------------	-----------

Self-insurance program through Commonwealth of Virginia Division of Risk Management

All Other Constitutional Officers' Employees Liability Insurance	1,000,000
City Treasurer's Bond	500,000
City Sheriff Bond	30,000
Commissioner of Revenue Bond	3,000
Clerk of Circuit Court Bond	3,000,000
City Sheriff's Liability Insurance	1,500,000

GAAP addresses the requirements for reporting liabilities related to cleaning up pollution and/or contamination. The City has evaluated the requirements of GAAP and determined the City had no material liability.

The City adopted comprehensive financial policies that included a Risk Management Reserve. The purpose of the reserve is to mitigate risk exposure of the City due to its self-insurance program. The City is currently self-insured for health insurance, workers' compensation, general liability and automotive claims.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

The minimum funding level for The Risk Management Reserve is:

- 25% of the three year average of self-insured claims costs
- plus 10% of the three year average of fully insured premiums
- plus a \$1 million to cover catastrophic claims

The Risk Management Reserve has a zero balance as of June 30, 2018. This is a result of a significant increase in liabilities in prior years. Subsequent to year end, the City revised its financial policies to establish a Budget Stabilization Reserve with a part of its purpose to provide coverage for risk exposure that the City has due to its self-insurance program and unanticipated risk management expenses.

School Board Component Unit

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

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

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

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

	2017-18	2016-17
Claims liability at July 1	\$ 6,574,414	\$ 6,427,493
Claims incurred	19,492,727	19,441,902
Claims payments	(18,115,223)	(19,294,981)
Claims liability at June 30	<u>\$ 7,951,918</u>	<u>\$ 6,574,414</u>

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(15) Tax Abatements

As of June 30, 2018, the City provides tax abatements through four programs:

Tax Abatement Programs	Taxes Abated for FY 2018
Real Estate Rehabilitation Abatements	\$ 1,598,215
Solar Energy Equipment, Facilities, and Devices Exemption	3,045
Energy Efficient Buildings Special Rate	4,983
Economic Development Grants	748,199

The **Real Estate Rehabilitation Abatement** program is administered by the Real Estate Valuation Department in accordance with Chapter 32, Article II, Division 5 of Code of Ordinances for the City of Roanoke. Abatements and exemptions only apply to the change in value resulting from the renovation or new construction. The amount of the abatement is deducted from the recipient's tax bill. The program is composed of four tax abatement incentives:

1. An abatement of real property taxes on residential, commercial and industrial properties to encourage rehabilitation of existing structures. To receive this abatement, the renovation must be completed within two years after the date of application. Residential properties must be no less than 40 years in age and be improved so as to increase their values no less than 40%.

Commercial and industrial properties must be no less than 25 years in age and be improved so as to increase the value of their structures no less than 60%, without increasing total square footage by more than 100%.

2. A partial real property tax exemption for commercial and industrial properties within Enterprise Zone Two to encourage rehabilitation of existing structures. To receive this exemption, the property must have been no less than 15 years in age, have been renovated so as to increase the assessed value of the structure by at least \$50,000, have not received another exemption under Division 5 of the Code, and the rehabilitation must have been completed within one year after the date of the application.

This program was closed to new applications as of December 31, 2015.

3. A partial real property tax exemption for commercial, mixed-use commercial, and industrial properties in Enterprise Zone One A to encourage rehabilitation of existing structures. To receive this exemption, the property must be no less than 15 years in age, be renovated so as to increase the assessed value of the structure by at least \$50,000, have not received another exemption under Division 5 of the Code, and the rehabilitation must be completed within two years after the date of the application. Additionally, mixed-use commercial property must not be more than 80% residential use in order to qualify.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

4. A partial real property tax exemption for residential and commercial properties in redevelopment and conservation areas, as well as rehabilitation districts, to encourage the construction of new structures or other improvements.

For residential properties to receive this exemption, the new structure or improvement must have an assessed value, after construction or improvement, of at least 120% of the median value of other residential structures in the neighborhood. Commercial properties must be located in a district zoned Commercial Neighborhood (CN) and must be designed for and used for purposes permitted in a CN district.

For both residential and commercial properties, the construction or improvement must be completed within 2 years after the date of the application.

The **Solar Energy Equipment, Facilities, and Devices** program provides for an exemption on real estate or machinery and tools taxes to encourage investment in certified solar energy equipment, facilities, and devices, as specified in Chapter 32, Article II, Division 8 of the Code of the City of Roanoke. Taxpayers must file an application with the Department of Planning, Building, and Development, along with supporting documents that can be used to verify the costs, ownership, and nature of the property involved. The taxpayer may choose to apply the exemption to real estate taxes or machinery and tool taxes, as applicable. The exemption is determined by applying the appropriate local tax rate to the value of the qualified solar energy equipment, facilities, and devices.

The **Energy-Efficient Buildings** program provides a special classification to buildings certified as energy-efficient, which provides for a lower tax rate than that applied to other real property. Applications are reviewed by the City's Department of Planning, Building, and Development, as specified under Chapter 32, Article II, Division 9 of the Code of the City of Roanoke. If approved, the building is given the special classification for five years. For the year ended June 30, 2018, the real estate tax rate applicable to Energy-Efficient Buildings was \$1.10 per \$100 of assessed value.

Economic Development Grants are provided to local developers who complete projects that promote economic development within the city, as determined in advance by the city administration in accordance with the Code of Ordinances for the City of Roanoke, Ordinance Numbers 40709 and 39447. Such projects are expected to provide additional tax revenue, jobs, and services that will benefit city residents. The local taxes collected from businesses located in these developments are used to fund the grants. Applicable local taxes include real estate tax, local option sales tax, business professional and occupational license tax, tangible personal property tax, and prepared food and beverage tax. Payments to developers are based on the taxes collected the preceding fiscal year. Grants paid during the fiscal year ended June 30, 2018, were between 50 and 75% of the local tax revenues generated from applicable projects.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(16) Joint Ventures

Blue Ridge Behavioral Healthcare

The Counties of Botetourt, Craig and Roanoke, and the Cities of Roanoke and Salem formed Blue Ridge Behavioral Health Care (BRBH) a community services board, to provide a system of comprehensive community mental health, intellectual disability and substance abuse services. BRBH is governed by a 16-member board. Roanoke City Council appoints three members. Each locality's financial obligation is based on the type and amount of services performed for individuals in the locality. For the fiscal year ended June 30, 2018, the City remitted approximately \$552,397 to BRBH. Financial statements may be obtained from Blue Ridge Behavioral Healthcare, 301 Elm Avenue, Roanoke, Virginia 24016.

Hotel Roanoke Conference Center Commission

The City is a participant with Virginia Polytechnic Institute and State University (Virginia Tech) in a joint venture to establish and operate a publicly owned Conference Center in the City of Roanoke in conjunction with the Hotel Roanoke, which is adjacent to the Conference Center. The Hotel Roanoke Conference Center Commission (HRCCC) is composed of six members, three of whom are appointed by City Council and three of whom are appointed by Virginia Tech. The HRCCC has the authority to issue debt and such debt is the responsibility of the HRCCC. The City issued general obligation bonds in its name for its share of the Conference Center construction costs and was obligated to repay this debt. The City has incurred no related future obligation.

The intention of the HRCCC is to be self-supporting through its user fees. The City and Virginia Tech share equally in any operating deficit or if additional funding is needed for capital expenditures. The City has no equity interest in the HRCCC; however, as previously mentioned, additional funding or subsidies may be necessary to support ongoing operations. For the fiscal year ended June 30, 2018, the City contributed \$80,000 to the HRCCC. Financial statements may be obtained from the Hotel Roanoke Conference Center Commission, 106 Shenandoah Avenue, Roanoke, Virginia 24016.

Roanoke Valley Broadband Authority

The Roanoke Valley Broadband Authority (Authority) was created under the Virginia Wireless Services Facilities Act by the Cities of Roanoke and Salem, and the counties of Botetourt and Roanoke. The Authority was formed in order to provide quality affordable access to broadband technologies. The Board of the Authority consists of five members of which the City appoints one member for a four-year term. The Authority is in the process of engineering a 46-mile network in the Valley that will serve business parks, large institutions, government facilities, and businesses. For the fiscal year ended June 30, 2018, the City remitted \$333,554 to Roanoke Valley Broadband Authority for bond payments and \$327,198 for its commitment for the broadband project. Financial statements may be obtained from Roanoke Valley Broadband Authority, 601 South Jefferson Street, Suite 110, Roanoke, Virginia 24011.

Roanoke Valley Regional Fire-EMS Training Center

The City along with the County of Roanoke, City of Salem, and Town of Vinton jointly operate a Fire-EMS training center (Center). The Center is governed by a committee of eight members, designated by the participating jurisdictions. New Fire-EMS recruits are required to take a 17-week training course at the facility before being assigned to a station. Upon completion of the training, the new recruits are state

**CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

certified. Each jurisdiction is responsible for a percentage of the annual operating costs of the facility. The City is responsible for 44% of the annual operating costs. For the fiscal year ended June 30, 2018, the City paid \$39,000 of the total annual operating costs and \$60,000 to the Debt Service Fund for principal and interest on an inter-fund loan related to the construction of the facility. Financial statements may be obtained from the Roanoke Valley Regional Fire-EMS Training Center, 1220 Kessler Mill Road, Salem, Virginia 24153.

Roanoke Valley Resource Authority

The City of Roanoke, the County of Roanoke, and the Town of Vinton jointly participate in the Roanoke Valley Resource Authority (Authority), which operates the regional sanitary landfill, waste collection and transfer station, and related treatment facilities. The Authority is governed by a board composed of seven members designated by the participating jurisdictions. Roanoke City Council appoints two members. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. The participating localities are each responsible for their pro rata share, based on population, of any year-end operating deficit. For the fiscal year ended June 30, 2018, the City remitted \$1,878,010 to the Authority for services. Financial statements may be obtained from Roanoke Valley Resource Authority, 1020 Hollins Road, Roanoke, Virginia 24012.

Regional Center for Animal Care and Protection

The City of Roanoke along with the Counties of Roanoke and Botetourt, and the Town of Vinton jointly participate on the Advisory Board which is responsible for the general fiscal and management policies for the Regional Center for Animal Care and Protection (RCACP). The regional care center is comprised of an animal control and animal education facilities that are adjacent to each other and are owned and operated by the Roanoke Valley Society for the Prevention of Cruelty to Animals, Inc. (RVSPCA). The animal control facility was financed by bonds in the amount of \$3.5 million which were issued by the RVSPCA. This debt was defeased and reissued by the participating localities in connection with the purchase and operations of the control facility. Each participating locality pays monthly amounts for its share of operating costs, debt service, and to fund reserves for operating and maintenance needs of the RCACP based on the locality's average use of the facility. During the year ended June 30, 2018, the City's share was 58% on debt payments and 65% for operations, and the City remitted approximately \$1,261,236 for its share of RCACP expenses.

Western Virginia Regional Industrial Facility Authority

The Western Virginia Regional Industrial Facility Authority was created as a combined effort with Roanoke City, Roanoke County, the City of Salem, Botetourt County, Franklin County and the Town of Vinton to enhance these localities economic basis and stimulate economic growth by developing new opportunities in these areas. For fiscal year ending June 30, 2018, the City remitted \$18,160 for services and \$134,021 for capital reimbursements.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

(17) Jointly Governed Organizations

Roanoke Valley Regional Board

The Counties of Botetourt, Craig, and Franklin, and the Cities of Roanoke and Salem jointly participate in a regional education program for severely disabled students operated by the Roanoke Valley Regional Board (Regional Board). The Regional Board is composed of five members, one from each participating locality. The City has control over budget and financing only to the extent of representation by the one board member appointed. Each locality's financial obligation is based on its proportionate share of students attending the regional program. For the fiscal year ended June 30, 2018, the City of Roanoke School Board, a component unit of the City, remitted \$5,205,826 to the Regional Board for services.

Roanoke Valley Detention Commission

The Counties of Botetourt, Franklin and Roanoke and the Cities of Roanoke and Salem formed the Roanoke Valley Detention Commission (Commission) in 1998 to renovate, expand and operate a detention facility for juveniles. The Commission is governed by a six-member board. Roanoke City Council appoints two members. Localities using the facility are guaranteed a number of beds according to the terms of the agreement. Each locality's financial obligation is based on the number of juveniles housed at the 81-bed facility. The Commission has the authority to issue debt, and such debt is the responsibility of the Commission. For the fiscal year ended June 30, 2018, the City remitted \$664,475 to the Roanoke Valley Detention Commission in per diem charges for juveniles housed by the Commission.

Western Virginia Water Authority

The City and the County of Roanoke combined its water and water pollution control functions to form the Western Virginia Water Authority (WVWA). The WVWA is responsible for the supply, treatment, distribution, and transmission of water and the collection and treatment of wastewater. In November 2009, Franklin County joined the WVWA to provide services to the western side of the County. The WVWA is governed by a seven-member board consisting of three City of Roanoke appointees, three County of Roanoke appointees, and one Franklin County appointee. The City has control over the budget and financing for the WVWA only to the extent of representation by the board members appointed. Upon formation of the WVWA, the City retained \$38 million of general obligation bonds, which are to be repaid contractually by the WVWA in accordance with its operating agreement. During fiscal year 2018, the WVWA paid \$1.43 million to the City in principal and interest payments on the bonds. As of June 30, 2018, the remaining principal balance of these bonds was approximately \$7.0 million. This amount was recorded as a Due from Other Governments in the Statement of Net Position of the basic financial statements.

Virginia's First Regional Industrial Facility Authority

The Cities of Radford, Roanoke and Salem; the Counties of Bland, Craig, Giles, Montgomery, Pulaski, Roanoke and Wythe; and the Towns of Christiansburg, Dublin, Narrows, Pearisburg and Pulaski all participate in the Virginia's First Regional Industrial Facility Authority (Authority). The Authority's purpose is to enhance the member localities economic base in Virginia's First Region. The Authority is governed by a board composed of twenty-nine members, two of which are appointed by Roanoke City Council. The City has control over the budget and financing for the Authority only to the extent of representation by the board members appointed. Each locality is obligated to annual dues of \$5,000.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Authority member localities, who are also participants in the Regional Commerce Park like the City, are obligated to an annual amount based on the number of shares owned. The City owns 10,000 shares and has an annual obligation of \$27,500. For the fiscal year ended June 30, 2018, the City remitted \$32,500 to Virginia's First Regional Industrial Facility Authority.

Market Building Foundation Inc.

The Market Building Foundation Inc., is a public non-profit entity created and incorporated to ensure the preservation of the City Market Building in Downtown Roanoke. The Foundation manages the rehabilitation, maintenance, and operation of the City Market Building. The Foundation has a board of seven members representing individuals from several organizations in the downtown area. These organizations include the City of Roanoke, Downtown Roanoke, Inc., the Roanoke Regional Chamber of Commerce and the private business community. These board members are responsible for the oversight and governance of the facility as well as the management, leasing, and operational performance of the City Market Building. The City does not have authority to override the Foundation board regarding decisions about rates or operations but it is obligated to finance deficits of the Foundation. The City has an annual obligation to the Market Building of \$300,000 for an operating contribution. For the fiscal year ended June 30, 2018, the City paid the Market Building Foundation Inc. \$301,700 for the annual operating contribution and equipment replacement services.

(18) Related Organizations

Economic Development Authority

The Economic Development Authority issues low-interest, tax-free industrial revenue bonds in its name for the construction or renovation of properties sold or leased to enterprises locating to or remaining in the City. City Council is responsible for appointing the seven-member board; however, the City, the state, and any political subdivision thereof are not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2018, there were nine series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$460.8 million.

Roanoke Redevelopment and Housing Authority

The Roanoke Redevelopment and Housing Authority (Housing Authority) is a political subdivision of the Commonwealth of Virginia created to provide low income and subsidized housing, promote self-sufficiency and foster economic development. Commissioners of the Housing Authority are appointed by City Council. The Housing Authority is financially independent of the City and has administrative control of its operations, but its overall housing plans require the approval of City Council. The City provides a financial benefit through federal pass-through grant funds awarded to the Housing Authority on a contractual basis to implement certain grant programs. The Housing Authority also directly receives other federal and state subsidies and rents for operating its housing programs. During the year ended June 30, 2018, the City remitted \$5,696 to the Housing Authority.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Roanoke Regional Airport Commission

The City and Roanoke County formed the Roanoke Regional Airport Commission (Airport Commission) in 1987 to own and operate The Roanoke Blacksburg Regional Airport. The Airport Commission is composed of five members. Three commissioners are appointed by Roanoke City Council and two are appointed by the Roanoke County Board of Supervisors. Airport operations are financed by user fees. The City and Roanoke County are each responsible for their pro rata share, based on population, of any year-end operating deficit or unfunded capital projects if any additional funding is required. The Airport Commission may incur debt and is responsible for paying all outstanding debt. The City has control over budget and financing only to the extent of representation by the board members appointed. No subsidy has been required since inception.

(19) Commitments, Contingencies and Other Matters

Litigation

The City is named as a defendant in litigation involving claims for personal injury, property damages, or discrimination as to taxation or personnel matters. In addition, the City is aware of unasserted claims and assessments considered by the City to be probable of assertion and if asserted, have at least a reasonable possibility of an unfavorable outcome. In accordance with GAAP, the City considers four pending matters being litigated as probable of having a future outcome from which the City will incur a liability. Given their current status, the City makes no estimate of range of potential loss on three of the four matters and has estimated a range of \$ 300,000 to \$ 1,000,000 for the fourth.

The City has one matter currently in litigation deemed reasonably possible as to having a future outcome from which the City may incur a liability. The status of this matter does not allow for an estimate of range of potential loss or liability and none has been made.

There are three matters where claims are asserted but are not yet in litigation related to property that are deemed reasonably possible of having a future outcome from which the City may incur a liability. There is one matter where a claim is asserted but not yet in litigation relating to employment that is deemed probable as to having a future outcome from which the City may incur a liability. None of these four matters have progressed to a point where any estimate of potential loss or liability can be made and none has been made.

City management estimates that any ultimate liability not covered by insurance would not have a material adverse effect on the City's financial position.

Grants

Federal grant programs in which the City participates have been audited in accordance with the provisions of the Office of Management and Budget 2 CFR 200, Uniform Administrative Requirements. In addition, these grant programs are subject to financial and compliance audits by the federal government, which may result in disallowed expenditures. Based on prior experience, City management believes such disallowances, if any, would not have a material effect on the City's financial position.

THIS PAGE INTENTIONALLY BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY BLANK

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

(1) Budgetary Comparison Schedule - General Fund

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Budgetary Fund Balance, as restated, July 1	\$ 36,244,712	\$ 36,244,712	\$ 36,244,712	\$ -
Resources (Inflows):				
General Property Taxes	\$ 116,013,000	\$ 116,050,000	\$ 116,465,065	\$ 415,065
Other Local Taxes	77,969,000	80,350,000	82,732,617	2,382,617
Permits, Fees, and Licenses	911,000	1,211,000	1,392,113	181,113
Fines and Forfeitures	1,027,000	1,027,000	1,167,250	140,250
Revenue from Use of Money and Property	216,000	216,000	481,446	265,446
Charges for Services	13,710,000	14,572,640	15,138,288	565,648
Intergovernmental	72,300,000	72,319,848	72,456,573	136,725
Miscellaneous	639,000	842,000	911,619	69,619
Transfers from Other Funds	-	194,000	194,000	-
Amounts Available for Appropriation	\$ 319,029,712	\$ 323,027,200	\$ 327,183,683	\$ 4,156,483
Charges to Appropriations (Outflows):				
General Government				
City Treasurer	\$ 1,775,430	\$ 1,768,433	\$ 1,700,506	\$ (67,927)
Commissioner of the Revenue	1,376,346	1,385,626	1,385,626	-
City Council	39,626	54,824	54,274	(550)
City Council - Mayor Lea	33,660	39,767	37,165	(2,602)
City Council - Vice Mayor Price	30,743	26,863	26,859	(4)
City Council - Council Member - Trinkle	24,765	22,455	22,407	(48)
City Council - Council Member - Bestpitch	31,773	33,981	33,491	(490)
City Council - Council Member - Ferris	31,773	30,493	30,389	(104)
City Council - Council Member - Dykstra	32,371	32,463	31,945	(518)
City Council - Council Member - Garland	32,371	34,557	34,094	(463)
City Attorney	1,007,833	1,113,463	1,113,458	(5)
City Clerk	462,741	478,545	478,460	(85)
Municipal Auditing	769,705	864,560	863,125	(1,435)
Department of Finance	2,120,611	2,094,933	2,093,977	(956)
Real Estate Valuation	1,161,654	1,178,682	1,163,741	(14,941)
Board of Equalization	11,304	7,444	6,461	(983)
Electoral Board	420,380	523,678	523,677	(1)
Office of Communications	345,023	344,563	339,987	(4,576)
City Manager	1,080,100	1,000,585	982,966	(17,619)
Human Resources	1,358,840	1,526,412	1,520,870	(5,542)
Employee Health Services	914,684	912,978	912,420	(558)
Department of Management and Budget	625,365	579,385	567,081	(12,304)
Information Technology	5,543,751	4,116,672	4,050,579	(66,093)
DOT Capital Outlay				
Radio Technology	598,491	692,065	529,629	(162,436)
Purchasing	448,868	455,948	455,947	(1)
Risk Management	1,050,664	1,054,931	1,037,790	(17,141)
Director of General Services	220,850	237,410	237,409	(1)
Environmental Management	421,039	453,599	453,597	(2)

See Accompanying Note to Budgetary Comparison Schedule (RSI 28)

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Judicial Administration				
Clerk of Circuit Court	\$ 1,586,930	\$ 1,631,145	\$ 1,612,932	\$ (18,213)
Juvenile and Domestic Relations Court Services	1,042,303	822,631	817,158	(5,473)
Juvenile and Domestic Relations Court Clerk	56,453	68,593	68,593	-
Magistrates Office	3,745	4,905	4,904	(1)
General District Court	86,143	91,142	87,172	(3,970)
Circuit Court	552,674	529,269	527,440	(1,829)
Sheriff	2,985,112	2,922,165	2,922,164	(1)
Commonwealth's Attorney	1,768,166	1,801,606	1,801,605	(1)
Cost Collection Unit	90,048	96,498	91,369	(5,129)
Law Library	129,668	126,515	126,513	(2)
Public Safety				
Jail	\$ 14,423,022	\$ 15,330,856	\$ 15,328,533	\$ (2,323)
E911	2,075,698	1,848,428	1,828,393	(20,035)
E911 - Wireless	618,076	493,822	493,822	-
Fire - Administration	1,135,162	769,867	769,863	(4)
Fire - Support	1,075,943	1,172,640	1,171,888	(752)
Fire - Operations	18,188,706	19,084,878	19,084,874	(4)
Emergency Management	108,915	116,545	115,263	(1,282)
Building Inspections	894,138	878,863	877,860	(1,003)
Outreach Detention	335,994	318,805	312,658	(6,147)
Youth Haven I	444,460	430,063	416,578	(13,485)
Enhanced Community Services	46,041	65,391	65,389	(2)
Substance Abuse Services	60,126	60,421	60,403	(18)
Police - Administration	1,978,671	2,337,836	2,337,835	(1)
Police - Investigation	2,971,105	2,948,070	2,947,734	(336)
Police - Patrol	12,082,203	14,103,897	14,103,894	(3)
Police - Services	2,248,049	2,268,432	2,248,666	(19,766)
Police - Training	790,850	803,687	803,687	-
Police - Animal Control	1,352,814	1,766,058	1,766,054	(4)
Public Works				
Custodial Services	\$ 695,603	\$ 657,879	\$ 657,877	\$ (2)
Building Maintenance	4,607,037	4,294,029	4,293,976	(53)
Director of Public Works	166,946	180,631	178,986	(1,645)
Transportation - Streets and Traffic	3,380,803	4,086,843	4,033,280	(53,563)
Transportation - Paving Program	4,139,924	4,152,428	4,148,435	(3,993)
Transportation - Snow Removal	228,033	292,485	247,353	(45,132)
Transportation - Street Lighting	1,099,084	1,294,334	1,294,332	(2)
Transportation - Engineering and Operations	1,790,673	1,756,460	1,724,549	(31,911)
Solid Waste Management	5,590,294	5,835,868	5,835,864	(4)
Engineering	1,402,956	1,473,566	1,471,441	(2,125)
Fleet Management - Op	7,041,459	7,774,945	7,774,926	(19)
Fleet Management - NonOp				

See Accompanying Note to Budgetary Comparison Schedule (RSI 28)
See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Health and Welfare				
Human Services Support	\$ 286,289	\$ 289,179	\$ 283,474	\$ (5,705)
Health Department	1,555,792	1,629,664	1,629,662	(2)
Blue Ridge Behavioral Health Care	458,150	458,150	458,150	-
Human Services Committee	430,000	357,000	357,000	-
Social Services	25,454,469	25,058,116	25,058,116	-
Children's Services Act	10,839,036	12,335,316	12,335,313	(3)
Parks, Recreation and Cultural				
Roanoke Arts Commission	\$ 340,000	\$ 297,500	\$ 297,500	\$ -
Recreation	1,609,852	1,803,494	1,757,323	(46,171)
Parks	2,507,326	2,582,278	2,573,404	(8,874)
Parks & Recreation - Administration	1,241,724	1,237,051	1,206,688	(30,363)
Libraries	3,749,402	3,687,295	3,687,291	(4)
Community Development				
Memberships and Affiliations	\$ 3,291,683	\$ 4,368,574	\$ 4,368,574	\$ -
Economic Development	2,665,495	2,835,637	2,835,633	(4)
Planning, Building and Development	1,397,571	1,395,911	1,395,908	(3)
Neighborhood Support	113,335	106,922	102,129	(4,793)
Neighborhood Services	1,137,770	1,088,469	1,088,466	(3)
Virginia Cooperative Extension	80,407	80,407	80,407	-
Nondepartmental				
Residual Fringe Benefits	\$ 3,942,273	\$ 161,551	\$ 11,551	\$ (150,000)
Transfers to Other Funds	3,839,324	11,035,130	11,035,130	-
Transfers to Debt Service Fund	13,355,400	13,362,720	13,152,315	(210,405)
Transfers to Component Units	81,491,805	83,137,404	83,137,404	-
Personnel Lapse	(2,258,633)	-	-	-
Funding for Reserves	1,125,000	1,125,000	-	(1,125,000)
Contingency	2,886,742	110,060	-	(110,060)
Total Charges to Appropriations	\$ 282,785,000	\$ 294,300,639	\$ 291,993,631	\$ (2,307,008)
Budgetary Fund Balance, June 30	\$ 36,244,712	\$ 28,726,561	\$ 35,190,052	\$ 6,463,491

See Accompanying Note to Budgetary Comparison Schedule (RSI 28)
See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 327,183,683
The fund balance at the beginning of the year is a budgetary resource, but is not a current year revenue for financial reporting purposes (Exhibit E).	(36,244,712)
Transfers from other funds are a budgetary resource, but not a revenue for financial reporting purposes (Exhibit E)	<u>(194,000)</u>
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 290,744,971</u></u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 291,993,631
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes (Exhibit E).	(24,187,446)
Encumbrances for goods and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year goods and services are received for GAAP purposes (Exhibit C).	<u>(4,654,658)</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 263,151,527</u></u>

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(2) Infrastructure Assets Under Modified Approach

INFRASTRUCTURE – FLOOD REDUCTION

In conjunction with the adoption of the modified approach for flood reduction asset accounting, the City is required to conduct semi-annual (January and July) condition level assessments for 100% of these assets. These assessments are based on the United States Army Corps of Engineers (USACE) ‘Inspection, Maintenance and Operational Report’ and are conducted by City personnel. Individual components assessed include bench cuts (14) and training walls (2), which both directly impact the level of flood reduction benefit the assets provide. These components are evaluated by examining the number of obstructions or amount of damage observed, and then establishing the extent to which it has affected the infrastructure. These individual assessments are then used to determine an overall condition rating, as defined below.

Independent evaluations are also conducted periodically by the USACE using the same assessment criteria. City and USACE policy requires condition levels to be maintained at or above a Fair (2) rating. Deficiencies discovered by either party, which would cause the condition level to fall below this standard are the City’s responsibility and should be addressed prior to the next assessment.

<u>Condition</u>	<u>Rating</u>
Good	3
Fair	2
Poor	1

Assessment Ratings of Infrastructure Components

	Number <u>Assessed</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Training Walls	2	3	2.5	3	3	2.5
Bench Cuts	14	3	2.6	2	2.7	2.7

Comparison of Estimated to Actual Maintenance Costs

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Estimated	\$131,833	\$116,000	\$54,500	\$75,000	\$75,000
Actual	\$107,512	\$ 49,384	\$36,414	\$27,204	\$81,595

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(3) Schedule of City Pension Contributions - City Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 11,266,984	\$ 10,451,101	\$ 10,184,532	\$ 13,122,478	\$ 11,136,823
Contributions in Relation to Actuarially Determined Contribution	11,266,984	10,451,101	10,184,532	13,122,478	11,136,823
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 66,120,798	\$ 66,104,371	\$ 65,118,496	\$ 59,030,490	\$ 60,633,287
Contributions as a Percentage of Covered Payroll	17.04%	15.81%	15.64%	22.23%	18.37%

Notes to Schedule:

Valuation Date: June 30, 2016 June 30, 2015 June 30, 2014 June 30, 2013 June 30, 2012

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-Age Normal Cost method
Amortization method	Level percent closed, 30-years with phase-in of codified COLA
Amortization period	31.89 years, with 27 years remaining as of June 30, 2016
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.75%
Mortality	125% of RP-2000 Combined Healthy Mortality for males and females with generational mortality projection using Scale AA

Other information:

The Plan changed actuarial cost methods to entry age normal with the valuation effective June 30, 2014 in accordance with Generally Accepted Accounting Principles (GAAP).

The Plan utilized the Projected Unit Credit cost method for the valuations performed effective June 30, 2013 and June 30, 2012.

The Plan changed the expected Inflation from 2.75% to 2.25% and expected investment rate of return from 7.75% to 7.25% based on an experience study performed 6/30/2018 effective for Fiscal Year 2018.

Schedule is intended to show information for 10 years. As 2014 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(4) Schedule of City's Proportionate Share of the Net Pension Liability - City Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of Net Pension Liability	88.53%	87.81%	86.73%	86.38%
City's Proportionate Share of Net Pension Liability	\$ 127,175,183	\$ 148,945,372	\$ 121,555,328	\$ 101,395,947
Covered Payroll	\$ 66,104,370	\$ 65,118,496	\$ 59,030,490	\$ 60,633,287
City's Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	192.39%	228.73%	205.90%	167.23%
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	74.00%	68.70%	73.81%	77.23%

Schedule is intended to show information for 10 years. As 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(5) Schedule of School Board Pension Contributions - City Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 248,488	\$ 257,269	\$ 340,838	\$ 527,115
Contributions in Relation to Actuarially Determined Contribution	248,488	257,269	340,838	527,115
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,757,341	\$ 1,985,104	\$ 2,617,813	\$ 2,690,735
Contributions as a Percentage of Covered Payroll	14.14%	12.96%	13.02%	19.59%

Notes to Schedule:

Valuation Date: June 30, 2016 June 30, 2015 June 30, 2014 June 30, 2013

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method (1)	Entry-Age Normal Cost method
Amortization method	Level percent closed, 30-years with phase-in of codified COLA
Amortization period	31.89 years
Asset valuation method	5-year smoothed market
Inflation (2)	2.25%
Salary increases	3.50%
Investment rate of return (2)	7.25%
Mortality	125% of RP-2000 Combined Healthy Mortality for males and females with generational mortality projection using Scale AA

Other Information:

(1) The Plan changed actuarial cost methods to entry age normal with the valuation effective June 30, 2014 in accordance with Generally Accepted Accounting Principles (GAAP)

The Plan utilized the Projected Unit Credit cost method for the valuations performed effective June 30, 2013.

(2) The Plan changed the expected Inflation from from 2.75% to 2.25% and expected investment rate of return from 7.75% to 7.25% based on an experience study performed 6/30/2018 effective for Fiscal Year 2018.

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(6) Schedule of School Board's Proportionate Share of the Net Pension Liability - City Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School Board's Proportion of Net Pension Liability	2.18%	2.94%	3.48%	3.63%
School Board's Proportionate Share of Net Pension Liability	\$ 3,130,602	\$ 4,984,640	\$ 4,882,739	\$ 4,256,291
Covered Payroll	\$ 1,985,100	\$ 1,985,104	\$ 2,690,735	\$ 3,005,980
School Board's Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	157.71%	251.10%	181.46%	141.59%
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	74.00%	68.70%	73.81%	77.23%

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

(7) Schedule of City's Pension Contributions - VRS

(For employees covered under VRS)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Determined Contribution	\$ 1,446,685	\$ 1,443,062	\$ 1,499,615	\$ 1,514,713
Contributions in Relation to Contractually Determined Contribution	1,446,685	1,443,062	1,499,615	1,514,713
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 8,842,818	\$ 8,761,712	\$ 8,537,263	\$ 8,650,983
Contributions as a Percentage of Covered Payroll	16.36%	16.47%	17.57%	17.51%

Notes to Schedule

Valuation Date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
-----------------	---------------	---------------	---------------	---------------

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, closed
Remaining amortization period	27 years (decreasing by one each year in subsequent valuations until reaching 0 years)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.50% - 5.35%
Cost of living adjustment	2.25% - 2.50%
Investment rate of return	7.00%
Mortality	45% 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 90% of Rates; females set forward 1 year
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 1 year, 1% increase compounded from ages 70 to 90; females set forward 3 years
Post-Disablement	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

Other information:

Mortality improvement is anticipated under the post-retirement mortality assumption as projected with Scale AA

Schedule is intended to show information for 10 years. As 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

(8) Schedule of School Board's Pension Contributions - VRS - Non-professionals' Plan

(For employees covered under VRS)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 98,135	\$ 93,497	\$ 126,073	\$ 126,993
Contributions in Relation to Contractually Determined Contribution	98,135	\$ 93,497	\$ 126,073	\$ 126,993
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 3,688,153	\$ 2,615,319	\$ 2,662,777	\$ 2,505,966
Contributions as a Percentage of Covered Payroll	2.66%	3.57%	4.73%	5.07%

Notes to Schedule:

Valuation Date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
-----------------	---------------	---------------	---------------	---------------

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, closed
Remaining amortization period	29 years (decreasing by one each year in subsequent valuations until reaching 0 years)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.50% - 5.35%
Cost of living adjustment	2.25% - 2.50%
Investment rate of return	7.00%
Mortality	45% of deaths are assumed to be service related.
Pre-Retirement	RP-2014 Employee Mortality Table projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years
Post-Retirement	RP-2014 Combined Mortality Table projected with Scale AA to 2020 with males set forward 1 year
Post-Disablement	RP-2014 Disabled Life Mortality Table with males set back 3 years and no provision for future mortality improvement

Other Information:

Mortality improvement is anticipated under the post-retirement mortality assumption as projected with Scale AA

Schedule is intended to show information for 10 years. As 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018
(UNAUDITED)

(9) Schedule of Changes in City's Net Pension Liability and Related Ratios - VRS
(CAFR reporting year - measurement date June 30 of prior year)

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	\$ 1,348,893	\$ 1,380,941	\$ 1,312,849	\$ 1,333,127
Interest	4,195,752	4,042,340	3,859,768	3,680,676
Changes of Assumptions	(159,919)	-	-	-
Differences Between Expected and Actual Experience	(320,535)	(396,031)	101,336	-
Benefit Payments, Including Refunds of Employee Contributions	(2,836,839)	(2,834,452)	(2,497,107)	(2,413,588)
Net Change in Total Pension Liability	2,227,352	2,192,798	2,776,846	2,600,215
Total Pension Liability - Beginning	61,357,734	59,164,936	56,388,090	53,787,875
Total Pension Liability - Ending	\$ 63,585,086	\$ 61,357,734	\$ 59,164,936	\$ 56,388,090
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,439,698	\$ 1,499,615	\$ 1,514,713	\$ 1,460,269
Contributions - Employee	451,501	428,612	432,153	424,175
Net Investment Income	6,147,715	872,926	2,245,173	6,752,670
Benefit Payments, Including Refunds of Employee Contributions	(2,836,839)	(2,834,452)	(2,497,107)	(2,413,588)
Administrative Expense	(35,693)	(31,738)	(30,828)	(36,491)
Other	(5,465)	(372)	(473)	356
Net Change in Plan Fiduciary Net Position	5,160,917	(65,409)	1,663,631	6,187,391
Plan Fiduciary Net position - Beginning	50,763,429	50,828,838	49,165,207	42,977,816
Plan Fiduciary Net Position - Ending	\$ 55,924,346	\$ 50,763,429	\$ 50,828,838	\$ 49,165,207
Total Net Pension Liability - Beginning	\$ 10,594,305	\$ 8,336,098	\$ 7,222,883	\$ 10,810,059
Total Net Pension Liability - Ending	\$ 7,660,740	\$ 10,594,305	\$ 8,336,098	\$ 7,222,883
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.95%	82.73%	85.91%	87.19%
Covered Payroll	\$ 8,761,712	\$ 8,537,263	\$ 8,650,983	\$ 8,430,964
Net Pension Liability as a Percentage of Covered Payroll	87.43%	124.09%	96.36%	85.67%

Schedule is intended to show information for 10 years. As 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(10) Schedule of School Board's Pension Contributions - VRS - Teacher Retirement Plan

(For employees covered under VRS)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 12,791,612	\$ 11,471,695	\$ 11,164,143	\$ 11,825,296
Contributions in Relation to Contractually Determined Contribution	12,791,612	\$ 11,471,695	\$ 11,164,143	\$ 11,825,296
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 80,236,536	\$ 79,683,440	\$ 76,869,589	\$ 74,342,482
Contributions as a Percentage of Covered Payroll	15.94%	14.40%	14.52%	15.91%
Notes to Schedule:				
Valuation Date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013

Schedule is intended to show information for 10 years. As 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(11) Schedule of School Board's Proportionate Share of Net Pension Liability - Teachers Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of Net Pension Liability	1.01%	1.01%	1.00%	0.98%
Employer's Proportionate Share of Net Pension Liability	\$123,985,000	\$141,324,000	\$125,881,000	\$118,679,000
Covered Payroll	\$ 80,236,536	\$ 79,683,440	\$ 76,869,589	\$ 74,342,482
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	154.52%	177.36%	163.76%	159.64%
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. As 2015 was the first year of presentation, no other data is available. Additional years will be included as they become available.

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

(12) Schedule of School Board's Changes in Net Pension Liability and Related Ratios - VRS
(CAFR reporting year - measurement date June 30 of prior year)

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	\$ 327,500	\$ 292,621	\$ 250,347	\$ 238,778
Interest	115,185	90,855	75,430	57,278
Changes in Assumptions	(95,226)	-	-	-
Differences Between Expected and Actual Experience	22,079	3,596	(71,963)	-
Benefit Payments, Including Refunds of Employee Contributions	(55,331)	(23,660)	(43,270)	(30,199)
Net change in Total Pension Liability	\$ 314,207	\$ 363,412	\$ 210,544	\$ 265,857
Total Pension Liability - Beginning	1,673,168	1,309,756	1,099,212	833,355
Total Pension Liability - Ending	\$ 1,987,375	\$ 1,673,168	\$ 1,309,756	\$ 1,099,212
Plan Fiduciary Net Position				
Contributions - Employer	\$ 93,237	\$ 114,441	\$ 103,468	\$ 167,937
Contributions - Employee	164,828	145,769	131,040	112,035
Net Investment Income	332,502	48,318	99,131	259,744
Benefit Payments, Including Refunds of Employee Contributions	(55,331)	(23,660)	(43,270)	(30,199)
Administrative Expense	(1,688)	(1,296)	(1,144)	(1,173)
Other	(306)	(19)	(21)	14
Net Change in Plan Fiduciary Net Position	\$ 533,242	\$ 283,553	\$ 289,204	\$ 508,358
Plan Fiduciary Net Position - Beginning	2,592,783	2,309,230	2,020,026	1,511,668
Plan Fiduciary Net Position - Ending	\$ 3,126,025	\$ 2,592,783	\$ 2,309,230	\$ 2,020,026
Total Net Pension Asset - Beginning	\$ (919,615)	\$ (999,474)	\$ (920,814)	\$ (678,313)
Total Net Pension Asset - Ending	\$ (1,138,650)	\$ (919,615)	\$ (999,474)	\$ (920,814)
Plan Fiduciary Net Position as a Percentage of Total Pension Asset	157.29%	154.96%	176.31%	183.77%
Covered Payroll	\$ 2,615,319	\$ 2,099,489	\$ 2,291,710	\$ 2,220,265
Net Pension Asset as a Percentage of Covered Payroll	(43.54%)	(43.80%)	(43.61%)	(41.47%)

Per GAAP, net pension assets are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(13) Schedule of Investment Returns

City of Roanoke - OPEB Trust

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money weighted rate of return, net of investment expense	9.52%	13.04%

The City of Roanoke utilizes the VACo/VML Pooled OPEB Trust Portfolio I for investment of funds related to its Other Post Employment Benefits for the Post Employment Health Plan and Line of Duty Benefits. Thus, a single Schedule of Investment Returns is applicable to and presented for both components of the City's OPEB Trust.

Schedule is intended to show information for 10 years. As 2017 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(14) Schedule of City's OPEB Contributions - Employees' Post Retirement Health Plan

	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 898,000	\$ 947,000
Contributions in Relation to Actuarially Determined Contribution	898,000	947,000
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 73,943,000	\$ 73,167,000
Contributions as a Percentage of Covered Payroll	1.21%	1.29%

Notes to Schedule:

Valuation Date: June 30, 2017 June 30, 2016

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	21 years
Asset valuation method	Market Value of Assets
Inflation	2.25%
Medical Inflation	5.50%
Payroll growth	2.50%
Investment rate of return	7.00%
Mortality	
Pre-Retirement	125% of the RP-2000 Combined Health Mortality Table for males and females with generational mortality projection using Scale AA
Healthy Annuitants	125% of the RP-2000 Combined Health Mortality Table for males and females with generational mortality projection using Scale AA
Disabled Annuitants	The SOA RP-2014 Adjusted to 2006 Disabled Retiree Mortality Table with base rates only. This assumption was changed from 70% of the PBGC Disabled Mortality Table 5A for males and 90% of the PBGC Disabled Mortality Table 6A for females due to the 2016 experience study.

Mortality improvement is anticipated under the post-retirement mortality assumption as projected with Scale AA

Schedule is intended to show information for 10 years. As 2017 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(15) Schedule of City's OPEB Contributions - Line of Duty Benefits

	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 334,900	\$ 328,000
Contributions in Relation to Actuarially Determined Contribution	334,900	328,000
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$34,133,600	\$ 33,524,900
Contributions as a Percentage of Covered Payroll	0.98%	0.98%

Notes to Schedule:

Valuation Date: June 30, 2017 June 30, 2016

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	21 years
Asset valuation method	Market Value of Assets
Inflation	2.25%
Payroll growth	2.50%
Investment rate of return	7.00%
Mortality	
Pre-Retirement	125% of the RP-2000 Combined Health Mortality Table for males and females with generational mortality projection using Scale AA
Healthy Annuitants	125% of the RP-2000 Combined Health Mortality Table for males and females with generational mortality projection using Scale AA
Disabled Annuitants	The SOA RP-2014 Adjusted to 2006 Disabled Retiree Mortality Table with base rates only. This assumption was changed from 70% of the PBGC Disabled Mortality Table 5A for males and 90% of the PBGC Disabled Mortality Table 6A for females due to the 2016 experience

Schedule is intended to show information for 10 years. As 2017 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(16) Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Trust - Employees' Post Retirement Health Plan

	2019		2018
Total OPEB Liability			
Service Cost	314,967	\$	307,511
Interest	840,955		852,459
Differences Between Expected and Actual Experience	798,742		(602,777)
Benefit Payments, Including Refunds of Employee Contributions	(762,000)		(696,000)
Net Change in Total OPEB Liability	1,192,664		(138,807)
Total OPEB Liability - Beginning	12,079,667		12,218,474
Total OPEB Liability - Ending	\$ 13,272,331	\$	12,079,667
 Plan Fiduciary Net Position			
Contributions - Employer	898,000	\$	947,000
Net Investment Income	384,002		430,894
Benefit Payments, Including Refunds of Employee Contributions	(762,000)		(696,000)
Administrative Expense	(4,961)		(4,408)
Net Change in Plan Fiduciary Net Position	515,041		677,486
Plan Fiduciary Net position - Beginning	4,011,074		3,333,588
Plan Fiduciary Net position - Ending	\$ 4,526,115	\$	4,011,074
 Total Net OPEB Liability - Beginning	8,068,593		8,884,886
Total Net OPEB Liability - Ending	\$ 8,746,216	\$	8,068,593

Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	34.10%	33.21%
---	--------	--------

Covered Payroll	\$ 73,943,000	\$ 73,167,000
-----------------	---------------	---------------

Net OPEB Liability as a Percentage of Covered Payroll	11.83%	11.03%
---	--------	--------

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

(17) Schedule of Changes in Net OPEB Liability and Related Ratios
OPEB Trust - Line of Duty Act

	2019	2018
Total OPEB Liability		
Service Cost	\$ 161,651	\$ 149,688
Interest	284,709	266,113
Changes of Benefit Terms	(412,038)	0
Differences Between Expected and Actual Experience	(490,047)	(30,411)
Benefit payments, including refunds of employee contributions	(161,700)	(101,700)
Net Change in Total OPEB Liability	(617,425)	283,690
Total OPEB Liability - Beginning	3,986,478	3,702,788
Total OPEB Liability - Ending	3,369,053	\$ 3,986,478
Plan Fiduciary Net Position		
Contributions - Employer	334,900	\$ 328,000
Net Investment Income	174,061	183,124
Benefit payments, including refunds of employee contributions	(161,700)	(101,700)
Administrative Expense	(2,504)	(2,137)
Net Change in Plan Fiduciary Net Position	344,757	407,287
Plan Fiduciary Net position - Beginning	1,817,917	1,410,630
Plan Fiduciary Net position - Ending	2,162,674	\$ 1,817,917
Total Net OPEB Liability - Beginning	2,168,561	2,292,158
Total Net OPEB Liability - Ending	\$ 1,206,379	\$ 2,168,561

Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	64.19%	45.60%
Covered Payroll	\$ 34,133,600	\$ 33,524,900
Net OPEB Liability as a Percentage of Covered Payroll	3.53%	6.47%

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

**(18) Schedule of Changes in Net OPEB Liability and Related Ratios
OPEB Trust - Health Insurance Credit**

	2018
Total OPEB Liability	
Service Cost	\$ 5,836
Interest	25,637
Changes of Assumptions	(6,386)
Benefit Payments, Including Refunds of Employee Contributions	(20,294)
Net Change in Total OPEB Liability	4,793
Total OPEB Liability - Beginning	376,392
Total OPEB Liability - Ending	\$ 381,185
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 22,904
Net Investment Income	9,633
Benefit Payments, Including Refunds of Employee Contributions	(20,294)
Administrative Expense	(158)
Other	480
Net Change in Plan Fiduciary Net Position	12,565
Plan Fiduciary Net position - Beginning	83,168
Plan Fiduciary Net position - Ending	\$ 95,733
 Total Net OPEB Liability - Beginning	\$ 293,224
Total Net OPEB Liability - Ending	\$ 285,452

Plan Fiduciary Net Position as a Percentage of Total OPEB Liability 25.11%

Covered Payroll \$ 8,761,712

Net OPEB Liability as a Percentage of Covered Payroll 3.26%

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(19) Schedule of City's Proportionate Share of the Net OPEB Liability - VRS Group Life Insurance

	<u>2018</u>
City's Proportion of Net OPEB Liability	0.437%
City's Proportionate Share of Net OPEB Liability	\$ 6,585,000
Covered Payroll	\$ 80,712,308
City's Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	8.16%
Plan Fiduciary Net Position as a Percentage of Total Net OPEB Liability	48.86%

Schedule is intended to show information for 10 years. As 2018 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(20) Schedule of City Contributions - VRS Group Life Insurance

	2018
Actuarially Determined Contribution	\$ 424,840
Contributions in Relation to Actuarially Determined Contribution	424,840
Contribution Deficiency (Excess)	\$ -
Covered Payroll	\$ 81,700,000
Contributions as a Percentage of Covered Payroll	0.52%
Notes to Schedule:	
Valuation Date:	June 30, 2016

Schedule is intended to show information for 10 years. As 2018 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(21) Schedule of School Board Contributions - Group Life Insurance (Non-Professionals)

	<u>2018</u>
Actuarially Determined Contribution	\$ 28,263
Contributions in Relation to Actuarially Determined Contribution	28,263
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>
Covered Payroll	\$ 5,435,214
Contributions as a Percentage of Covered Payroll	0.52%
Notes to Schedule:	
Valuation Date:	June 30, 2016

Schedule is intended to show information for 10 years. As 2018 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(22) Schedule of School Board Contributions - Group Life Insurance (Professionals)

	<u>2018</u>
Actuarially Determined Contribution	\$ 417,241
Contributions in Relation to Actuarially Determined Contribution	417,241
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>
Covered Payroll	\$ 80,238,605
Contributions as a Percentage of Covered Payroll	0.52%

Notes to Schedule:

Valuation Date: June 30, 2016

Schedule is intended to show information for 10 years. As 2018 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(23) Schedule of School Board Contributions - General Employee Health Insurance Credit

	<u>2018</u>
Actuarially Determined Contribution	\$ 4,036
Contributions in Relation to Actuarially Determined Contribution	4,036
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>
Covered Payroll	\$ 3,668,153
Contributions as a Percentage of Covered Payroll	0.11%

Notes to Schedule:

Valuation Date: June 30, 2016

Schedule is intended to show information for 10 years. As 2018 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(24) Schedule of School Board Contributions - Teacher Health Insurance Credit

	<u>2018</u>
Actuarially Determined Contribution	\$ 987,227
Contributions in Relation to Actuarially Determined Contribution	987,227
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>
Covered Payroll	\$ 80,238,605
Contributions as a Percentage of Covered Payroll	1.23%
Notes to Schedule:	
Valuation Date:	June 30, 2016

Schedule is intended to show information for 10 years. As 2018 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(25) Schedule of School Board's Proportionate Share of the Net VRS Health Insurance Credit Liability

	<u>2018</u>
School Board's Proportion of Net OPEB Liability	1.010%
School Board's Proportionate Share of Net OPEB Liability	12,810,000
Covered Payroll	\$ 80,236,537
School Board's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	15.97%
Plan Fiduciary Net Position as a Percentage of Total Net OPEB Liability	7.04%

Schedule is intended to show information for 10 years. As 2018 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(26) Schedule of School Board's Proportionate Share of the Net VRS Group Life Insurance Liability - Non-Professional Employees

	<u>2018</u>
School Board's Proportion of Net OPEB Liability	0.028%
School Board's Proportionate Share of Net OPEB Liability	425,000
Covered Payroll	\$ 5,435,214
School Board's Proportionate Share of Net OPEB liability as a Percentage of Covered Payroll	7.82%
Plan Fiduciary Net Position as a Percentage of Total Net OPEB Liability	48.86%

Schedule is intended to show information for 10 years. As 2018 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(27) Schedule of School Board's Proportionate Share of the Net VRS Group Life Insurance Liability - Professional Employees

	<u>2018</u>
School Board's Proportion of Net OPEB Liability	0.43%
School Board's Proportionate Share of Net OPEB Liability	\$ 6,504,000
Covered Payroll	\$ 80,238,605
School Board's Proportionate Share of Net OPEB liability as a Percentage of Covered Payroll	8.11%
Plan Fiduciary Net Position as a Percentage of Total Net OPEB Liability	48.86%

Schedule is intended to show information for 10 years. As 2018 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

(28) Note to Budgetary Comparison Schedule – General Fund

(A) Budgets and Budgetary Accounting

The City adheres to the following procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule located in the Required Supplementary Information:

1. Proposal – At least sixty days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Projects and Grants – The capital projects budget is prepared on a project-length basis under which the total outlay for each project is estimated for the length of the project. The Special Revenue Fund budget is adopted on a grant-length basis as grants are received by the City. Grant budgets are not legally enacted on an annual period basis; therefore, a budgetary comparison statement is not presented for the Special Revenue Fund.

3. Adoption – Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to May 15, the budget is legally adopted at the departmental-level through passage of an appropriation ordinance by City Council.

4. Amendment – The City Manager is authorized to transfer any amount, within or between funds and departments during the fiscal year. The Director of Finance reports to City Council on a quarterly basis all transfers in excess of \$100,000 between funds, as well as between project and program accounts in the Capital Project Fund and Grant Fund. All other transfers or supplemental appropriations must be approved by City Council. During the year, \$11,515,639 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of restricted, committed or assigned fund balance, and the appropriation of additional intergovernmental grants received during the year.

5. Integration – Formal budgetary integration is employed as a management control device during the year for the General and Capital Projects Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through budgeted transfers from the General Fund to the Debt Service Fund for debt payments.

6. Legal Compliance – Actual expenditures and operating transfers out may not legally exceed budget appropriations for each department. City Council legally adopts an annual budget for the General Fund. Its budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America except for the recognition of encumbrances, the classification of certain transfers as expenditures, and the consideration of beginning fund balance as a budgetary resource. A reconciliation of the actual General Fund uses of financial resources presented in accordance with generally accepted accounting principles is presented as part of the Budgetary Comparison Schedule located in the Required Supplementary Information.

THIS PAGE INTENTIONALLY BLANK

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY BLANK

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2018**

	Risk Management
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 12,727,865
Other Assets	330,000
Current Assets	13,057,865
 Total Assets	 13,057,865
 <u>Liabilities</u>	
Current Liabilities:	
Accounts Payable and Accrued Expenses	24,471
Due to Other Funds	50,229
Long-Term Liabilities Due Within One Year	2,925,708
Current Liabilities	3,000,408
Long-Term Liabilities:	
Claims Payable	19,013,708
Less Current Maturities	(2,925,708)
Long-Term Liabilities	16,088,000
 Total Liabilities	 19,088,408
 <u>Net Position</u>	
Unrestricted (deficit)	(6,030,543)
Net Position	\$ (6,030,543)

Exhibit L-2

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Risk Management
<u>Operating Revenues</u>	
Charges for Services Other Funds	\$ 16,968,987
Other Revenue	165,680
Total Operating Revenues	<u>17,134,667</u>
<u>Operating Expenses</u>	
Other Services and Charges	16,606,923
Total Operating Expenses	<u>16,606,923</u>
Operating Income	<u>527,744</u>
<u>Nonoperating Revenues</u>	
Investment Income	81,381
Net Nonoperating Revenues	<u>81,381</u>
Net Income	<u>609,125</u>
Change in Net Position	609,125
Total Net Position - Beginning of Year	(6,639,668)
Total Net Position - End of Year	\$ <u>(6,030,543)</u>

See Accompanying Report of Independent Auditor

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Risk Management</u>
Cash Flows From Operating Activities:	
Cash Received from Customers Other Funds	\$ 18,830,099
Cash Payments to Suppliers for Goods and Services	(6,892,045)
Cash Payments from Other Funds for Interfund Services	48,717
Cash Payments for Claims	(10,502,491)
Cash Received from Other Operating Revenue	165,680
Net Cash Provided by Operating Activities	<u>1,649,960</u>
 Cash Flows From Investing Activities:	
Interest Received	90,309
Net Cash Provided by Investing Activities	<u>90,309</u>
 Net Increase in Cash and Cash Equivalents	1,740,269
Cash and Cash Equivalents at July 1	<u>10,987,596</u>
Cash and Cash Equivalents at June 30	<u>12,727,865</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Activities:	
Operating Income	<u>527,744</u>
Adjustments to Reconcile Operating Income to Net Cash	
Used for Operating Activities:	
Decrease in Due From Other Funds	1,766,272
Decrease in Accounts Receivable	94,840
Increase in Accounts Payable and Accrued Expenses	18,387
Increase in Due to Other Funds	48,717
Decrease in Claims Payable	(806,000)
Total Adjustments	<u>1,122,216</u>
Net Cash Provided by Operating Activities	<u>\$ 1,649,960</u>

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

	Pension Trust Fund	OPEB Trust Fund	Total Fiduciary Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 729,759	\$ -	\$ 729,759
Receivables:			
Employer Contributions	455,983	-	455,983
Employee Contributions	111,621	-	111,621
Investment Income	522,783	-	522,783
Receivable for Security Transactions	279,812	-	279,812
Total Receivables	\$ 1,370,199	\$ -	\$ 1,370,199
Investments Held by Trustee, at Fair Value:			
Cash Equivalents	\$ 14,067,235	\$ -	\$ 14,067,235
Government Securities	29,693,300	-	29,693,300
Municipal and Agency Bonds	3,615,244	-	3,615,244
Corporate Bonds	22,234,787	-	22,234,787
Convertible Bond Mutual Funds	17,970,563	-	17,970,563
Common Stocks	72,289,029	-	72,289,029
Domestic Mutual Funds	153,793,440	-	153,793,440
International Mutual Funds	103,952,409	-	103,952,409
Real Estate Mutual Funds	14,108,389	-	14,108,389
Investment in Pooled Funds	-	6,688,789	6,688,789
Total Investments	\$ 431,724,396	\$ 6,688,789	\$ 438,413,185
Total Assets	\$ 433,824,354	\$ 6,688,789	\$ 440,513,143
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	\$ 294,197	\$ -	294,197
Payable for Security Transactions	419,699	-	419,699
Total Liabilities	\$ 713,896	\$ -	\$ 713,896
Net Position Restricted for Benefits	\$ 433,110,458	\$ 6,688,789	\$ 439,799,247

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Pension Trust Fund	OPEB Trust Fund	Total Fiduciary Funds
<u>Additions/(Reductions)</u>			
Contributions from Employer	\$ 12,751,329	\$ 1,232,900	\$ 13,984,229
Contributions from Employee	3,731,352	-	3,731,352
Investment Income			
Net Appreciation in Fair Value of Investments	32,635,913	558,064	33,193,977
Interest and Dividends	14,732,904	-	14,732,904
Other	7,788	-	7,788
Total Investment Income	47,376,605	558,064	47,934,669
Less Investment Expenses	(1,418,106)	(7,466)	(1,425,572)
Net Investment Income	45,958,499	550,598	46,509,097
Total Additions	62,441,180	1,783,498	64,224,678
<u>Deductions</u>			
Benefit Payments	36,828,802	923,700	37,752,502
Administrative Expenses	541,574	-	541,574
Total Deductions	37,370,376	923,700	38,294,076
Change in Net Position	25,070,804	859,798	25,930,602
Fiduciary Net Position at Beginning of Year	408,039,654	5,828,991	413,868,645
Fiduciary Net Position at End of Year	\$ 433,110,458	\$ 6,688,789	\$ 439,799,247

See Notes to Basic Financial Statements.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2018

	Hotel Roanoke Conference Center Commission
<u>Assets</u>	
Cash and Cash Equivalents	\$ 5,910,065
Due from Other Governments	473,936
Total Assets	\$ 6,384,001
<u>Liabilities</u>	
Due to Other Governments	\$ 6,384,001
Total Liabilities	\$ 6,384,001

See Accompanying Report of Independent Auditor

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<u>Assets</u>				
Cash and Cash Equivalents	\$ 4,887,068	\$ 1,378,900	\$ 355,903	\$ 5,910,065
Accrued Interest Receivable	-	36	36	-
Due from Other Governments	392,335	2,176,193	2,094,592	473,936
Total Assets	\$ 5,279,403	\$ 3,555,129	\$ 2,450,531	\$ 6,384,001
<u>Liabilities</u>				
Due to Other Governments	\$ 5,279,403	\$ 3,555,129	\$ 2,450,531	\$ 6,384,001
Total Liabilities	\$ 5,279,403	\$ 3,555,129	\$ 2,450,531	\$ 6,384,001

See Accompanying Report of Independent Auditor

THIS PAGE INTENTIONALLY BLANK

STATISTICAL SECTION (UNAUDITED)

This part of the City of Roanoke, Virginia'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 indicates about the government's overall financial condition.

Contents	Page
Financial Trends	197
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	204
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	207
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Indicators	211
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	213
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

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

THIS PAGE INTENTIONALLY BLANK

Table 1
Unaudited

CITY OF ROANOKE, VIRGINIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	2017-18	2016-17	2015-16	2014-15	2013-14 (2)	2012-13	2011-12	2010-11	2009-10	2008-09
Governmental Activities										
Net Investment in Capital Assets	411,618,245	\$ 391,326,816	\$ 386,671,621	\$ 371,085,207	\$ 344,420,223	\$ 335,651,602	\$ 329,493,504	\$ 269,948,200	\$ 260,869,253	\$ 238,461,969
Restricted for:										
Capital Projects	-	-	-	-	5,669,959	-	-	-	46,777	70,914
Debt Service	41,733	539,265	1,011,031	1,508,122	1,406,148	1,493,056	-	-	-	-
Other Purposes	-	-	48,411	-	-	6,746,307	-	-	-	-
Unrestricted (deficit)	(114,223,642)	(98,655,788)	(100,167,028)	(99,306,461)	(102,194,393)	22,261,350	29,219,419	44,235,521	25,539,839	41,697,432
Total Governmental Activities										
Net Position	\$ 297,436,336	\$ 293,210,293	\$ 287,564,035	\$ 273,286,868	\$ 249,301,937	\$ 366,152,315	\$ 358,712,923	\$ 314,183,721	\$ 286,455,869	\$ 280,230,315
Business-type Activities										
Net Investment in Capital Assets	44,576,168	\$ 41,274,658	\$ 35,765,948	\$ 35,092,265	\$ 33,828,819	\$ 33,675,512	\$ 34,264,716	\$ 33,964,073	\$ 51,750,741	\$ 52,067,081
Unrestricted	3,985,881	4,706,651	2,246,546	1,918,868	1,642,447	1,446,904	840,542	1,109,365	4,678,494	2,213,388
Total Business-type Activities										
Net Position	\$ 48,562,049	\$ 45,981,309	\$ 38,012,494	\$ 37,011,133	\$ 35,471,266	\$ 35,122,416	\$ 35,105,258	\$ 35,073,438	\$ 56,429,235	\$ 54,280,469
								(1)	(1)	
Primary Government										
Net Investment in Capital Assets	\$ 456,194,413	\$ 432,601,474	\$ 422,437,569	\$ 406,177,472	\$ 378,249,042	\$ 369,327,114	\$ 363,758,220	\$ 303,912,273	\$ 312,619,994	\$ 290,529,050
Restricted for:										
Capital Projects	-	-	-	-	5,669,959	-	-	-	46,777	70,914
Debt Service	41,733	539,265	1,011,031	1,508,122	1,406,148	1,493,056	-	-	-	-
Other Purposes	-	-	48,411	-	-	6,746,307	-	-	-	-
Unrestricted (deficit)	(110,237,761)	(93,949,137)	(97,920,482)	(97,387,593)	(100,551,946)	23,708,254	30,059,961	45,344,886	30,218,333	43,910,820
Total Primary Government										
Net Position	\$ 345,998,385	\$ 339,191,602	\$ 325,576,529	\$ 310,298,001	\$ 284,773,203	\$ 401,274,731	\$ 393,818,181	\$ 349,257,159	\$ 342,885,104	\$ 334,510,784

Information is presented on a full accrual basis of accounting.

- (1) Effective in fiscal year 2011, Greater Roanoke Transit Company (GRTC) was reported as a discretely presented component unit. Accordingly, the fiscal year 2010 Net Position included \$16.7 million whereas in fiscal year 2011, GRTC Net Position is no longer reported as a business-type activity. Fiscal year 2010 also included Net Position of \$4.6 million for the City's Market Building Fund which was discontinued in fiscal year 2011.
- (2) Ending Net Position was restated for implementation of GASB statements No. 68 and No. 71

Table 2
Unaudited

CITY OF ROANOKE, VIRGINIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Expenses										
Governmental Activities:										
General Government	\$ 24,328,091	\$ 17,492,500	\$ 16,832,704	\$ 14,277,141	\$ 13,994,522	\$ 14,036,094	\$ 15,192,371	\$ 13,934,968	\$ 12,224,830	\$ 13,859,060
Judicial Administration	9,467,166	9,547,223	9,399,253	8,581,552	8,718,527	8,704,405	8,777,516	7,644,774	7,786,140	9,167,289
Public Safety	74,345,373	76,212,279	72,549,379	64,530,235	66,886,151	66,852,582	69,882,446	63,287,015	63,976,863	66,448,271
Public Works	37,807,388	28,640,405	34,278,578	27,794,564	29,671,503	27,835,679	28,672,051	18,654,587	28,126,031	31,174,272
Health and Welfare	44,859,128	44,873,765	40,378,769	38,466,658	39,093,358	37,453,267	41,124,917	42,111,631	45,995,109	45,756,887
Parks, Recreation and Cultural	11,933,151	12,675,738	12,193,652	11,427,529	11,090,084	10,908,904	13,301,508	11,420,919	10,559,350	12,018,560
Community Development	16,736,291	12,966,412	12,812,996	11,853,575	11,305,174	11,398,126	9,452,579	10,706,299	10,010,970	9,752,877
Transportation	-	-	1,812,105	1,754,105	1,527,146	1,654,105	1,654,105	1,177,324	-	-
Education	86,800,538	83,842,601	84,378,194	81,406,796	79,397,641	79,011,455	83,072,419	74,772,599	67,945,097	66,604,559
Economic Development	287,114	4,998,061	853,466	1,167,670	414,274	3,079,428	2,022,694	3,904,121	3,510,831	1,535,584
Other	1,911,156	2,013,693	-	3,056	58,700	83,466	4,595	98,494	-	15,329
Interest and Fiscal Charges	9,050,841	9,108,045	10,924,644	10,156,610	12,654,695	12,047,146	11,551,668	12,002,689	13,538,201	13,124,928
Total Governmental Activities Expenses	\$ 317,526,237	\$ 302,370,722	\$ 296,413,740	\$ 271,419,491	\$ 274,811,775	\$ 273,064,657	\$ 284,708,869	\$ 259,715,420	\$ 263,673,422	\$ 269,457,616
Business-type Activities:										
Transit Company		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,474,181	\$ 9,545,470
Civic Facilities	6,444,174	5,683,284	4,759,841	4,843,800	4,587,589	4,581,203	4,509,327	4,511,711	4,302,258	7,138,833
Parking	3,542,666	3,283,745	3,449,510	3,362,282	3,809,369	3,454,022	3,483,658	2,755,253	3,030,494	2,806,984
Stormwater Utility	4,860,983	4,076,625	2,863,855	1,802,924	69,525	-	-	-	-	-
Market Building	-	-	-	-	-	-	-	163,992	384,331	649,874
Total Business-type Activities Expenses	\$ 14,847,823	\$ 13,043,654	\$ 11,073,206	\$ 10,009,006	\$ 8,466,483	\$ 8,035,225	\$ 7,992,985	\$ 7,430,956	\$ 17,191,264	\$ 20,141,161
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	4,739,554	\$ 2,287,076	\$ 4,730,687	\$ 4,404,474	\$ 4,188,317	\$ 4,408,777	\$ 3,700,916	\$ 6,035,893	\$ 4,152,979	\$ 4,511,088
Judicial Administration	2,820,550	1,984,517	3,124,725	3,547,051	3,928,176	3,820,609	3,782,588	3,755,301	3,734,589	4,823,817
Public Safety	17,607,863	8,180,496	5,336,837	5,080,861	5,255,890	4,952,127	4,702,979	5,323,523	6,203,883	6,453,285
Public Works	4,523,202	309,576	270,402	340,693	266,683	381,886	340,438	2,168,980	347,422	386,445
Health and Welfare	4,045,350	1,514,952	30,606	26,363	32,356	40,111	93,991	131,520	127,834	146,338
Parks, Recreation and Cultural	1,732,638	778,101	557,759	578,905	543,186	342,005	414,693	399,968	367,143	308,446
Community Development	939,662	511,681	169,656	299,571	190,372	146,061	154,041	167,314	166,176	161,228
Interest and Fiscal Charges	82,445	-	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-	-	-	4,974
Operating Grants and Contributions	71,235,623	70,782,914	66,228,087	66,929,796	62,762,426	64,201,295	64,457,688	68,572,662	70,252,704	70,986,646
Capital Grants and Contributions	6,725,666	7,105,056	13,695,997	5,673,238	6,056,338	2,168,673	3,677,359	5,665,618	718,580	265,005
Total Governmental Activities Program Revenues	\$ 114,452,553	\$ 93,454,369	\$ 94,144,756	\$ 86,880,952	\$ 83,223,744	\$ 80,461,544	\$ 81,324,693	\$ 92,220,779	\$ 86,071,310	\$ 88,047,272
Business-type Activities:										
Charges for Services										
Transit Company	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,046,752	\$ 2,097,420
Civic Facilities	2,675,281	2,358,795	2,151,235	2,238,759	2,460,384	2,701,142	2,559,400	2,405,370	1,966,484	4,312,359
Parking	3,471,777	3,240,441	3,195,168	2,987,015	3,074,017	3,365,930	3,316,277	2,840,685	2,733,270	2,804,755
Stormwater Utility	-	-	-	-	-	-	-	-	-	-
Market Building	-	-	-	-	-	-	-	10,452	198,022	224,637
Operating Grants and Contributions	1,830,854	2,128,772	-	-	-	-	-	-	4,139,626	4,393,415
Capital Grants and Contributions	-	1,110,542	1,116,640	811,558	480,815	-	-	-	2,348,098	1,115,208
Total Business-type Activities Program Revenues	\$ 7,977,912	\$ 8,838,550	\$ 6,463,043	\$ 6,037,332	\$ 6,015,216	\$ 6,067,072	\$ 5,875,677	\$ 5,256,507	\$ 13,432,252	\$ 14,947,794
Total Primary Government Program Revenues	\$ 122,430,465	\$ 102,292,919	\$ 100,607,799	\$ 92,918,284	\$ 89,238,960	\$ 86,528,616	\$ 87,200,370	\$ 97,477,286	\$ 99,503,562	\$ 102,995,066
Net (Expense)/Revenue:										
Governmental Activities	(203,073,684)	(208,916,353)	(202,268,984)	(184,538,539)	(191,588,031)	(192,603,113)	(203,384,176)	(167,494,641)	(177,602,112)	(181,410,344)
Business-type Activities	(6,869,911)	(4,205,104)	(4,610,163)	(3,971,674)	(2,451,267)	(1,968,153)	(2,117,308)	(2,174,449)	(3,759,012)	(5,193,367)
Total Primary Government Net Expense	\$ (209,943,595)	\$ (213,121,457)	\$ (206,879,147)	\$ (188,510,213)	\$ (194,039,298)	\$ (194,571,266)	\$ (205,501,484)	\$ (169,669,090)	\$ (181,361,124)	\$ (186,603,711)

Table 2
Unaudited
Continued

CITY OF ROANOKE, VIRGINIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
General Property - Real Estate and Personal Property	116,947,597	\$ 114,172,203	\$ 109,218,854	\$ 108,241,653	\$ 107,151,665	\$ 103,429,235	\$ 105,653,485	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861
Local Portion of State Sales	21,426,783	19,696,458	20,600,395	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423
Business and Professional Occupational License	13,557,252	12,932,282	12,421,851	12,731,564	12,317,760	12,063,755	11,769,433	11,276,263	11,588,503	12,479,698
Utility	10,118,287	9,726,709	9,828,466	9,870,443	9,981,896	9,812,703	9,584,366	9,937,596	9,557,889	9,735,948
Prepared Food and Beverage	16,609,514	15,996,897	15,705,629	13,857,569	13,231,279	13,737,840	17,216,380	16,030,878	11,159,911	11,496,914
Commonwealth Share - Personal Property	8,133,906	8,075,992	8,075,992	8,075,992	8,075,992	8,076,000	8,075,992	8,075,992	8,075,992	8,075,992
Cigarette	2,152,811	2,267,939	2,371,201	2,256,249	2,332,536	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599
Transient Room	5,375,713	4,317,618	4,305,977	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683
Telecommunications	6,357,300	6,562,456	6,727,824	6,933,071	6,994,183	7,115,248	7,096,425	7,247,911	7,383,848	7,145,256
Motor Vehicle License Tax	2,955,266	2,765,343	2,594,635	2,123,181	2,046,686	2,069,531	2,130,312	2,002,299	1,951,813	1,937,500
Other Taxes and Fees	4,311,908	3,514,679	5,851,370	6,717,642	5,246,978	3,154,317	3,011,116	2,810,326	4,344,857	6,071,290
Payment from Component Unit	13,867,878	14,261,464	15,072,438	14,621,813	15,502,968	15,928,396	16,373,216	9,752,655	10,020,049	8,930,898
Grants and Contributions Not Restricted to Specific Program	4,166,455	4,084,439	-	-	-	-	-	2,880	11,226	8,379
Interest and Investment Income	499,454	260,051	798,323	1,634,045	1,450,625	1,380,818	1,071,384	960,375	1,246,826	1,618,541
Miscellaneous	1,860,958	1,800,886	4,117,156	-	1,394,408	-	-	-	130,702	-
Special Item	-	-	-	-	-	-	43,322,018	(3,492,982)	-	-
Transfers	(2,884,671)	(2,328,398)	(1,143,960)	(3,290,944)	(2,117,439)	(1,985,311)	(1,978,226)	(569,468)	(5,693,020)	(4,493,091)
Total Governmental Activities	225,456,411	218,107,018	216,546,151	208,498,844	206,720,124	200,042,505	247,913,378	195,222,489	183,827,666	190,481,891
Business-type Activities:										
Stormwater Fee	6,074,799	6,041,973	3,979,349	2,049,963	-	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Program	138,229	-	-	-	-	-	-	-	-	-
Interest and Investment Income	226,209	215,141	190,765	170,634	-	-	170,902	112,028	80,077	87,552
Miscellaneous	478,154	(202,445)	-	-	-	-	-	-	134,681	117,823
Special Item	-	-	-	-	-	-	-	(3,204,514)	-	-
Transfers	2,884,671	2,328,398	1,143,960	3,290,944	2,117,439	1,985,311	1,978,226	569,468	5,693,020	4,493,091
Transfers - Capital Assets	-	-	297,450	-	953,065	-	-	-	-	-
Total Business-type Activities	9,802,062	8,383,067	5,611,524	5,511,541	3,070,504	1,985,311	2,149,128	(2,523,018)	5,907,778	4,698,466
Total Primary Government	235,258,473	226,490,085	222,157,675	214,010,385	209,790,628	202,027,816	250,062,506	192,699,471	189,735,444	195,180,357
Change in Net Position										
Governmental Activities	22,382,727	9,190,665	14,277,167	23,984,931	15,132,093	7,439,392	44,529,202	27,727,848	6,225,554	9,071,547
Business-type Activities	2,932,151	4,424,408	1,001,361	1,539,867	619,237	17,158	31,820	(4,697,467)	2,148,766	(494,901)
Total Primary Government	\$ 25,314,878	\$ 13,615,073	\$ 15,278,528	\$ 25,524,798	\$ 15,751,330	\$ 7,456,550	\$ 44,561,022	\$ 23,030,381	\$ 8,374,320	\$ 8,576,646

Information is presented on a full accrual basis of accounting.

Table 3
Unaudited

CITY OF ROANOKE, VIRGINIA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
General Property Tax-Real Estate and Personal Property	\$ 116,947,597	\$ 114,172,203	\$ 109,218,854	\$ 108,241,653	\$ 107,151,667	\$ 103,429,235	\$ 105,653,485	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861
Sales Tax	21,426,783	19,696,458	20,600,395	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423
Business License Tax	13,557,252	12,932,282	12,421,851	12,731,564	12,317,760	12,063,755	11,769,433	11,276,263	11,588,503	12,479,698
Utility Consumer Tax	10,118,287	9,726,709	9,828,466	9,870,443	9,981,896	9,812,703	9,584,366	9,937,596	9,557,889	9,735,948
Prepared Food and Beverage Tax (1)	16,609,514	15,996,897	15,705,629	13,857,569	13,231,279	13,737,840	17,216,380	16,030,878	11,159,911	11,496,914
Commonwealth Share Personal Property Tax	8,133,906	8,075,992	8,075,992	8,075,992	8,076,000	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992
Cigarette Tax	2,152,811	2,267,939	2,371,201	2,256,249	2,332,535	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599
Transient Room Tax (2)	5,375,713	4,317,618	4,305,977	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683
Telecommunications (3)	6,357,300	6,562,456	6,727,824	6,933,071	6,994,183	7,115,248	7,096,425	7,247,911	7,383,848	7,145,256
Motor Vehicle License Tax	2,955,266	2,765,343	2,594,635	2,123,181	2,046,686	2,069,531	2,130,312	2,002,299	1,951,813	1,937,500
Other Taxes	4,311,906	3,514,679	5,851,370	6,717,642	5,246,978	3,154,317	3,011,116	2,810,326	4,344,857	6,071,290
Total Governmental Activities Tax Revenues	\$ 207,946,335	\$ 200,028,576	\$ 197,702,194	\$ 195,533,930	\$ 190,489,562	\$ 184,718,602	\$ 189,124,986	\$ 188,569,029	\$ 178,111,883	\$ 184,417,164

Information is presented on a full accrual basis of accounting.

(1) Effective July 1, 2010, the Prepared Food and Beverage Tax increased from 5% to 7%. The tax rate reverted to 5% on July 1, 2012.

(2) Effective January 1, 2013, the Transient Room Tax increased from 7% to 8%.

(3) On January 1, 2007, the State began the new Telecommunications Tax which replaced the Telephone Surcharge as well as Cable TV Franchise Tax, and Telephone and Cellular Utility Taxes.

Table 4
Unaudited

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2017-18 (4)	2016-17 (3)	2015-16	2014-15	2013-14 (2)	2012-13	2011-12	2010-11 (1)	2009-10	2008-09
General Fund										
Restricted	\$ -	\$ -	\$ 48,411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	4,904,658	3,523,769	2,593,822	1,750,624	1,905,812	1,562,056	1,084,361	1,379,076	-	-
Assigned	-	-	-	-	-	-	-	1,407,485	-	-
Unassigned	34,854,168	29,757,294	28,795,510	28,050,350	26,757,052	26,060,594	26,000,436	25,535,754	-	-
Nonspendable	85,885	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	598,753	1,028,676
Unreserved	-	-	-	-	-	-	-	-	24,361,867	21,352,928
Total General Fund	<u>\$ 39,844,711</u>	<u>\$ 33,281,063</u>	<u>\$ 31,437,743</u>	<u>\$ 29,800,974</u>	<u>\$ 28,662,864</u>	<u>\$ 27,622,650</u>	<u>\$ 27,084,797</u>	<u>\$ 28,322,315</u>	<u>\$ 24,960,620</u>	<u>\$ 22,381,604</u>
All Other Governmental Funds										
Restricted	\$ 5,656,989	\$ 11,909,625	\$ 8,332,563	\$ 11,788,796	\$ 7,076,107	\$ 8,239,363	\$ 4,686,212	\$ 3,465,004	\$ -	\$ -
Committed	7,059,280	13,507,663	7,521,487	4,225,885	13,859,029	15,544,610	17,131,452	16,368,501	-	-
Reserved	-	-	-	-	-	-	-	-	6,146,088	17,529,842
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Debt Service Fund	-	-	-	-	-	-	-	-	1,213,260	1,161,895
Capital Projects Fund	-	-	-	-	-	-	-	-	6,121,743	31,685,558
Total All Other Governmental Funds	<u>\$ 12,716,269</u>	<u>\$ 25,417,288</u>	<u>\$ 15,854,050</u>	<u>\$ 16,014,681</u>	<u>\$ 20,935,136</u>	<u>\$ 23,783,973</u>	<u>\$ 21,817,664</u>	<u>\$ 19,833,505</u>	<u>\$ 13,481,091</u>	<u>\$ 50,377,295</u>

Information is presented on a modified accrual basis of accounting.

(1) The City adopted GASB Statement No. 54 in fiscal year 2011.

(2) Fiscal year ending 2013-14 fund balance was restated for construction in process retainage not previously included.

(3) For fiscal year 2016-17 the beginning fund balance was restated for stormwater debt and related assets moved to the Stormwater Fund.

(4) For fiscal year 2017-18 the beginning fund balance was restated due to GASB 75 implementation and dissolving the Internal Service Funds into the General Fund.

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	2017-18	2016-17 (3)	2015-16 (2)	2014-15	2013-14 (1)
Revenues					
Local Taxes	\$ 199,197,682	\$ 191,055,771	\$ 191,205,770	\$ 184,464,956	\$ 179,576,940
Permits, Fees and Licenses	1,415,842	1,014,623	888,328	1,140,606	1,092,534
Fines and Forfeitures	1,167,250	1,211,208	1,014,511	1,188,103	1,209,575
Rental Income	190,533	208,127	150,923	166,025	146,602
Investment Income	502,541	167,716	172,510	92,447	98,276
Intergovernmental	102,660,298	106,245,943	103,474,969	98,349,593	94,352,004
Charges for Services	15,138,288	11,970,192	11,010,903	10,812,015	11,066,281
Miscellaneous	4,608,137	1,450,370	4,808,427	1,086,545	5,315,274
Total Revenues	<u>324,880,571</u>	<u>313,323,950</u>	<u>312,726,341</u>	<u>297,300,290</u>	<u>292,857,486</u>
Expenditures					
Current Operating:					
General Government	19,734,967	15,951,767	15,857,483	14,397,926	14,333,910
Judicial Administration	8,475,762	8,905,780	8,917,856	8,621,436	8,507,385
Public Safety	67,098,311	70,411,215	69,892,637	67,358,507	65,388,178
Public Works	28,327,969	25,406,877	25,253,641	24,328,878	24,857,169
Health and Welfare	42,765,196	43,850,760	39,346,495	38,777,239	38,783,646
Parks, Recreation and Cultural	9,445,923	10,529,089	10,301,293	10,162,961	9,787,505
Community Development	12,849,049	12,701,995	12,251,778	11,645,063	11,115,802
Transportation	1,899,605	1,899,605	1,812,105	1,754,105	1,527,146
Education	81,289,167	78,429,620	79,053,977	76,371,925	74,366,181
Other	11,551	114,088	-	-	-
Debt Service:					
Principal Retirement	20,898,484	20,004,267	21,778,211	20,348,785	23,529,050
Interest and Paying Agent Charges	8,467,108	7,632,824	8,306,238	8,593,585	8,611,669
Bond Issuance Cost	121,399	348,146	1,493,517	823,289	492,516
Capital Outlays	<u>40,383,339</u>	<u>24,214,097</u>	<u>33,858,879</u>	<u>32,624,252</u>	<u>21,663,696</u>
Total Expenditures	<u>341,767,830</u>	<u>320,400,130</u>	<u>328,124,110</u>	<u>315,807,951</u>	<u>302,963,853</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,887,259)	(7,076,180)	(15,397,769)	(18,507,661)	(10,106,367)
Other Financing Sources (Uses)					
Issuance of Bonds/Anticipation Note	7,479,800	20,980,000	15,170,000	17,420,000	11,820,000
Issuance of Refunding Bonds	-	-	15,710,000	12,870,000	1,829,500
Payment to Refunded Bond Escrow	-	-	(15,275,000)	(12,655,000)	(1,829,500)
Premium on Sale of Bonds	-	1,251,508	2,368,860	1,279,190	351,572
Capital Lease	-	-	1,681,463	-	-
Transfers In	22,008,923	14,747,887	15,861,385	16,237,615	15,997,869
Transfers Out	<u>(24,893,593)</u>	<u>(18,387,991)</u>	<u>(18,642,801)</u>	<u>(20,426,489)</u>	<u>(18,878,993)</u>
Total Other Financing Sources (Uses), net	<u>4,595,130</u>	<u>18,591,404</u>	<u>16,873,907</u>	<u>14,725,316</u>	<u>9,290,448</u>
Net Change in Fund Balances	<u>(12,292,129)</u>	<u>11,515,224</u>	<u>1,476,138</u>	<u>(3,782,345)</u>	<u>(815,919)</u>
Fund Balances--Beginning of Year	<u>64,853,109</u>	<u>47,291,793</u>	<u>45,815,655</u>	<u>49,598,000</u>	<u>51,406,623</u>
Fund Balances--End of Year	<u>\$ 52,560,980</u>	<u>\$ 58,807,017</u>	<u>\$ 47,291,793</u>	<u>\$ 45,815,655</u>	<u>\$ 49,598,000</u>

(1) In Fiscal year 2013-14 fund balance was restated due to a change in accounting policy related to retainage in construction in process.

(2) In Fiscal year 2015-16, a Recycling and Disposal lease obligation that is accounted for as a Governmental activity was initiated.

(3) In Fiscal year 2016-17, other Operating Expenses includes payments for Affordable Care Act and Debt Set Off.

See Table 17 for additional information relating to the ratio of debt service expenditures to total noncapital expenditures.

Information is presented on an modified accrual basis of accounting.

Table 5
Unaudited
Continued

2012-13	2011-12	2010-11	2009-10	2008-09
\$ 178,073,456	\$ 181,456,770	\$ 178,308,587	\$ 171,185,553	\$ 173,518,576
966,903	857,561	969,800	880,347	1,053,443
1,439,961	1,531,145	1,805,083	1,615,265	1,558,517
111,834	117,154	210,633	550,191	845,373
93,291	136,277	177,577	251,970	1,211,719
93,839,219	95,942,714	91,502,519	93,250,211	93,064,316
10,919,251	10,262,192	11,624,417	10,834,925	11,616,042
2,915,807	1,902,037	4,717,123	703,626	1,536,704
288,359,722	292,205,850	289,315,739	279,272,088	284,404,690
13,064,653	13,420,641	13,043,582	12,671,590	13,094,420
8,327,159	8,075,746	7,336,125	7,503,476	8,735,663
63,848,864	62,753,894	60,845,503	61,821,748	63,808,641
23,842,020	23,696,320	22,133,031	23,860,980	24,841,431
36,802,549	39,683,737	41,755,947	45,439,356	45,128,533
9,547,523	9,632,815	10,314,592	9,192,283	10,753,820
10,829,570	9,045,363	10,481,809	9,931,020	9,559,518
1,654,105	1,654,105	1,177,324	-	-
73,870,214	78,351,405	70,232,036	63,443,415	62,856,641
-	-	-	-	-
24,523,873	23,426,997	20,778,546	23,566,295	22,157,734
9,522,590	10,936,143	11,479,778	12,768,787	12,286,166
590,381	801,658	204,463	317,494	79,082
15,291,837	12,373,816	13,251,045	40,276,382	44,299,810
291,715,338	293,852,640	283,033,781	310,792,826	317,601,459
(3,355,616)	(1,646,790)	6,281,958	(31,520,738)	(33,196,769)
12,269,104	5,533,829	7,121,925	2,661,171	23,912,613
24,870,000	25,125,000	2,017,600	36,056,200	-
(28,239,596)	(27,734,307)	(2,136,507)	(39,056,309)	-
2,165,563	3,371,482	248,563	3,669,899	706,843
-	-	-	-	-
17,427,478	18,088,403	26,925,336	25,536,867	27,214,121
(22,632,771)	(21,990,976)	(30,744,766)	(31,664,278)	(32,020,382)
5,859,778	2,393,431	3,432,151	(2,796,450)	19,813,195
2,504,162	746,641	9,714,109	(34,317,188)	(13,383,574)
48,902,461	48,155,820	38,441,711	72,758,899	86,142,473
\$ 51,406,623	\$ 48,902,461	\$ 48,155,820	\$ 38,441,711	\$ 72,758,899

Table 6
Unaudited

CITY OF ROANOKE, VIRGINIA
LOCAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

	2017-2018	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
General Property Tax	\$ 116,465,065	\$ 113,275,390	\$ 113,081,794	\$ 108,639,136	\$ 106,192,008	\$ 105,475,896	\$ 105,846,418	\$ 104,463,578	\$ 103,019,671	\$ 102,177,312
Sales Tax	21,426,783	19,696,458	20,600,395	20,564,044	19,236,561	19,437,336	19,147,211	18,602,105	18,095,643	20,448,423
Utility Consumer Tax	9,640,336	9,270,713	9,363,331	9,386,233	9,486,778	9,325,645	9,115,344	9,433,181	9,072,887	9,245,881
Cigarette Tax	2,152,811	2,267,939	2,371,201	2,256,249	2,332,535	2,431,242	2,456,680	2,338,732	2,515,209	2,644,599
Recordation and Probate Tax	1,085,920	1,017,518	1,034,652	961,270	863,485	947,178	880,865	740,733	781,542	777,182
Business, Professional, and Occupational License Tax	13,902,987	13,388,278	12,886,986	13,215,775	12,812,877	12,550,814	12,238,455	11,780,678	12,073,505	12,969,765
Transient Room Tax (1)	5,375,713	4,317,618	4,305,977	4,162,522	3,874,018	3,391,403	2,983,586	2,918,631	2,636,536	2,754,683
Admissions Tax	992,421	447,622	462,216	443,116	439,693	417,015	433,932	422,279	442,030	476,491
Telecommunications/Telephone Surcharge - E911	6,357,300	6,562,456	6,727,824	6,933,071	6,994,183	7,115,248	7,096,448	7,247,927	7,383,848	7,145,256
Motor Vehicle License Tax	2,955,266	2,765,343	2,594,635	2,123,181	2,046,686	2,069,532	2,130,313	2,002,299	1,951,813	1,937,500
Franchise Tax	482,719	449,488	496,151	338,193	485,678	479,215	447,420	474,064	579,288	483,724
Prepared Food and Beverage Tax (2)	16,609,514	15,996,897	15,704,954	13,856,899	13,225,652	12,874,902	17,216,380	16,030,878	11,159,911	11,496,914
Bank Stock Tax	1,750,847	1,600,050	1,575,655	1,585,268	1,586,786	1,558,030	1,463,718	1,853,502	1,473,670	960,846
Total Local Taxes	\$ 199,197,682	\$ 191,055,770	\$ 191,205,771	\$ 184,464,956	\$ 179,576,940	\$ 178,073,456	\$ 181,456,770	\$ 178,308,587	\$ 171,185,553	\$ 173,518,576

(1) Effective January 1, 2013, the Transient Room Tax increased from 7% to 8%.

(2) Effective July 1, 2010, the Prepared Food and Beverage Tax increased from 5% to 7%. The tax rate reverted to 5% on July 1, 2012.

Table 7
Unaudited

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

	2017-18	2016-17	2015-2016	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Total Tax Levies	\$ 123,059,222	\$ 120,894,494	\$ 119,869,392	\$ 115,885,506	\$ 113,183,821	\$ 113,209,446	\$ 112,485,925	\$ 112,560,131	\$ 110,098,047	\$ 110,034,071
Current Tax Collections	113,368,012	110,623,042	110,372,175	105,842,394	103,746,942	103,802,153	103,693,219	102,130,123	100,833,008	98,726,769
Current Tax Collections - State Share	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992	8,075,992
Collections in Subsequent Years (1)	-	3,007,291	2,799,543	3,926,119	4,193,129	4,838,415	2,972,963	2,756,631	2,389,214	3,555,384
Total Tax Collections	121,444,003	\$ 121,706,325	\$ 121,247,710	\$ 117,844,505	\$ 116,016,063	\$ 116,716,560	\$ 114,742,174	\$ 112,962,746	\$ 111,298,214	\$ 110,358,145
Current Tax Collections As Percent of Levies	98.69%	98.18%	98.81%	98.30%	98.80%	98.82%	99.36%	97.91%	98.92%	97.06%
Total Tax Collections As Percent of Levies (1)	98.69%	100.67%	101.15%	101.69%	102.50%	103.10%	102.01%	100.36%	101.09%	100.29%

(1) Prior to FY 2014, the City did not have the capability of determining the levy year for delinquent collections. Effective FY 2014, delinquent collections are recorded in the levy year for which they were collected.

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

Table 8
Unaudited

Year	REAL PROPERTY				PERSONAL PROPERTY				PUBLIC SERVICE CORPORATIONS				Total Assessed Value	Total Estimated Actual Value
	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth (Decline)	Estimated Actual Value	Assessment Ratio		
2009	\$6,564,294,962	4.92%	\$ 6,564,294,962	1.00	\$809,722,606	(3.22%)	\$ 1,349,537,677	0.60	\$ 335,086,164	6.51%	\$341,586,222	0.981	\$7,709,103,732	\$8,255,418,861
2010	\$6,698,391,113	2.04%	\$ 6,698,391,113	1.00	\$758,872,026	(6.28%)	\$ 1,264,786,710	0.60	\$ 359,212,368	7.20%	\$360,848,221	0.995	\$7,816,475,507	\$8,324,026,044
2011	\$6,801,971,286	1.55%	\$ 6,801,971,286	1.00	\$769,951,558	1.46%	\$ 1,283,252,597	0.60	\$ 353,515,462	(1.59%)	\$357,281,499	0.989	\$7,925,438,306	\$8,442,505,382
2012	\$6,794,772,298	(0.11%)	\$ 6,794,772,298	1.00	\$816,148,651	6.00%	\$ 1,360,247,752	0.60	\$ 360,309,314	1.92%	\$360,309,314	1.000	\$7,971,230,263	\$8,515,329,364
2013	\$6,725,168,858	(1.02%)	\$ 6,725,168,858	1.00	\$840,633,111	3.00%	\$ 1,401,055,185	0.60	\$ 416,800,579	15.68%	\$418,303,022	0.996	\$7,982,602,548	\$8,544,527,065
2014	\$6,679,969,872	(0.67%)	\$ 6,679,969,872	1.00	\$859,809,462	2.28%	\$ 1,433,015,770	0.60	\$ 414,953,913	(0.44%)	\$413,969,355	1.002	\$7,954,733,247	\$8,526,954,997
2015	\$6,693,874,349	0.21%	\$ 6,693,874,349	1.00	\$899,096,367	4.57%	\$ 1,498,493,945	0.60	\$ 437,573,144	5.45%	\$441,997,287	0.990	\$8,030,543,860	\$8,634,365,581
2016	\$6,724,229,966	0.45%	\$ 6,724,229,966	1.00	\$942,611,706	4.84%	\$ 1,571,019,510	0.60	\$ 439,744,208	0.50%	\$447,535,616	0.983	\$8,106,585,880	\$8,742,785,092
2017	\$6,783,463,907	0.88%	\$ 6,783,463,907	1.00	\$943,805,249	0.13%	\$ 1,573,008,748	0.60	\$ 451,184,702	2.60%	\$460,947,191	0.979	\$8,178,453,858	\$8,817,419,846
2018	\$6,970,302,556	2.75%	\$ 6,970,302,556	1.00	\$956,571,007	1.35%	\$ 1,594,285,012	0.60	\$ 437,557,641	(3.02%)	\$446,761,907	0.979	\$8,364,431,204	\$9,011,349,475

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

Table 9
Unaudited

Year	REAL PROPERTY		PERSONAL PROPERTY		PUBLIC SERVICE CORPORATIONS		Total Tax Levies	Total Direct Rate
	Direct Tax Rate Per \$100	Levy	Direct Tax Rate Per \$100	Levy	Direct Tax Rate Per \$100	Levy		
2009	1.19	\$78,114,892	3.45	\$ 27,925,972 (1)	1.19	\$ 3,993,207	\$ 110,034,071	1.76
2010	1.19	\$79,710,636	3.45	\$ 26,141,385 (1)	1.19	\$ 4,246,026	\$ 110,098,047	1.73
2011	1.19	\$80,943,458	3.45	\$ 27,385,166 (1)	1.19	\$ 4,231,507	\$ 112,560,131	1.74
2012	1.19	\$80,857,790	3.45	\$ 27,311,532 (1)	1.19	\$ 4,316,603	\$ 112,485,925	1.74
2013	1.19	\$80,029,509	3.45	\$ 28,188,385 (1)	1.19	\$ 4,991,552	\$ 113,209,446	1.75
2014	1.19	\$79,491,642	3.45	\$ 28,709,212 (1)	1.19	\$ 4,982,967	\$ 113,183,821	1.76
2015	1.19	\$79,600,752	3.45	\$ 31,024,476 (1)	1.19	\$ 5,260,278	\$ 115,885,506	1.80
2016	1.22	\$82,035,606 (1)	3.45	\$ 32,374,952 (1)	1.22	\$ 5,458,834 (1)	\$ 119,869,392	1.82
2017	1.22	\$82,758,259	3.45	\$ 32,593,307 (1)	1.22	\$ 5,542,928	\$ 120,894,494	1.82
2018	1.22	\$85,037,691	3.45	\$ 32,639,181 (1)	1.22	\$ 5,382,350	\$ 123,059,222	1.81

(1) Effective July 1, 2015, the rate became \$1.22.

Table 10
Unaudited

CITY OF ROANOKE, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
COMPARISON OF JUNE 30, 2018 AND JUNE 30, 2009

		2018			2009		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
<u>Taxpayer</u>	<u>Description</u>						
Carilion Clinic	Healthcare Provider	\$ 249,511,824	1	2.98%	\$ 129,599,911	1	1.68%
Norfolk Southern Railway	Transportation	155,452,422	2	1.86	95,983,901	3	1.25
Appalachian Power	Public Utility	152,798,610	3	1.83	104,041,819	2	1.35
Valley View Mall LLC	Shopping Mall	87,491,600	4	1.05	74,118,147	4	0.96
Roanoke Gas Company	Public Utility	57,119,450	5	0.68	30,278,088	7	0.39
Roanoke Electric Steel Corp	Primary Metals	37,983,223	6	0.45	35,702,395	6	0.46
Wholesome Harvest Baking	Bakery	32,878,971	7	0.39	25,185,751	8	0.33
Verizon Virginia, Inc	Communications	31,531,352	8	0.38	55,404,937	5	0.72
Faison Roanoke Office Limited	Office Building	30,044,500	9	0.36	-	-	-
Advance Auto Parts	Auto Parts	24,096,084	10	0.29	-	-	-
Times-World Corp	Newspaper	-	-	-	22,438,451	9	0.29
Coca-Cola Bottling Company	Bottling Plant	-	-	-	16,629,391	10	0.22
		<u>\$ 858,908,036</u>		<u>10.27%</u>	<u>\$ 589,382,791</u>		<u>7.65%</u>

Source: City of Roanoke, Commissioner of the Revenue

Table 11
Unaudited

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

<u>Calendar Year</u>	<u>Total Retail Sales (1)</u>
2009	\$ 1,692,267,903
2010	1,676,331,018
2011	1,649,614,469
2012	1,732,017,118
2013	1,746,710,461
2014	1,785,467,436
2015	1,752,752,699
2016	1,732,156,837
2017	1,726,342,166
2018 thru June	904,030,308

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

Table 12
Unaudited

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

Fiscal Year	Population (A)	Total Estimated Actual Value	Governmental Activities Gross Bonded Debt (C)	Business-type Activities Gross Bonded Debt (C)	Gross Bonded Debt	Less Bonds Supported By Western Virginia Water Authority	Less Bonds Supported By Hotel Roanoke, LLC (B)	Less Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Total Estimated Actual Value	Net Bonded Debt Per Capita
2009	94,482	\$ 8,255,418,861	\$ 274,721,495	\$ 29,350,308	\$ 304,071,803	\$ 24,255,948	-	\$ 1,161,895	\$278,653,960	3.38%	\$ 2,949.28
2010	97,032	8,324,026,044	254,789,731	28,812,906	283,602,637	21,987,683	-	1,213,260	260,401,694	3.13	2,683.67
2011	97,206 (est.)	8,442,505,382	250,315,325	27,342,979	277,658,304	19,875,450	1,355,000	1,133,011	255,294,843	3.02	2,626.33
2012	97,206 (est.)	8,515,329,364	234,279,293	26,311,567	260,590,860	17,558,082	910,000	1,317,554	240,805,224	2.83	2,477.27
2013	98,641 (est.)	8,544,527,065	225,402,117	26,944,093	252,346,210	13,389,900	-	1,493,056	237,463,254	2.78	2,407.35
2014	98,913 (est.)	8,526,954,997	217,261,926	26,817,066	244,078,992	10,989,900	-	1,406,148	231,682,944	2.72	2,342.29
2015	99,320 (est.)	8,634,365,581	214,885,676	27,203,128	242,088,804	9,968,500	-	1,508,122	230,612,182	2.67	2,321.91
2016	99,681 (est.)	8,742,785,092	210,393,462	30,109,234	240,502,696	9,405,800	-	1,011,031	230,085,865	2.63	2,308.22
2017	99,644 (est.)	8,817,419,846	208,814,498	33,675,339	242,489,837	8,213,900	-	539,265	233,736,672	2.65	2,345.72
2018	99,837 (est.)	9,011,349,475	199,521,519	31,488,513	231,010,032	7,003,200	-	41,733	223,965,099	2.44	2,243.31

Source (A) Weldon - Cooper Center for Public Service

(B) Effective FY12, Hotel Roanoke, LLC debt was excluded from total bonded debt as a result of a change in the reporting of the Hotel Roanoke, LLC Note Receivable at the entity-wide level

(C) Gross Bonded Debt includes Capital Leases and Bond Premiums. See Table 15.

**CITY OF ROANOKE, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

**Table 13
Unaudited**

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds (2)	Capital Leases	General Obligation Bonds	Capital Leases			
2008-09	\$ 276,891,495	\$ 5,113,998	\$ 29,484,914	\$ 416,578	\$ 311,906,985	8.58%	\$ 3,253
2009-10	256,564,731	4,838,541	29,667,886	352,473	291,423,631	7.78	3,012
2010-11	250,315,325	4,528,184	28,121,356	285,366	283,250,231	7.92	2,926
2011-12	234,279,293	4,178,505	26,771,200	215,083	265,444,081	6.94	2,712
2012-13	225,402,117	3,782,784	26,944,093	141,434	256,270,428	6.74	2,593
2013-14	217,261,927	4,287,946	26,817,066	93,645	248,460,584	6.34	2,499
2014-15	214,885,676	4,256,650	27,203,128	17,507	246,362,961	6.29	2,478
2015-16	210,393,463	5,356,637	30,109,234	19,412	245,878,746	6.28	2,473
2016-17	208,814,498	4,692,759	33,675,339	11,750	247,194,346	6.04	2,474
2017-18	195,557,160	3,964,359	31,485,398	3,115	231,010,032	5.48	2,316

(1) See Table 18 for Personal Income and Population data.

(2) General Obligation Bonds include Bond Premiums and Bond Costs. See Table 15.

**CITY OF ROANOKE, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

**Table 14
Unaudited**

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Debt Limit	\$ 697,030,256	\$ 678,346,391	\$ 672,422,997	\$ 669,387,435	\$ 667,966,987	\$ 672,516,886	\$ 679,477,230	\$ 680,197,128	\$ 669,839,111	\$ 656,429,496
Total Net Debt Applicable to Limit	229,932,036	219,172,541	215,556,963	217,064,553	218,489,528	224,003,579	227,263,512	240,667,032	244,769,119	263,493,652
Legal Debt Margin	\$ 467,098,220	\$ 459,173,850	\$ 456,866,034	\$ 452,322,882	\$ 449,477,459	\$ 448,513,307	\$ 452,213,718	\$ 439,530,096	\$ 425,069,992	\$ 392,935,844
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	32.99%	32.31%	32.06%	32.43%	32.71%	33.31%	33.45%	35.38%	36.54%	40.14%

Table 15
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2018

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

Total Assessed Value of Real Estate, 2018 (1)		\$	6,970,302,556
Legal Debt Limit: 10%	\$ 697,030,256		697,030,256
Debt applicable to limitation:			
General Obligation Serial Bonds - Governmental Activities			149,242,240
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)			7,003,200
Premium on Bonds - Governmental Activities			11,601,137
Deferred Bond Costs - Governmental Activities			(4,683,708)
Bond Anticipation Note			7,479,800
Qualified Zone Academy Bonds (QZAB)			2,090,712
State Literary Fund Loans			500,000
Virginia Public School Authority (VPSA) School Bonds			22,323,379
Capital Leases			3,964,359
Civic Facilities Enterprise Fund - Business-type Activities			12,628,500
Premium on Bonds - Civic Facilities Enterprise Fund Debt			829,001
Bond Anticipation Note - Civic Facilities			347,374
Civic Facilities Enterprise Fund Capital Lease			1,569
Deferred Outflows from Debt Refundings Resulting in Loss Transactions - Civic Facilities			(246,680)
Parking Enterprise Fund Supported Debt - Business-type Activities			10,102,800
Premium on Bonds - Parking Enterprise Fund Supported Debt			475,171
Parking Enterprise Fund Capital Lease			206
Deferred Outflows from Debt Refundings Resulting in Loss Transactions - Parking			(789,183)
Stormwater Enterprise Fund Supported Debt - Business-type Activities			6,846,260
Bond Anticipation Note - Stormwater			5,773
Stormwater Enterprise Fund Capital Lease			1,340
Premium on Bonds - Stormwater Enterprise Fund Supported Debt			250,519
Total Debt		\$	229,973,769
Less: Available in Debt Service Fund			(41,733)
Legal Debt Margin			<u><u>\$ 229,932,036</u></u>
			<u><u>\$ 467,098,220</u></u>

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

Table 16
Unaudited

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

Fiscal Year	Principal (1)	Interest (1)	Total Debt Service	Total General Expenditures (2)	Percent of Debt Service to General Expenditures
2008-09	\$ 20,480,823	\$ 11,121,043	\$ 31,601,866	\$ 340,360,591	9.3%
2009-10	21,869,664	11,436,671	33,306,335	324,345,350	10.3
2010-11	19,093,669	10,346,300	29,439,969	314,114,285	9.3
2011-12	21,033,664	10,338,250	31,371,914	318,343,912	9.9
2012-13	22,234,068	9,209,934	31,444,002	330,390,756	9.5
2013-14	22,092,341	8,888,882	30,981,223	340,700,280	9.1
2014-15	20,591,147	8,898,421	29,489,568	355,808,118	8.3
2015-16	22,571,454	8,301,585	30,873,039	347,306,775	8.9
2016-17	20,374,492	8,009,420	28,383,912	359,445,090	7.9
2017-18	20,922,884	8,622,820	29,545,704	344,489,393	8.5

(1) Principal and interest payments include all general long term debt payments supported by tax revenues of the City, including those related to capital leases. Debt payments made on behalf of the Roanoke Civic Center and City of Roanoke Technology Fund are included. The Technology Fund was closed effective June 30, 2017. Debt payments made by the Roanoke City Parking Fund Western Virginia Water Authority and the Hotel Roanoke Conference Center Commission are excluded.

During Fiscal Year 2017, the Stormwater Fund assumed responsibility for all stormwater debt, including that issued prior to the Fund's formation in FY2014. Debt payments made by the Roanoke City Stormwater Fund are excluded.

Interest payments exclude federal interest subsidies for Recovery Zone Economic Development (RZED) bonds and Qualified School Construction Bonds (QSCB).

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

CITY OF ROANOKE
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES
LAST TEN FISCAL YEARS

Table 17
Unaudited

	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Debt Service:										
Principal Retirement	\$20,978,384	\$ 20,004,268	\$ 21,778,211	\$ 20,348,785	\$ 23,529,050	\$ 24,523,873	\$ 23,426,997	\$ 20,778,546	\$ 23,566,295	\$ 22,157,734
Interest and Paying Agent Charges	8,508,607	7,632,823	8,306,238	8,593,585	8,611,669	9,522,590	10,936,143	11,372,995	12,768,787	12,286,166
Total Debt Service Payments	29,486,991	27,637,091	30,084,449	28,942,370	32,140,719	34,046,463	34,363,140	32,151,541	36,335,082	34,443,900
Total Government Funds Expenditures	341,767,830	320,400,130	328,124,110	315,807,951	302,963,853	291,715,338	293,852,640	283,033,781	310,792,826	317,601,459
Capital Outlays	(40,383,339)	(24,214,097)	(29,501,207)	(33,583,493)	(22,588,742)	(13,855,461)	(10,456,003)	(17,436,961)	(37,764,765)	(40,930,978)
Total Noncapital Expenditures	301,384,491	296,186,033	298,622,903	\$ 282,224,458	\$ 280,375,111	\$ 277,859,877	\$ 283,396,637	\$ 265,596,820	\$ 273,028,061	\$ 276,670,481
Percentage of Noncapital Expenditures	9.78%	9.33%	10.07%	10.26%	11.46%	12.25%	12.13%	12.11%	13.31%	12.45%

Information is presented on the modified accrual basis of accounting.

CITY OF ROANOKE, VIRGINIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Table 18
Unaudited

Fiscal Year	Population (1)	Per Capita Income (2)	Personal Income	School Enrollment (3)	Local Unemployment Rate (4)	National Unemployment Rate (5)
2008-09	94,482	\$ 37,929	\$3,636,678,000	12,303	7.7%	9.5%
2009-10	97,032	38,713	3,747,025,000	12,266	7.4	9.4
2010-11	97,061	36,948	3,576,942,000	12,261	6.9	9.1
2011-12	97,206	39,100	3,827,065,000	13,006	6.5	8.4
2012-13	98,641	38,453	3,799,698,000	13,192	6.4	7.8
2013-14	98,913	39,385	3,915,935,000	13,390	5.7	6.3
2014-15	99,320	39,385	3,915,935,000	13,513	5.6	5.5
2015-16	99,681	39,385	3,915,935,000	13,585	4.1	5.1
2016-17	99,644	40,947	4,090,520,000	13,580	4.5	4.5
2017-18	99,837	42,263	4,211,972,000	13,601	3.4	4.2

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

(2) Source: Bureau of Economic Analysis

(3) Source: Roanoke City Public Schools

(4) Source: Virginia Employment Commission (Roanoke Metropolitan Statistical Area & USA)-Month of June only

(5) Source: Bureau of Labor Statistics

Table 19
Unaudited

CITY OF ROANOKE, VIRGINIA
CONSTRUCTION STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	COMMERCIAL CONSTRUCTION		RESIDENTIAL CONSTRUCTION	
	Number of Permits	Value	Number of Permits	Value
2008-09	419	\$ 103,604,031	663	\$ 23,814,449
2009-10	467	92,266,288	709	25,004,592
2010-11	533	80,571,667	686	15,535,733
2011-12	538	69,398,478	678	14,628,255
2012-13	567	123,146,541	693	20,764,757
2013-14	583	107,120,600	709	21,150,152
2014-15	535	113,585,224	610	17,416,192
2015-16	541	128,368,145	625	20,843,406
2016-17	2,302	78,154,510	2,642	43,531,306
2017-18	2,496	179,936,191	1,556	22,051,158

Source: City of Roanoke, Planning, Building and Development Department

Table 20
Unaudited

CITY OF ROANOKE, VIRGINIA
PRINCIPAL EMPLOYERS
COMPARISON AS OF DECEMBER 31, FISCAL YEARS 2017 AND 2008

Employer	December 31, 2017			December 31, 2008		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Carilion	1	Private	1,000+	1	Private	1,000+
Roanoke City Public Schools	2	Local Govt	1,000+	2	Local Govt	1,000+
City of Roanoke	3	Local Govt	1,000+	3	Local Govt	1,000+
Carilion Services	4	Private	500-999	4	Private	1,000+
United Parcel Service	5	Private	500-999	5	Private	500-999
Walmart	6	Private	500-999	7	Private	500-999
United States Postal Service	7	Federal Govt	500-999	8	Federal Govt	500-999
Virginia Western Community College	8	State Govt	500-999	10	State Govt	500-999
Kroger	9	Private	500-999	-	Private	500-999
Anthem	10	Private	500-999	9	Private	500-999
Advance Auto Parts	-	Private	500-999	6	Private	500-999

Source: Virginia Employment Commission (VEC)

Note: Total employee count no longer available from VEC. Estimates are used.

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

**Table 21
Unaudited**

Function:	2018	2017 ②	2016	2015	2014	2013	2012	2011 ①	2010	2009
General Government	192	194	204	213	213	211	218	218	159	178
Judicial Administration:										
Sheriff	37	39	34	38	38	35	34	35	33	32
Other	55	54	60	57	54	53	53	58	55	58
Public Safety:										
Police	308	310	313	306	306	305	305	305	284	309
Jail	154	151	173	170	170	173	171	171	161	159
Fire	241	245	253	257	254	254	253	258	259	250
Other	57	62	70	76	71	81	76	75	62	81
Public Works:										
Engineering	13	13	13	14	13	14	16	18	20	20
Maintenance/Other	107	97	113	114	114	112	111	114	127	126
Transportation	65	63	65	65	65	69	83	91	86	79
Stormwater	33	33	37	37	28	22	-	-	-	1
Health and Welfare	209	213	231	234	225	225	221	231	220	224
Parks, Recreation and Cultural	99	99	104	104	102	102	98	118	92	97
Community Development	53	48	52	52	51	51	52	50	42	46
Total	<u>1,623</u>	<u>1,621</u>	<u>1,722</u>	<u>1,737</u>	<u>1,704</u>	<u>1,707</u>	<u>1,691</u>	<u>1,742</u>	<u>1,600</u>	<u>1,660</u>

① In fiscal year 2011, the City began reporting full time equivalent positions instead of full time employees. Like data is unavailable in prior years for comparative purposes.

② Starting with fiscal year 2017, using the guidance of the GFOA General Purpose Checklist, the City went back to reporting full time employees instead of full time equivalent positions.

Source: City of Roanoke, Department of Finance

Table 22
Unaudited

CITY OF ROANOKE, VIRGINIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
General Government										
Levied property taxes	\$ 34,027,464	\$ 34,198,200	\$ 33,465,503	\$ 31,719,207	\$ 30,244,961	\$ 30,301,304	\$ 30,005,358	\$ 29,197,629	\$ 28,773,772	\$ 28,765,002
Number of business licenses issued	7,570	6,741	6,989	7,156	7,253	7,400	7,129	7,458	7,121	7,481
Number of property & building permits*	2,167	3,837	3,719	4,127	4,170	4,234	4,038	4,145	3,158	3,575
Police										
Number of traffic summons	12,720	8,455	9,535	11,787	22,069	22,314	24,111	27,425	21,997	22,592
Number of assistance call responses	144,678	87,422	88,250	85,307	85,393	88,154	93,670	89,498	89,172	90,840
Number of hours of training conducted**	34,232	32,058	26,122	39,990	42,415	47,584	48,230	34,916	19,266	10,238
Fire										
Number of emergency call responses	28,682	28,314	26,900	25,715	25,299	25,251	23,805	23,941	23,630	23,231
Highways and Streets										
Number of lane miles resurfaced	53	40	75	58	61	25	24	19	41	43
Number of street lights added	14	(18)	60	15	27	16	10	14	52	73
Judicial Administration										
Number of criminal cases	7,536	7,350	6,700	7,702	9,585	10,225	11,792	11,562	12,671	14,917
Number of traffic cases	18,323	16,366	16,221	21,435	27,353	26,557	27,975	30,555	30,335	32,377
Number of civil cases	17,926	16,485	18,459	19,750	20,947	20,624	20,919	20,292	20,668	26,635
Parks & Recreation										
Number of participants served	177,500	166,000	163,000	151,673	133,179	188,101	140,220	130,755	117,484	135,000
Education										
Number of instructional personnel	1,688	1,724	1,116	1,123	1,120	1,115	1,101	1,073	1,113	1,220
Number of students	13,601	13,580	13,585	13,513	13,390	13,192	13,006	12,261	12,266	12,303
Libraries										
Number of volumes	283,291	268,306	258,615	289,979	245,241	341,741	311,495	319,014	402,827	410,216
Number of audio materials	16,558	14,637	13,355	14,524	13,490	12,553	12,120	11,660	12,128	10,923
Number of video materials	42,851	36,505	32,435	29,359	31,158	24,813	21,307	18,791	16,469	16,690
Number of annual library visits	625,586	558,883	554,042	530,295	509,963	686,196	660,559	659,672	707,467	669,511
Economic Development										
Number of business contacts made	737	808	766	996	838	841	840	504	537	645
Housing and Neighborhood Services										
Total housing units	47,288	47,305	47,381	47,356	45,416	45,378	45,340	45,665	45,720	45,710
Average assessed value of single-family housing units	\$ 128,453	\$ 125,495	\$ 124,482	\$ 125,165	\$ 125,545	\$ 127,244	\$ 129,932	\$ 133,340	\$ 133,276	\$ 132,798

Sources: Various City of Roanoke departments and Roanoke City Public Schools

** In February of 2008, Roanoke County Police Department stopped using the City's basic training academy and began utilizing a new County facility.

** In 2017 street lights were removed due to several Transportation projects.

**CITY OF ROANOKE, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

**Table 23
Unaudited**

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Function										
Police										
Number of vehicular units	157	156	161	156	157	160	158	165	162	157
Fire										
Number of stations	(1) 11	11	11	11	11	11	11	11	12	12
Number of fire trucks	29	29	29	28	28	27	27	28	26	24
Highways and Streets										
Miles of streets (lane miles)	1,054	1,054	1,054	1,067	1,067	998	998	998	997	997
Number of street lights	9,998	9,984	10,002	9,942	9,927	9,900	9,960	9,950	9,936	9,884
Parks and Recreation										
Parks, plazas and recreation sites	71	71	71	71	70	69	69 (2)	72	72	68
Playgrounds/play areas	97	94	94	94	94	94	94 (3)	39	39	37
Football/soccer fields	28	24	24	24	24	24	24	26	26	24
Baseball/softball fields	27	29	29	29	29	29	29	31	31	30
Olympic-size swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	8	6	6	6	6	6	6	6	6	6
Education										
Elementary schools	17	17	17	17	17	17	17	17	18	19
Middle schools	5	5	5	5	5	5	5	5	5	6
High schools	2	2	2	2	2	2	2	2	2	2
Libraries										
Libraries	7	7	7	7	7	7	7	7	7	7
Bookmobile	-	-	-	-	-	-	-	-	-	1
Kiosks	2	2	2	2	2	2	2	2	2	2

(1) Excludes non-staffed fire stations

(2) Prior to fiscal year 2012, certain separate facilities located within parks were counted as individual sites. Effective fiscal year 2012, these facilities are included as part of the park site and not a separate site.

(3) Prior to fiscal year 2012, multiple play structures were considered a single unit. Effective fiscal year 2012, each play structure is now considered an individual unit.

Source: City of Roanoke - various departments and Roanoke City Public Schools

THIS PAGE INTENTIONALLY BLANK

COMPLIANCE SECTION

THIS PAGE INTENTIONALLY BLANK

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Agriculture</u>						
Passed Through Commonwealth of Virginia						
Department of Agriculture:						
Food Distribution - Commodities	10.04 915	10.555	10/1/15	\$ 2,867		3
Subtotal Food Distribution - Commodities				<u>2,867</u>		
Passed Through Commonwealth of Virginia						
Department of Health:						
Summer Food Service Program for Children FY18	10018-17	10.559	6/5/17	29,882		
Subtotal Summer Food Service Program for Children				<u>29,882</u>		
Total Child Nutrition Cluster				<u>32,749</u>		
Passed Through Commonwealth of Virginia						
Department of Social Services:						
State Administrative Matching Grants for						
Food Stamp Program	-	10.561	multiple	2,022,283		
Subtotal Matching Grants for Food Stamp Program				<u>2,022,283</u>		
Passed Through Commonwealth of Virginia						
Department of Forestry:						
Urban and Community Forestry FY17-Projects	16UCF05	10.664	6/21/16	4,085		
Urban and Community Forestry FY18-Projects	17UCF07	10.664	8/25/17	12,695		
Emerald Ash Borer Treatment FY18		10.664		3,405		
Subtotal Urban and Community Forestry				<u>20,185</u>		
Subtotal Passed Through Commonwealth of Virginia				<u>2,075,217</u>		
Total Department of Agriculture				<u>2,075,217</u>		
<u>Department of Housing and Urban Development</u>						
Direct Programs:						
Community Development Block Grant FY17	B16MC5-10020	14.218	8/2/16	858,457	564,658	5.1
Community Development Block Grant FY18	B17MC5-10020	14.218		1,001,758	864,336	5.1
Subtotal Community Development Block Grant				<u>1,860,215</u>		
Emergency Shelter Grant FY16	E15MC5-10020	14.231	7/17/15	1,473		
Emergency Shelter Grant FY17	E16MC5-10020	14.231	7/14/16	9,185	4,214	5.2
Emergency Shelter Grant FY18	E17MC5-10020	14.231		125,463	114,466	5.2
Subtotal Emergency Shelter Grant				<u>136,121</u>		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Housing and Urban Development (continued):</u>						
HOME Investment in Affordable Housing 17	M16MC5-10206	14.239	7/14/16	\$ 256,831	\$ 188,395	5.3
HOME Investment in Affordable Housing 18	M17MC5-10206	14.239		230,470	213,392	5.3
Subtotal HOME Investment in Affordable Housing				487,301		
Continuum of Care Homeless Assistance Team FY17	VA0031L3F021609	14.267	2/1/17	89,677		
Continuum of Care Homeless Assistance Team FY18	VA0031L3F021710	14.267	1/11/18	49,761		
Continuum of Care Planning FY 17	VA031L3F021600	14.267	7/1/18	40,500	32,778	5.4
Continuum of Care Coordinated Assessment FY 17	VA0265L3F021500	14.267	6/27/16	40,692		
Continuum of Care Coordinated Assessment FY 18	VA0300L3F021701	14.267	1/11/18	8,297		
Shelter Plus Care PSH FY17	VA0032L3F021508	14.267	6/27/16	92,931		
Subtotal Continuum of Care				321,858		
Lead Hazard Control FY15	VALHB0580-14	14.900	12/16/14	404,965		
Lead Hazard Control FY18	VALHB0642-17	14.900	6/27/17	91,285		
Subtotal Lead Hazard Control				496,250		
Subtotal Department of Housing and Urban Development Direct Programs				3,301,745		
Total Department of Housing and Urban Development				3,301,745		
<u>Department of Justice</u>						
Direct Programs:						
Bulletproof Vests FY16 (Police & Sheriff)	2015BUBX15077100	16.607	8/11/16	769		
Bulletproof Vests FY17 (Police & Sheriff)	2016BUBX16081627	16.607		15,388		
Bulletproof Vests FY18 (Police & Sheriff)	2017BUBX17087809	16.607		3,747		
Subtotal Bulletproof Vests				19,904		
Justice Assistance Grant FY17 (Bike Patrol/Tech Improve)	2014-DJ-BX-0534	16.738	10/1/13	24,317		
Justice Assistance Grant FY18 (Bike Patrol/Tech Improve)	2015-DJ-BX-0723	16.738	10/1/14	17,960		
Justice Assistance Grant FY19 (Bike Patrol/Tech Improve)	2016-DJ-BX-0146	16.738	8/9/16	951		
Subtotal Justice Assistance				43,228		
Equitable Sharing Funds - Department of Justice	-	16.922	multiple	34,836		
Subtotal Equitable Sharing Funds DOJ Program				34,836		
Subtotal Department of Justice Direct Programs				97,968		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Justice (continued)</u>						
Passed Through Commonwealth of Virginia						
Department of Criminal Justice Services:						
Juvenile Justice and Delinquency Prevention FY17	16-A3230JJ13	16.540	12/28/15	\$ 35,709	\$ 35,709	5.5
Juvenile Justice and Delinquency Prevention FY18	18-C3230JJ16	16.540	1/1/18	15,423	15,423	5.5
Subtotal Juvenile Justice and Delinquency Prevention				51,132		
Victim Witness Assistance FY17	17-W8554VW15	16.575	7/19/16	4,366		
Victim Witness Assistance FY18	18-X8554VW16	16.575	7/17/17	179,404		
Subtotal Victim Witness Assistance				183,770		
Police Domestic Violence Unit CY17	17-S3153VA16	16.588	1/1/17	11,928		
Police Domestic Violence Unit CY18	18-T3153VA17	16.588	1/1/18	18,219		
Subtotal Police Domestic Violence				30,147		
Byrne JAG Policing Workplace Violence Prevention CY17	17-A6089AD13	16.738	12/26/16	11,700		
Byrne JAG Policing Basketball League CY17	17-A6091AD13	16.738	12/26/16	3,152		
Byrne JAG Policing Less Lethal Equipment CY17	17-A6088AD13	16.738	12/26/16	15,789		
Byrne JAG Policing Less Lethal Equipment CY18	18-B6088AD15	16.738	12/13/17	18,000		
Byrne JAG Equipment and Technology FY18	18-A4461AD14	16.738	5/15/18	4,031		
Justice Assistance Grant FY17 (Positive Action Initiative)	17-A4052AD15	16.738	9/26/16	10,466		
Justice Assistance Grant FY18 (Positive Action Initiative)	18-B4052AD15	16.738	10/9/17	22,275		
Subtotal Edward Byrne Memorial Justice Assistance				85,413		
Subtotal Passed Through Commonwealth of Virginia				350,462		
Total Department of Justice				448,430		
<u>Department of Labor</u>						
Passed Through Commonwealth of Virginia						
Virginia Community College System/USDOL:						
WIOA - Adult Program	LWA 3-16-03/ LWA 3-17-04	17.258	10/1/16	623,040	623,040	5.6
Subtotal Workforce Investment Act Adult				623,040		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Labor (Continued)</u>						
WIOA -Youth Activities	LWA 3-16-03/LWA 3-17-04	17.259	10/1/16	\$ 559,600	\$ 559,600	5.6
Subtotal Workforce Investment Act Youth				559,600		
WIOA - Dislocated Worker	LWA 3-16-03/ LWA 3-17-03	17.278	10/1/16	587,283	587,283	5.6
WIOA- Dislocated Worker	LWDA 3-17-01-VCW NCE	17.278	10/24/17	2,002	2,002	5.6
WIOA- Dislocated Worker	-	17.278		445	445	5.6
Subtotal Workforce Investment Dislocated Worker				589,730		
Subtotal Passed Through Commonwealth of Virginia				1,772,370		
Total Department of Labor				1,772,370		
Total Workforce Investment Cluster				1,772,370		
<u>Department of Transportation</u>						
Passed Through Commonwealth of Virginia						
Department of Motor Vehicles:						
Speed Enforcement FY17	SC-2017-57341-6990	20.600	9/30/16	4,440		
Speed Enforcement FY18	FSC-2018-58325-8325	20.600	9/30/17	5,653		
Occupant Protection FY17	OP-2017-5298-6947	20.600	9/30/16	1,743		
Occupant Protection FY18	FOP-2018-58324-8324	20.600	9/30/17	4,658		
Pedestrian/Bike Enforcement FY17	PS-2017-57342-6991	20.600	9/30/16	1,299		
Pedestrian/Bike Enforcement FY18	FPS-2018-58326-8326	20.600	9/30/17	2,210		
Subtotal Highway Safety				20,003		
Alcohol Enforcement FY17	K8-2017-57337-6986	20.601	9/30/16	8,454		
Alcohol Enforcement FY18	154Al-2018-58323-8323	20.601	9/30/17	13,670		
Subtotal Alcohol Impaired Driving				22,124		
DUI Taskforce FY17	154AL-2017-57747-7083	20.607	9/30/16	51,942		
DUI Taskforce FY18	154AL-2018-58392-8392	20.607	9/30/17	104,603		
Subtotal Alcohol Open Container Requirements				156,545		
DMV Traffic Safety FY18	FDL*AL-2018-58427-8493	20.616		5,144		
Subtotal National Priority Safety				5,144		

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Transportation (continued)</u>						
Passed Through Commonwealth of Virginia						
Department of Transportation:						
Roanoke River Greenway - Bridge the Gap	UPC 105439	20.205	1/30/14	\$ 2,668,993		
Edgewood Street Transit Accessibility IMP	UPC109288	20.205	10/14/16	350,811		
Colonial Avenue Improvements	UPC108896	20.205	9/7/16	708,814		
Transportation Alternative RR Grant - Garden City Greenway	UPC 106265	20.205	5/6/16	600,000		
Subtotal Highway Planning and Construction				4,328,618		
Total Highway Planning and Construction Cluster				4,328,618		
Subtotal Passed Through Commonwealth of Virginia				4,532,434		
Total Department of Transportation				4,532,434		
<u>Department of Treasury</u>						
Direct Programs:						
Equitable Sharing Funds - Attorney General	-	21.000	multiple	220		
Equitable Sharing Funds - Department of Treasury	-	21.000	multiple	6,000		
Subtotal Equitable Sharing Funds DOT Programs				6,220		
Total Department of Treasury				6,220		
<u>Environmental Protection Agency</u>						
Direct Programs:						
EPA Brownfield Site Assessment FY16	96339901	66.818	9/2/15	2,811		
Subtotal Brownfield Remedial Programs				2,811		
Subtotal Environmental Protection Agency Direct Programs				2,811		
Passed Through James Madison University:						
Vehicle Emission Reduction FY16	96341801	66.039	9/24/15	24,605		
Subtotal Brownfield National Clean Diesel Programs				24,605		
Subtotal Passed Through James Madison University				24,605		
Total Department of Environmental Protection Agency				27,416		

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Education</u>						
Passed Through Commonwealth of Virginia						
Department of Education:						
21st Century Literacy FY 17	-	84.287		\$ 2,562		
21st Century Literacy FY 18	00124-APE60565-S287C170047	84.287		48,062		
Subtotal 21st Century CLC Program				50,624		
Passed Through Commonwealth of Virginia						
Department of Health:						
Summer Food Service Program for Children FY19				17,600		
Subtotal Summer Food Service Program for Children				17,600		
Subtotal Passed Through Commonwealth of Virginia				68,224		
Total Department of Education				68,224		
<u>Department of Homeland Security</u>						
Direct Programs:						
Assistance To Firefighters FY16	EMW-2016-FO-02682	97.044	10/2/17	1,000,000		
Subtotal Assistance to Firefighters Programs				1,000,000		
Subtotal Department of Homeland Security Direct Programs				1,000,000		
Passed Through Commonwealth of Virginia						
Department of Homeland Security:						
Emergency Management Assistance	-	97.042	10/1/15	53,387		
Subtotal Emergency Management Assistance Programs				53,387		
State Homeland Security Heavy Tactical Rescue Team FY16	FY2016-SHSP HTR	97.067	2/14/17	27,975		
State Homeland Security Heavy Tactical Rescue Team FY18	EMW-2017-SS-00088 7562	97.067	5/16/18	7,679		
State Homeland Security Response Team Protective Equipment FY16	FY2016-SHSP RTE	97.067	11/10/16	25,000		
State Homeland Security Response Team Protective Equipment FY16	FY2017-SHSP RTE	97.067	10/13/17	9,210		
State Homeland Security Haz-Mat Team Equip FY16	FY2016-SHSP HAZ-MAT	97.067	12/7/16	54,218		
Subtotal Homeland Security Grant Programs				124,082		
Subtotal Passed Through Commonwealth of Virginia				177,469		
Total Department of Homeland Security				1,177,469		

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Federal Award Date	Total Expenditures	Passed through to Subrecipients	Notes
<u>Department of Health and Human Services</u>						
Passed Through Commonwealth of Virginia						
Department of Social Services:						
Promoting Safe and Stable Families	-	93.556	multiple	\$ 94,007		
Subtotal Promoting Safe and Stable Family Programs				94,007		
Temporary Assistance for Needy Families	-	93.558	multiple	1,766,362	\$ 272,343	5.7
Refugee & Entrant Assistance-State Administered Program	-	93.566	multiple	10,569		
Low-Income Home Energy Assistance Program	-	93.568	multiple	216,551		
Child Care and Development Block Grant	-	93.575	multiple	(527)		
Child Care and Development Fund	-	93.596	multiple	252,318		
Total CCDF Cluster				<u>2,245,273</u>		
Chafee Education & Training Vouchers Program	-	93.599	multiple	25,152		
Adoption Incentive Payments	-	93.603	multiple	2,472		
Child Welfare Services	-	93.645	multiple	5,135		
Foster Care Title IV-E	-	93.658	multiple	2,356,331		
Adoption Assistance Title IV-E	-	93.659	multiple	3,469,689		
Social Services Block Grant	-	93.667	multiple	1,813,579		
PSSF Child Abuse Prevention FY18	FAM-15-059-08 SFY18	93.590		18,019		
Foster Care Independent Living Program	-	93.674	multiple	36,055		
FAMIS 17 Children's Insurance Program		93.767	multiple	11,685		
FAMIS 18 Children's Insurance Program	-	93.767	multiple	72,479		
DMAS 17 Medical Assistance Program	-	93.778	multiple	349,792		
DMAS 18 Medical Assistance Program		93.778	multiple	<u>1,777,330</u>		
Subtotal Passed Through Commonwealth of Virginia				<u>9,937,718</u>		
Total Department of Health and Human Services				<u>12,276,998</u>		
Grand Total Federal Financial Assistance				<u><u>\$ 25,686,523</u></u>	<u><u>\$ 4,078,085</u></u>	

The accompanying notes are an integral part of this schedule.

(Continued)

**Notes to the Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2018**

Note 1 – Basis of Accounting

This Schedule of Expenditures of Federal Awards (Schedule) is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting, in which expenditures are generally recognized when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due. Program income earned while administering Federal programs or projects are reported using the additive method. Under this method, expenditures from this income is reported on the SEFA in addition to expenditures made from the original grant.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Non-cash Awards – food donations

The amount of food commodities reported on the Schedule is the value of the food received by the Roanoke Juvenile Detention Home through the U.S. Department of Agriculture donated food distribution program during current year and priced as net dollar, fair market value as furnished by the U.S. Department of Agriculture.

Note 4 – Indirect Cost Rate

The City uses a direct cost method for administrative expenses within Federal Programs. The City has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

(Continued)

**Notes to the Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2018**

Note 5 – Subrecipient Expenditure Summary

The following chart summarizes Federal funds that passed through the City to subrecipients for the fiscal year ending June 30, 2018:

Note	Group	Total Expenditures
5.1	Community Development Block Grants	\$ 1,428,994
5.2	Emergency Shelter	118,680
5.3	HOME Investment in Affordable Housing	401,787
5.4	Continuum of Care	32,778
5.5	Juvenile Justice and Delinquency Prevention	51,132
5.6	Workforce Investment	1,772,370
5.7	Temporary Assistance for Needy Families	272,343
	Total	<u>\$ 4,078,084</u>

THIS PAGE INTENTIONALLY BLANK

**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 City Council
City 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, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roanoke, Virginia (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the School Board of the City of Roanoke, Virginia, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report recognizes that the City implemented one new accounting standard effective July 1, 2017. Our report included an emphasis paragraph indicating that the City's fund balance of the General Fund and the Capital Projects Fund along with the net position of the Internal Service Funds as of July 1, 2017 has been restated.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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* and three (3) instances of noncompliance or other matters that are required to be reported under the *Specifications for Audits of Counties, Cities, and Towns*, which are described in the accompanying schedule of findings and questioned costs as items 2018-003 through 2018-005.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive, flowing style.

Roanoke, Virginia
November 30, 2018

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Members of the City Council
City of Roanoke, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Roanoke, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. The City's basic financial statements include the operations of the School Board of the City of Roanoke, Virginia (the "School Board") and the Greater Roanoke Transit Company (the "GRTC"), discretely presented component units of the City, which received \$23,269,312 and \$4,212,556, respectively, in federal awards which are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of the School Board and the GRTC because the component units engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on CFDA 17.258-CL WIOA Cluster

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA 17.258-CL WIOA Cluster as described in finding number 2018-002 for subrecipient monitoring. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 17.258-CL WIOA Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 17.258-CL WIOA Cluster for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002 that we consider to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Roanoke, Virginia
November 30, 2018

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. Summary of Auditor's Results

1. The type of report issued on the financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements:
None Reported
3. Material weaknesses: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None Reported**
6. Material weaknesses in internal control over major programs: **Yes, finding 2018-002**
7. The type of report issued on compliance for major programs:

Qualified opinion regarding subrecipient monitoring of the Workforce Innovation and Opportunity Act Cluster (WIOA – CFDA Numbers 17.258/17.259/17.278)

Unmodified opinions over other applicable compliance requirements for all other major programs

8. Any audit findings which are required to be reported under the Uniform Guidance: **Yes**
9. The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster (SNAP)	10.561
Temporary Assistance for Needy Families Cluster (TANF)	93.558
Social Services Block Grant	93.667
Workforce Innovation and Opportunity Act Cluster (WIOA)	17.258/17.259/17.278
Highway Planning and Construction Cluster	20.205
Assistance to Firefighters Grant	97.044

10. Dollar threshold to distinguish between Type A and Type B Programs: **\$770,596**
11. The City of Roanoke, Virginia was not determined to be a low risk auditee.

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

C. Findings and Questioned Costs Relating to Federal Awards

2018-001 – Non-Material Noncompliance - Electronic Benefit Transfer (EBT) Card Security

Program: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) (CFDA Number 10.561 - U.S. Department of Health and Human Services - Virginia Department of Social Services; Federal Award Number: not available; Federal Award Year: 2018)

Criteria: Per the OMB Compliance Supplement for the SNAP Program, the City of Roanoke is required to maintain adequate security over, and documentation for, EBT cards.

Condition: One (1) instance of a sample of fifty-three (53) tested was identified where the City of Roanoke did not maintain the log of Internal Action and Vault Card Authorization Form for EBT card issuances.

Cause: When Internal Action and Vault Card Authorization Forms are not completed and electronically scanned for storage, there is no procedure to verify that all documentation has been properly maintained.

Effect: Without proper maintenance of daily documentation, EBT cards can be improperly authorized, issued, and/or accounted for, resulting in program noncompliance.

Questioned Cost: Non-financial

Recommendation: The City of Roanoke should implement a procedure to verify that the number of EBT cards issued are checked against the number of Internal Action and Vault Card Authorization Forms uploaded to electronic document storage.

Views of Responsible Officials: We concur with the auditor's observations. The Department of Social Services is implementing a control process in which the Internal Action and Vault Card Authorization Forms will be maintained and an electronic version verified the next day. The paper forms will be maintained for a minimum of a month, while the electronic versions are scanned and maintained in the Virginia Case Management System (VaCMS) case file.

2018-002 – Material Weakness and Compliance Qualification – Sub-Recipient Monitoring

Program: Workforce Innovation and Opportunity Act (WIOA) Cluster (CFDA Numbers 17.258, 17.259, 17.278) - U.S. Department of Labor - Virginia Department of Labor; Grant Award Number: multiple; Federal Award Year: 2018)

Criteria: Per 20 CFR 683.410, each recipient and subrecipient of funds under title I of WIOA and under the Wagner-Peyser Act must conduct regular oversight and monitoring of its WIOA and Wagner-Peyser Act program(s) and those of its subrecipients and contractors.

Condition: The City of Roanoke, as the prime recipient, provides WIOA pass-through grant funds to the Western Virginia Workforce Development Board ("WVWDB") as its subrecipient, who in turn contracts solely with ResCare, Inc. to perform the operational functions of the grant. During our testing over subrecipient monitoring, it was noted that the City of Roanoke has not taken appropriate action to address repeated findings and lapses in internal control within the subrecipient organizations.

Cause: Internal control processes were not in place to ensure the effective and complete monitoring of subrecipient activities in accordance with the WIOA requirements.

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Effect: Without procedures in place to actively monitor subrecipients based on a continuous assessment of the risk of noncompliance, and the evaluation of other monitoring reports, eligibility determinations and unallowable charges to the program can be made.

Questioned Cost: Undeterminable

Recommendation: The City of Roanoke should implement an assessment process designed to outline program risks and responses to be applied on periodic basis for all subrecipients. The risk assessment should govern the timing and extent of planned procedures related to the subrecipients and include all criteria in accordance with the WIOA requirements.

Views of Responsible Officials: Management agrees that additional sub-recipient monitoring relating to eligibility, file documentation, corrective action for previous findings, and general oversight in accordance with the Uniform Grant Guidance is needed. We will work with the other entities who are involved with WIOA specifically the Roanoke Valley-Alleghany Regional Commission (RVARC) as fiscal agent, the Western Virginia Workforce Development Board (WVWD) and the vendor with whom RVARC has contracted for services to enact oversight process at each entity level to address the multiple years of findings noted during the 2018 fiscal year audit and reviews. We have reviewed the Uniform Grant Guidance, specifically the sections in Title 2 Sections 205-207; 210; 330-331; 338.

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2018-003 – Special Welfare – Administration – Non-Material Noncompliance

Criteria: Per the Commonwealth of Virginia's Auditor of Public Account's *Specifications for Audits of Counties, Cities, and Towns*, the City of Roanoke is required to reconcile children's subledger accounts with total funds in bank accounts dedicated to Special Welfare on a monthly basis.

Condition: The City of Roanoke did not timely reconcile children's subledger accounts with total funds held in the dedicated bank account for Special Welfare on a monthly basis. As of yearend, unreconciled differences remain after a reconciliation was completed.

Cause: Reconciliations from the children's subledger accounts to the total bank account balance were not performed timely due to a lack of formal procedures in the reconciliation process.

Effect: Proper tracking of Special Welfare funds to the specific individuals to whom they belong cannot be performed with complete accuracy, which resulted in funds not being able to be attributed to program recipients.

Questioned Cost: \$10,678

Recommendation: The City of Roanoke should implement the proper reconciliation procedures to ensure that all children's subledgers and funds are tracked properly. Additionally, the reconciliations should be performed monthly, and reviewed and approved by appropriate management.

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Views of Responsible Officials: We concur with the Auditor's observations, and acknowledge that regular, timely reconciliation was not in place. Due to turnover in the accounting staff in our agency, this was overlooked for some time. However, the Department of Social Services, in accord with the City of Roanoke Accounting department, has engaged appropriate systematic reconciling of these accounts, and has reconciled successfully for each of the last four months, since the issue was discovered in fiscal year 2018. Research back to fiscal year 2011 identified these unreconciled balances, which have been reduced to \$10,678.07 from an original amount of approximately \$27,000 as of July 1, 2018. Internal controls to include monthly reporting and reconciliation, as well as review by the Accounts Payable Systems Coordinator and the Senior Accountant in the City of Roanoke Finance Department, have been put in place. We believe these efforts will fully address this issue and prevent its occurrence in the future.

2018-004 – Special Welfare – Administration – Non-Material Noncompliance

Criteria: Per the Commonwealth of Virginia's Auditor of Public Account's *Specifications for Audits of Counties, Cities, and Towns*, the City of Roanoke is required to properly credit children's accounts when interest is earned on bank account balances on a monthly basis.

Condition: At the end of the fiscal year, the City of Roanoke performed an annual allocation of interest earned to children's subledger accounts.

Cause: Interest allocations are normally performed with the monthly reconciliation of children subledger accounts with the total bank statement reconciliation. Formal procedures did not exist to ensure that reconciliations were performed and accounts properly credited with interest when earned.

Effect: Individual children's subledger accounts are not properly credited with the interest earned on accounts causing children's accounts to potentially be inaccurate.

Questioned Cost: Undeterminable.

Recommendation: The City of Roanoke should implement the proper reconciliation procedures, including the proper allocation of interest to the individual children's subledger accounts. The interest allocation and reconciliations should then be reviewed and approved by appropriate management.

Views of Responsible Officials: We concur with the Auditor's observations, and acknowledge that regular, timely reconciliation was not in place. Due to turnover in the accounting staff in our agency, this was overlooked for some time. However, the Department of Social Services, in accord with the City of Roanoke Accounting department, has engaged appropriate systematic reconciling of these accounts, and has reconciled successfully for each of the last four months, since the issue was discovered in fiscal year 2018. Research back to fiscal year 2011 identified these instances of unallocated interest, which have been reduced to \$3.71, and that amount relates to closed accounts. Internal controls to include monthly reporting and reconciliation, as well as review by the Accounts Payable Systems Coordinator and the Senior Accountant in the City of Roanoke Finance Department, have been put in place. We believe these efforts will fully address this issue and prevent its occurrence in the future.

2018-005 – Statements of Economic Interests and Real Estate Disclosures – Non-material Noncompliance

Criteria: Per the Commonwealth of Virginia's Auditor of Public Account's *Specifications for Audits of Counties, Cities, and Towns*, the City of Roanoke is required to obtain Statements of Economic Interests and Real Estate Disclosures for certain local government employees.

Condition: The City of Roanoke did not verify that disclosure forms were properly completed and received by the required local government employees by the Commonwealth's deadline.

City of Roanoke, Virginia
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Cause: The audit identified one (1) out of sixty-two (62) disclosure forms tested was not dated documenting the timeliness of remittance. In addition, the audit identified one (1) out of sixty-two (62) forms where disclosures were filed after the filing deadline.

Effect: The City of Roanoke is not compliant with the Commonwealth's requirements.

Questioned Cost: Non-financial

Recommendation: The City of Roanoke should implement procedures within the City of Roanoke's Clerk's Office, to verify timeliness and completeness of all disclosure forms obtained from the required local government employees.

Views of Responsible Officials: We concur with the auditor's observations. The City Clerk will implement a policy to send reminders to all appropriate parties prior to the February deadline and will review and confirm receipt of each form.

E. Resolution of Prior Year Audit Findings

2017-001 Internal Control over Financial Reporting - Annual External Financial Reporting in Accordance with Accounting Principles Generally Accepted in the United States of America ("GAAP") – Material Weakness

Current Status: Corrective action was taken in fiscal year 2018, finding not repeated.

2017-002 – Weldon Cooper Survey

Current Status: Corrective action was taken in fiscal year 2018, finding not repeated.

THIS PAGE INTENTIONALLY BLANK

**Department of Finance
City of Roanoke, Virginia**

Amelia C. Merchant
Cindy M. Kirby

Director of Finance
Administrative Assistant IV

Accounting / Accounts Payable

Manisha L. Doncouse
Dorothy E. Hoskins
Cathy P. Jones
Margaret A. Lindsey
Kelly D. Phlegar
Lori N. Ramey
Holli N. Salyers
Katherine T. Todora

Accountant
Senior Accountant
Account Technician
Accounting Supervisor
Senior Accountant
Accountant
Accountant
Account Technician

Management and Budget

Kathleen H. Davis
Acquenatta J. Harris
R. B. Lawhorn, Jr.
Paul R. Workman
Lesha C. VanBuren

Budget Business Analyst
Budget Business Analyst
Budget Manager
Budget Business Analyst
Budget Analyst

Payroll

Connie K. Altice
Suzanne F. Barnett
Jody A. Lawson
Paula S. Quinn

Payroll Technician
Accountant
Payroll & Systems Supervisor
Senior Payroll Technician

Retirement

Andrea F. Trent
Tiffany L. Gilbert
Kayla J. Gunter
Harold R. Harless, Jr.
Karen B. Mullen

Retirement Systems Manager
Retirement Account Technician
Senior Accountant
Financial Analyst
Accountant

Systems

Bettie M. Clay
Amanda K. Dooley
Mary L. Talley

Financial Systems Technician
Financial Systems Accountant
Senior Financial Systems Accountant

THIS PAGE INTENTIONALLY BLANK