

City of Roanoke, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year July 1, 2010 to June 30, 2011

Prepared by the City of Roanoke Department of Finance

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INTRODUCTORY SECTION

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November 30, 2011

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

In accordance with Section 25.1(f) of the Roanoke City Charter, we are pleased to present the City of Roanoke, Virginia (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. 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 U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and the financial statements included in the report were audited by KPMG LLP.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

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), basic financial statements, notes to the basic financial statements, 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 at the southern end of the Shenandoah Valley, 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 1882, Roanoke encompasses a land area of forty-three square miles and operates under a council-manager form of government. The City's 2010 estimated population, 97,032 accounts for just under 31 percent 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 garage and surface lots.

The financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the basic financial statements, conforms to the requirements of GASB Statement No. 14, as amended by GASB Statement No. 39. The accounting and reporting principles of the GASB are based on the fundamental concept that publicly elected officials are accountable to their constituents, and the financial statements should emphasize the primary government and enable financial statement users to distinguish between the primary government and its component units. There are several commissions and authorities where the City's accountability is limited to appointments to, or seats on, the respective boards. The City does not exercise financial or administrative control over these entities, so they are excluded from this report.

The City's reporting entity includes two discretely presented component units. A component unit is a legally separate entity which meets one of three conditions: the governing board is appointed by the primary government, the entity is fiscally dependent on the primary government, or excluding the entity could potentially result in misleading financial reporting. A component unit should be blended with the primary

government if the entities share a governing body and if the component unit almost exclusively provides services or benefits to the primary government; otherwise, it must be presented discretely.

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 (GRTC) is responsible for managing Roanoke's mass transit system. Effective July 1, 2010, the composition of GRTC's Board changed to a seven member board no longer comprised of the seven City Council members. It is now overseen by a seven-member board appointed by City Council. The Board is comprised of two City Council members, two City employees, and three citizens of the community at large. The GRTC is wholly owned by the City of Roanoke, and it receives significant financial support from the City. As a result, GRTC changed from presentation as a blended component unit to presentation as a discretely reported component unit.
- 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

Fiscal year 2011 performance reflected modest economic recovery for the City of Roanoke. Local taxes grew for the first time in three years, the unemployment rate began to improve and construction activity increased. General Fund revenues increased 1.3% in FY11. A significant factor was an increase in the Prepared Food and Beverage tax which changed from 5% to 7%, generating approximately \$4.6 million in revenue. This tax rate was increased for the two-year period including FY11 and FY12 in order to provide additional funding for Roanoke City Public Schools. Adjusting for this, General Fund revenues in total declined 0.5%, heavily impacted by a decline in Social Services reimbursements. Property taxes increased 1.4% while Other Local Taxes increased 8.3%, or 1.6% when adjusted for the rate increase in the Prepared Food and Beverage Tax described above. Among local taxes, sales tax grew nearly 3%, lodging tax by 11%, and there was also significant growth in the bank stock tax as bank deposits increased. General Fund revenues from the Commonwealth and Federal governments declined 5.5%, mainly in the Social Services area where fewer expenditures were incurred, therefore generating lower reimbursement-based revenues.

On the expenditure side, most all categories of General Fund expenditures declined in FY11. One major exception was Education due to the additional \$4.6 million in revenue generated from the Prepared Food and

Beverage Tax and dedicated to Roanoke City Public Schools. The decline in other expenditures was the result of continued budget reductions, as well as tight spending control as the City proactively managed the difficult economic conditions.

Unemployment remained high during fiscal year 2011, but levels improved compared to the prior year. Unemployment in the Roanoke MSA in June was 6.7%, according to the Virginia Employment Commission, compared with 6.3% at the state level and 9.3% at the national level. Roanoke's MSA unemployment stood at 7.5% a year before. Roanoke's economy is strengthened by the diversity of our employment opportunities, with representation from every major type of business as defined by the U.S. Census Bureau.

Economic Development

Roanoke is the center of a strong region, boasting a creative, diverse, sustainable economy. The City stimulates and supports economic development for the purpose of attracting new businesses and encouraging the expansion of existing businesses. The City's Economic Development Department focused efforts on three core initiatives this year targeting key improvements to marketing, data collection and intelligence, and staff development. New marketing materials were created to tout Roanoke's ever increasing assets and amenities, new web-based data collection tools were implemented, enabling the City to better record, mine, and leverage information from the business community, and staff is dedicated to teamwork and honing every skill necessary to assist the business community. As a result of our focused approach, retention, expansion and attraction efforts in fiscal year 2011 yielded announcements from businesses in the industrial, information technology, insurance and hospitality sectors totaling over \$45 million in new investment and more than 700 new jobs. Some highlights include:

- Advance Auto's expansion of \$4.5 million.
- United Healthcare announced a multi-million dollar investment in February 2011 that will create 125 new jobs before the end of 2012.
- Kohl's department store opened a facility in Roanoke in fall 2011 in the site vacated by Walmart. Though the loss of one of the City's two Walmarts was a negative factor for the economy, the replacement by Kohl's brings a destination store that will be patronized by shoppers from all over the region. Kohls' investment was approximately \$3 million.
- American Tire is underway with construction of a new 81,000-square-foot warehouse and distribution center, investing approximately \$3 million.
- Brandon Oaks opened a 12-unit apartment building in summer 2011 following an investment of approximately \$4 million.

An important part of the City's economic development initiative is its two Enterprise Zones. Businesses located within the boundaries of Enterprise Zones may qualify for state or local incentives. Façade grant

funding of approximately \$150,000 in FY11 leveraged approximately \$1.1 million in private investment for building façade improvements in the Enterprise Zones during the year.

A strength of the City's economy rests in its diversity. Major components include the downtown area, now stretching southward to the Riverside Centre for Research and Technology, the Valley View Mall area, Grandin Village, and the many opportunities afforded visitors through Roanoke's recreational and cultural offerings. Background and significant recent achievements pertaining to each of these areas follows.

Downtown

Roanoke has a renowned downtown, full of activity and boasting a strong commercial occupancy level. The downtown area features a number of grand historic buildings, many of which have undergone rehabilitation in recent years. The oldest continuous farmer's market in the Commonwealth is in Roanoke's downtown. The area is full of restaurants, shops, art galleries and became home to the Community High School which opened in fall 2011. Residential housing continues to develop downtown, adding to the vibrancy. Two large construction projects culminated during the past year included:

- The Patrick Henry – a \$23 million investment to renovate the former Patrick Henry Hotel. The Patrick Henry Hotel opened nearly 90 years ago but had been completely vacant since 2007 and had not been used to its full potential for many years. This building was reopened in July 2011 and includes 132 apartment units, as well as commercial/retail space in the form of a coffee shop, bar, and restaurant. The project retained many items of historical significance throughout the renovation of all 10 floors of the building. It represented an investment in a failing property by a local investor/developer who used historic and new market tax credits to save an important community asset.
- The Roanoke City Market Building – restoration of this historic City landmark structure is now complete. Renovations restored the building to its former prominence while upgrading infrastructure and amenities to create a centerpiece for the vibrant future of the downtown area and region. As part of the project, the City entered into a 40-year lease with the Market Building Foundation, Inc. to operate the facility. This paved the way for state, federal and new market tax credits to be used to reduce the public investment in renovation. The building is in the heart of the City's historic downtown district and houses a variety of independent food and retail vendors. By fall 2011, eight vendors occupied the building.

Other recent downtown projects include:

- Meridium, Inc. opened its new downtown facility, a renovation of the former Mostly Sofas historic building on Bullitt Avenue, adding 220 jobs following an investment of \$3.5 million.

- FreightCar America obtained a \$100 million contract with Norfolk Southern to produce 3,000 railcars at its Roanoke manufacturing plant. This will create approximately 300 jobs.
- A downtown grocery store, 16 W Market Place, is planned for Church Avenue with a project investment of approximately \$3 million.

The downtown area also has many cultural amenities such as The Taubman Museum of Art and Center in the Square (Center) which is home to science and history museums and Mill Mountain Theatre. Center in the Square and Center on Church are currently under renovation as part of a \$21 million project. Center's street-level appearance and visibility to Market Square will be improved, the atrium will be redesigned, a green roof will be added that includes a butterfly habitat, and spaces throughout both buildings will be reconfigured and connected, with upgrades to most of the systems and mechanicals. Exterior refurbishments will focus on recapturing Center in the Square's historic facades.

The downtown area also includes other arts and cultural venues such as the O. Winston Link Museum, Virginia Museum of Transportation and the Jefferson Center for Performing Arts.

Riverside Centre for Research and Technology

The City development and expansion of the Riverside Center for Research and Technology (RCRT) is a remarkable long-term development project that is changing the medical research environment in the region significantly. RCRT expanded the South Jefferson Street corridor with the Virginia Tech-Carilion School of Medicine and Research Institute, Carilion Clinic, Riverside 1 office building, and nearby Cambria Suites hotel. The Carilion Clinic is a 250,000-square-foot medical outpatient facility that houses a full range of medical specialists. The Virginia Tech-Carilion School of Medicine and Research Institute is a four-year medical school and research institute which opened in the 2010-2011 school year. The research institute is a global center for brain research. Top researchers from around the world have been recruited to study neurological disorders and diseases of the brain in an effort to create treatments and potential cures. The facility houses and controls leading-edge MRI equipment for real-time brain scans/feedback of patients simultaneously from several countries around the world. Current tenants in Riverside 1 include: Luna Innovations, office and clinics serving Carilion Clinic, Virginia Tech, Solstice Lab Partners Department of Pathology. Riverside Center for Research and Technology has room to grow! The center offers several potential sites for businesses looking to locate in a technology-rich environment. All can be served conveniently from an on-site hotel. Cambria Suites hotel is a 127-room limited-service all-suite hotel. At the heart of the center is a 1,500-space parking garage to accommodate all present activities with ample spaces to serve future tenants.

Valley View Mall Area

The Valley View Mall, built during the 1980s, is a dominant regional shopping center of nearly 900,000 square feet of retail space. The District at Valley View was built in 2007 to enhance the mall shopping experience. It offers eye-catching storefronts, extensive landscaping and pedestrian-friendly walkways. The two areas, combined, offer six anchor stores, over 100 specialty shops, and many restaurants. Valley View Mall is owned and operated by CBL & Associates Properties Inc. which continues to display confidence in the Roanoke retail market. One of Roanoke's strong economic indicators is its strength in retail sales per capita, as the City has historically performed very well at both the state and national level due to its regional draw for shoppers. This year, Valley View Mall added even more variety in dining with the addition of Cheddar's restaurant and Longhorn Steakhouse restaurant.

Grandin Village

Another important retail hub is the City's Grandin Village area. This area serves residents in the south and southwest portions of Roanoke and is a draw for downtown workers. A revitalization effort took place in recent years that increased the area's diversity of offerings and vitality. The Grandin Village is home to the Grandin Theatre, as well as numerous local restaurants and specialty shops.

Tourism

Roanoke is increasingly becoming a destination for tourists. The region offers strong facilities for recreational tournaments in softball, soccer and other sports. Roanoke has been the longtime host of the Commonwealth Games and the Miss Virginia Pageant, important statewide events that draw numerous visitors to the city annually. These events bring many youth and families to the area, and the amenities of Roanoke are very attractive even to those staying in other areas.

The Roanoke Valley Convention and Visitors Bureau (RVCVB) is underway with its regional campaign for the Roanoke Valley, "It's a Blue Ridge Day." As cited in part in its visitor's guide, a Blue Ridge Day "starts when the first rays of sun appear over the mountain ridge illuminating a world of possibilities. It's playing outdoors, hiking and biking the trails or fishing and paddling the cool, clear waters. It's exploring our downtowns, browsing a gallery or dining at a sidewalk café..." The RVCVB launched an aggressive public relations initiative with major feature coverage in the *Washington Post*, *Atlanta Journal Constitution*, *Pittsburgh Post-Gazette*, *Miami Herald*, *Convention South*, and a host of other publications. Visitors discovered the multitude of offerings through the RVCVB's new website, which acts as a travel portal allowing visitors to discover all there is to do in Roanoke and Virginia's Blue Ridge. This contributed to Roanoke's increasing popularity as a visitor destination.

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 of Roanoke'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 our 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 be continued and enhanced by supporting our cultural and entertainment amenities, education, and other services. Protecting our natural environment, supporting a wide range of cultural and entertainment amenities, maintaining a first-class educational system, and providing ongoing educational opportunities will be the building blocks for attracting new residents and businesses. This approach has served the City well and will continue to be the basis for additional growth.

Capital Improvement Program

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 improvements throughout the City. The CIP represents a balance between finite resources and competing community priorities. The CIP specifies the capital improvement and construction projects that will be funded over the upcoming five-year period in order to maintain or enhance the City's \$561 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 2012 through FY 2016 represents \$80 million of public improvements to the City's schools, infrastructure (streets, sidewalks, bridges and storm drains), parks, public buildings, technology, the Civic Center and various economic development projects. Resources accumulated to meet these priority needs are accounted for in the City's Capital Projects and Proprietary Funds.

Budgeting for Outcomes

Roanoke was the first city in Virginia to implement the "budgeting for outcomes" process in the development of its FY12 budget. Budgeting for outcomes is designed to improve services while obtaining a better return on investment of public funds. This process starts with results that matter to citizens in the seven priority areas identified by City Council – economy, education, good government, human services, infrastructure, livability, and safety. Budgeting for outcomes emphasizes accountability, innovation and partnerships as it seeks to assign public funding to the programs and services that are most highly ranked during the process.

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 Resource Allocation Plan. Policies are in place to provide guidance in the areas of budget, expenditures, reserves, revenues, and debt management. In November 2010, City Council adopted revisions to its Reserve and Debt Management Policies. In May 2011, City Council adopted a School Funding Policy. The policy allots 40% of local tax revenues to Roanoke City Public Schools and became effective at the start of fiscal year 2012.

Reserve Policies

Key components of the reserve policies are as follows:

- The Unassigned General Fund Reserve target will be 10% of the 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. As of June 30, 2011, the Unassigned General Fund Reserve was 10.07% of budget and is reported in the General Fund Balance Sheet in the unassigned fund balance category.
- A Risk Management Reserve serves to cover some of the risk exposure the City has due 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 average of fully insured premiums,
 - plus a \$1 million catastrophic reserve.

As of June 30, 2011, the Risk Management Reserve was underfunded with a balance of \$30,043. The City's reserve policies call for this reserve to receive the highest priority for funding now that the Unassigned General Fund Reserve has met its 10% target. The Risk Management Reserve is reported in the Risk Management Fund as a component of Unrestricted Net Assets.

- Once revenues return to pre-recessionary levels of fiscal year 2009, an Economic Downturn Reserve will be created to smooth its 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, 2011, this reserve had not been created since revenues had not returned to the level to trigger establishment of the reserve.
- The Economic and Community Development Reserve is 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, and the reserve floor is \$1 million. As of June 30, 2011, the

balance of this reserve was approximately \$4.2 million. The Economic and Community Development Reserve is reported in the Capital Projects Fund Balance Sheet in the committed category.

Reserves may only be used upon appropriation by City Council, and the City's reserve policies contain stipulations regarding reserve usage and replenishment.

Debt Management Policies

The City's debt policy establishes the parameters for issuing debt and managing the debt portfolio. It provides guidance to the administration regarding purposes for which debt may be issued, types and amounts of permissible debt and method of sale that may be used. The debt policy demonstrates a commitment to long-term financial planning and will be used in conjunction with the Capital Improvement Program. Adherence to this policy will help assure maintenance of the City's positive credit ratings.

The Self-Imposed Debt Targets within the City's debt management policies are as follows:

- Net tax-supported debt as a percentage of the total taxable assessed value in the City (including real, personal property, and public service corporations) will not exceed 4%.
- Net tax-supported general obligation debt service shall not exceed 10% of General Fund expenditures.
- Net tax-supported debt will be structured in a manner such that not less than 60% of the aggregate outstanding tax-supported debt will be retired within 10 years.

The City monitors these ratios to ensure ongoing compliance with the debt policy. Additional disclosures regarding the City's long-term obligations are provided in the notes to the basic financial statements.

Major Initiatives and Accomplishments

Education

Roanoke City Council places education as the top priority of the government. So much so that it increased the Prepared Food and Beverage Tax from 5% to 7% for the two-year period from July 1, 2010, to June 30, 2012, with the resulting revenue being solely dedicated to Roanoke City Public Schools. This provided a funding infusion of \$4.6 million to the school system in FY11 to significantly offset state funding reductions. It allowed important programs such as summer school and early reading to continue despite a loss of state funds.

Roanoke City Public Schools have demonstrated significant performance improvements in recent years. The 2011 on-time graduation rate was 75.7%, up significantly from 59.1% in 2008. All schools within the system are now academically accredited for the first time in the history of Roanoke City Public Schools. School maintenance and capital improvement projects are underway as part of an updated Capital Improvement Program.

More information regarding the important achievements of Roanoke City Public Schools is available in the separately published School CAFR.

In the field of higher education, Virginia Western Community College is underway with the first new academic building to be constructed on campus in more than a decade. The \$27.5 million project will result in a 68,000-square-foot Center for Science and Health Professions building. Courses to be housed include nursing, dental hygiene and basic lab sciences, and enrollment is expected to increase by 500 students as a result. Completion of the new building is expected in 2012.

Public Safety

Public safety is one of the top priorities of the City of Roanoke. Roanoke is in an elite group of cities with accreditation of all three of its primary public safety departments – Police, Fire-EMS and Sheriff. Significant accomplishments have been made by each of the three during the past year.

During fiscal year 2011, Part One crimes were reduced by more than 5% compared to the prior year. Violent offenses declined as did property offenses. In summer 2010, the Police Department initiated the City's first community walk which brings together citizens and City department staff and others to walk through neighborhoods looking for criminal, zoning, code enforcement and other violations. A Cyber Community Policing Initiative was implemented, increasing the department's use of Facebook and Twitter. The Roanoke Police Department has been accredited by the Commission on Accreditation for Law Enforcement Agencies (CALEA) since July 30, 1994.

To make the most effective use of technology in its firefighting activities, Roanoke Fire-EMS is installing mobile data units in all front-line fire engines, ladder trucks, and ambulances. 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 department is one of 119 fire departments to receive international accreditation.

In 2010, the Roanoke City Sheriff's Office launched a Citizens' Academy, a six-week interactive program that helps participants gain an understanding of the responsibilities of the Sheriff's Office and how the department operates. The Citizens' Academy is designed to develop positive relations between deputies and the community to create a growing nucleus of responsible, well-informed citizens familiar with the services Roanoke City Sheriff's Office provides to the community. The Roanoke City Sheriff's Office is accredited by the Commission on Accreditation for Corrections (CAC), with its last re-accreditation occurring in 2009.

Human Services

Roanoke's status as the largest city west of the state capitol means that there is a high demand for human services from the community. During FY11, important financial gains were made in the human services area as a result of a significant reduction in Comprehensive Services Act expenditures. This was the result of fewer children in foster care, more timely adoptions, tighter control of authorized services and implementation of parental co-pays. The City's foster care census reached an all-time low in fiscal year 2011, and a record number of adoptions took place during the year. In reaction to budgetary constraints, Sanctuary, the residential crisis program for court-involved youth, was closed. Required services were obtained through contracts with nearby facilities.

Neighborhoods

The City understands the importance healthy neighborhoods play to the overall health of the community. Quality of life transfers to a broader economic effort of marketing Roanoke as a place to live, work, visit, and play. The City continues to promote the development of all of our neighborhoods into vibrant and sustainable places for people of all ages, ethnicity, lifestyles, and income. The City also understands the importance neighborhood organizations play in this development, for neighborhoods whose residents are socially and actively engaged with one another and their city are less likely to become environments for crime, blight and other kinds of deterioration. In addition, the City recognizes that residents participating in these organizations are often more "plugged in" than others, 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 live in them. In September 2011, the City supported the attendance of nine neighborhood residents at the 36th annual Neighborhoods USA Conference held in Anchorage, Alaska, where 250 attendees from across the U.S., Japan, Canada, and the Philippines came together to collaborate with and share best practices for creation of programs to enhance livability and build capacity in city neighborhoods.

The City also continues to create opportunities for civic groups to enhance their neighborhood's quality of life by providing them with financial resources to undertake self-help projects through the Neighborhood Development Grant Program. In 2011, 16 neighborhood groups from across the City submitted grant

applications to undertake a variety of projects including the purchase and installation of neighborhood recycling receptacles, streetlamps, critical repairs on homes, landscaping, and projects to help reduce the city's carbon footprint. Through the Neighborhood Development Grant Program, neighborhood organization volunteers have the opportunity to build community spirit, develop leaders within the neighborhood, and demonstrate that projects can be completed to enhance the quality of life within the community.

To support its neighborhoods, the City has adopted policies and programs that focus on revitalization and increasing homeownership opportunities. In Hurt Park, the neighborhood currently targeted to receive funding toward housing improvement, over \$6.0 million in Community Development Block Grant (CDBG) funds have leveraged more than \$3.0 million in cash and in-kind contributions from other public and private sources. Beginning in 2007 and anticipated to extend through at least June 2012, the Hurt Park project has included such wide ranging elements as infrastructure, housing, community gardening and recording the oral history of the neighborhood. While work remains in Hurt Park, the City has named the bordering areas encompassing portions of the West End, Mountain View and Old Southwest neighborhoods as the next target area, and efforts are now underway to pave the way for the transition from one target area to the other.

At the same time that Roanoke invests significant resources in such target areas, it recognizes that need to provide for a variety of City wide projects with these federal and other resources. During the most recently completed fiscal year, the City's Down Payment Assistance Program enabled 44 more families to become homeowners in neighborhoods of their choosing. CDBG funds also assisted local neighborhood organizations to conduct numerous community betterment projects such as building capacity, installing gateway signs, and minor repairs to the homes of residents. CDBG and local City resources have contributed to neighborhood crime reduction, removal of structures that threaten health and safety, reducing the potential of flooding to damage property, enhanced human services and other needs of residents.

As the City looks ahead to the new target area and supporting its neighborhoods, staff will continue to take into account neighborhood plans, study the latest data on neighborhood conditions and needs, and seek to incorporate residents into the decision-making and evaluation processes.

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 Appalachian Trail and Blue Ridge Parkway surround the city. The Carvins Cove Natural Reserve provides nearly 13,000 acres of park land available for a wide variety of recreational uses. The greenway system continues to grow and develop. More than 16 miles of paved trails currently exist within the City's five greenways. The Lick Run, Tinker Creek, Murray Run, Mill Mountain,

and Roanoke River greenways serve thousands of patrons annually. The City's first dog park was opened in May 2009 in Highland Park. Additional green space is expected as a result of the Countryside Master Plan which outlines property uses including recreational uses, open space, and greenways.

An expansion of the Kirk Family YMCA's downtown facilities took place in spring 2011. The expansion increased building size by 10,000 square feet, doubling the size of the wellness center. It added a new youth center and expanded the exercise studio and child watch center. The expansion was necessary to keep up with membership growth.

Arts and Cultural Activities

As mentioned previously, arts and cultural opportunities abound in Roanoke through private sector opportunities such as the Taubman Museum of Art, Jefferson Center and others. The City places an emphasis on arts and culture as well, though recent funding limitations somewhat limit spending in this area. The Roanoke Civic Center and the City's public art program are two important components of arts and culture in Roanoke.

The Roanoke Civic Center celebrated its 40th anniversary in March 2011. The Civic Center continues to reach new successes each year under management by Global Spectrum which has been operating the City-owned facility since 2009. Operational advancements have resulted in a decreased reliance on General Fund support of this operation. Highlights for FY11 included the record-breaking Cirque du Soleil: Alegria performance which sold nearly 20,000 tickets with gross sales approaching \$1.3 million. Record-breaking Harlem Globetrotters performances took place, the first PetEx consumer show was held, and several of the Broadway in Roanoke series shows sold out.

Progress is underway for Elmwood Park improvements. For more than 100 years, Elmwood Park has evolved from the distinguished home and gardens of P.L. Terry, one of Roanoke's founding citizens, to downtown's premier green space. Today, over 50 groups use the park with events scheduled throughout much of the year. The City is looking at how the park functions and examining opportunities to improve the space for everyone.

Roanoke's public art program is overseen by the Roanoke Arts Commission. The art program enhances the quality of life for Roanoke's citizens by creating a heightened sense of place and community identity. The program enlivens the visual quality of public space, and now includes nearly 100 pieces of art to showcase many of the region's best artists.

Libraries

The City of Roanoke promotes lifelong learning for all citizens. The Library Master Plan includes projects to enhance the delivery of programs and services throughout the community. In recent years, the City has completed expansion and renovation of the Gainsboro and Jackson Park branch libraries. Investment in two e-branch service points offer an extension of the public library system through state-of-the-art electronic kiosks. During the summer, the City launched its e-book program, allowing citizens to utilize mobile devices to check out downloadable books. Significant gains in library participation took place in FY11 including increased program offerings, attendance, and computer class offerings. In FY11, the City's summer reading program enjoyed a 71% increase in attendance over the prior year. Libraries are an important way the City supports the public education programs of Roanoke City Public Schools.

Transportation and Parking

Transportation is an important economic development focus for Roanoke. Important developments this year include issuance of two requests for proposals by the Virginia Department of Transportation for construction of improvements at two interchanges along I-581. Improvements at Elm Avenue will add capacity to both interstate exit ramps and is expected to address severe congestion during several hours of each day. Work is expected to be completed by 2015. Improvements at the existing Valley View Boulevard interchange will complete the existing partial interchange. This will improve access to and from the north to the retail area housing Best Buy, Target, Staples, PetSmart and other stores as well as provide access to more than 100 acres of undeveloped property on the west side of the interstate. The master planning process and coordination with adjacent neighborhood groups was initiated in the summer of 2011 using citizen input sessions to begin planning the future of this area, referred to as Evans Spring. This work is also expected to be completed in 2015. Also, this year, construction of improvements at the intersection of Aviation Drive and Towne Square Boulevard was completed. This project enhances access to the retail areas at Towne Square and Crossroads Malls, simplifies access to the Roanoke Regional Airport, and minimizes traffic demand on Hershberger Road.

The City has worked diligently to address the transportation and parking needs of citizens and visitors in the downtown area. Valley Metro transports Medicare card holders, persons age 65 or older, disabled persons, and youth under 18 who present a school-issued identification card at a discount rate of one half the regular fare. Younger students are free, but must be accompanied by a paying adult passenger. The Star Line Trolley is public transportation initiated in 2008 that serves the corridor of retail businesses, schools, libraries, restaurants, and lodging along Jefferson Street between the downtown area and Carilion Roanoke Memorial Hospital.

Important initiatives of the City as provided by the Transit Company have included regional connections that will pave the way for passenger rail at a time in the future. The Smart Way Bus is a regional transportation service operated by Valley Metro which links the Roanoke Valley and the New River Valley. The Smart Way Connector is a regional transportation service which links the Roanoke Valley and New River Valley to the Amtrak Passenger Rail Station in Lynchburg.

The City's public parking system includes seven garages and five surface lots. A major renovation of the Market Garage, which serves downtown businesses, Center in the Square, and visitors to the historic city market, was completed in 2010. The project added new parking spaces, increased the retail space available on the main level and upgraded the garage facade. This facility can support added roof top construction for commercial development as well.

Environmental Leadership

The City's position of environmental leadership continues. 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 carbon footprint, reduction of solid and hazardous waste and improving the environmental management system are components of this program. Roanoke rewards environmental stewards with reduced tax rates. The City offers a 10% reduction in the real estate rate for five years following investments by home owners that increase energy efficiency. It offers a 10% credit to the personal property tax for qualifying clean special fuel vehicles.

Accomplishments during the past year in this area include the installation of LED traffic lights at all intersections in the City, completion of a major relighting program in the City Courthouse and Jail, installation of LED lights in a renovated City garage, competition in the 2011 Virginia Community Challenge and completion of the first City of Roanoke Green Academy with 20 graduates.

Regional Cooperation

City leadership appreciates the importance of regional cooperation in these difficult economic times. The Roanoke Valley has numerous successful regional ventures in place as detailed in the notes to the basic financial statements. These ventures provide services to citizens in the areas of solid waste management, water and sewer utilities, juvenile detention, animal control, library services, and training of public safety personnel. The Roanoke Valley Consortium obtains dental insurance for a large pool of valley employees and works collaboratively to explore purchasing opportunities for new benefit programs and/or services.

Future Challenges

Current economic trends for the U.S. economy reflect continuing unemployment rates that exceed historic averages, limited housing activity and decreases in values of residential properties. These difficult economic conditions have and will continue to provide challenges to the City. For the first time in its history, the City anticipates an overall decline in the assessed value of real property effective with fiscal year 2013. Given the magnitude of real estate tax revenues to the City's budget, this will pose challenges for the City and School Board.

Challenges exist at the federal level as budget balancing and deficit management challenges impact funding to localities. Funding of the Community Development Block Grant (CDBG) program may be impacted by federal funding reductions.

The City regularly assesses the influence of economic factors and makes budgetary adjustments as necessary to minimize the impact to key services and ensure that the City continues to remain financially stable.

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, 2010. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable 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.

A Certificate of Achievement is valid for a period of one year. The City of Roanoke has received a Certificate of Achievement for the last 36 consecutive years (fiscal years ended 1974 - 2010). We believe this report conforms to the Certificate of Achievement program requirements and standards, and we are submitting it to the GFOA to determine its 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, 2011. 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 communications device. The City has been a recipient of the Distinguished Budget Presentation Award for the last 26 consecutive years.

Other Awards and Recognitions

- *Forbes.com* ranked the Roanoke metro area 39th overall on “The Best Places for Business and Careers” list in the over 300,000 population category.
- *Kiplinger’s Personal Finance* ranked Roanoke 167 of the 367 U.S. metropolitan areas on its list of “Best Cities for the Next Decade.”
- The Roanoke Neighborhood Revitalization Partnership/Hurt Park received the 2010 Virginia Statewide Neighborhood Conference Neighborhood Project of the Year Award.
- The Old Southwest neighborhood organization received the 2010 Virginia Statewide Neighborhood Conference Neighborhood Organization of the Year Award.
- Roanoke ranked in the Top 10 Digital Cities for the ninth consecutive year.
- Roanoke’s Fleet Management department was recognized as one of the best 100 fleets in North America.
- Roanoke City Manager Chris Morrill was elected President-Elect of the Government Finance Officers Association of the U.S. and Canada.

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 express our appreciation to the staff of the Department of Finance for their dedication in assuring the financial integrity of the City and the preparation of this report. Appreciation is also expressed to 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,

Christopher P. Morrill
City Manager

Ann H. Shawver, CPA
Director of Finance

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, 2010

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



President

Executive Director

CITY OF ROANOKE
DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2011

Members of City Council

David A. Bowers
Sherman P. Lea
William D. Bestpitch
Raphael "Ray" E. Ferris
Anita J. Price
Court G. Rosen
David B. Trinkle

Mayor
Vice-Mayor

Constitutional Officers

Brenda L. Hamilton
Octavia L. Johnson
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

Christopher P. Morrill
Ann H. Shawver, CPA
William M. Hackworth
Stephanie M. Moon
Troy A. Harmon, CPA

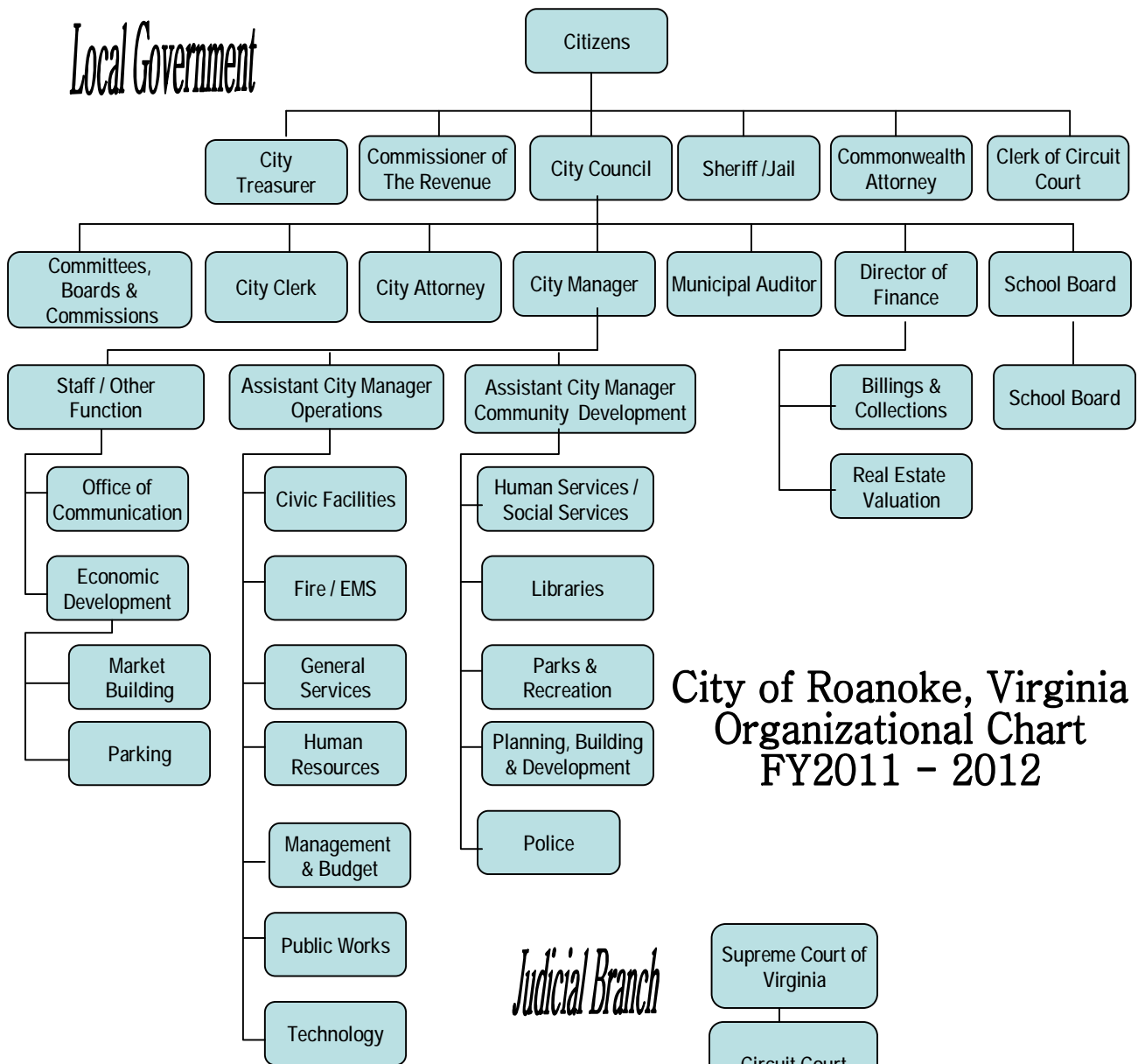
City Manager
Director of Finance
City Attorney
City Clerk
Municipal Auditor

Other City Officials

Sherman M. Stovall
R. Brian Townsend

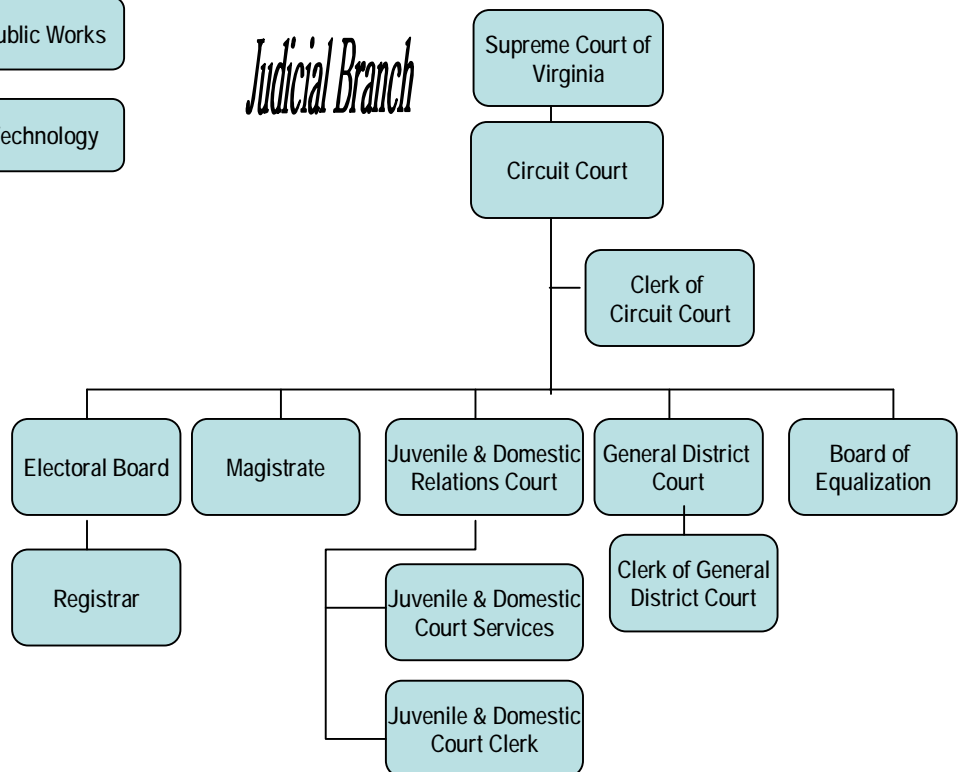
Assistant City Manager
Assistant City Manager

Local Government



City of Roanoke, Virginia Organizational Chart FY2011 - 2012

Judicial Branch



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FINANCIAL SECTION

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

Independent Auditors' Report

The Honorable Members of City Council
City of Roanoke, Virginia:

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, 2011, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. 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), a discretely presented component unit of the City, constituting 100% of the total assets, net assets, revenues and expenses of the discretely presented component unit as of and for the year ended June 30, 2011. We also did not audit certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, constituting 2.9% and 1.2% of total assets, 4.1% and 2.0% of total liabilities, 52.8% and 44.6% of total revenues, and 62.9% and 38.6% of total expenses of the Civic Facilities fund and business-type activities, respectively, as of and for the year ended June 30, 2011. The financial statements of the School Board and certain operations of the Civic Facilities fund were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the School Board and the amounts included for the Civic Facilities fund audited by other auditors are based solely on the reports 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 *Specifications for Audits of Counties, Cities and Towns* (Specifications), 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.



As discussed in notes 1(N) to the basic financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

As discussed in notes 1(A) and 18 to the basic financial statements, as of and for the year ended June 30, 2011, the Greater Roanoke Transit Company (GRTC) is reported as a discretely presented component unit of the primary governmental reporting entity of the City. Prior to July 1, 2010, GRTC was reported as a blended component unit of the primary governmental reporting entity of the City, and GRTC's financial position, results of operations, and cash flows were recorded in an enterprise fund, a proprietary fund type, of the City.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 27 through 41, the Budgetary Comparison Schedule – General Fund, the Schedules of Funding Progress, the Schedules of Employer Contributions, and the Notes to Budgetary Comparison Schedule – General Fund on pages 121 through 128 are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section, the combining and individual fund financial statements (Exhibits L-1, L-2, L-3, M-1 and M-2) and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual fund financial statements (Exhibits L-1, L-2, L-3, M-1 and M-2) and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and the Statistical Section 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 on them.

KPMG LLP

November 30, 2011

**CITY OF ROANOKE, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

The following discussion and analysis of the City of Roanoke, Virginia's (the City's) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the preceding transmittal letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets, excluding those of its component units, on the government-wide basis, totaled \$349,257,159 at June 30, 2011. Of this amount, \$45,344,886 may be used to meet ongoing obligations to citizens and creditors, and \$303,912,273 is invested in capital assets, net of related debt.
- Governmental activities of the City had expenses net of program revenues of \$167,494,637, which totaled \$27,727,852 less than the general revenues, net of transfers of \$195,222,489.
- At June 30, 2011, the City's governmental funds balance sheet reported total ending fund balances of \$48,155,820.

OVERVIEW OF THE FINANCIAL STATEMENTS

Our 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 Assets (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. These statements allow readers to answer the question, "Is the City's financial position, as a whole, better or worse as a result of the year's activities?" One of the main goals of these two statements is to report the City's net assets and changes that affected net assets during the fiscal year. The change in the City's net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Increases or decreases in net assets are indicators of whether the City's financial position is improving or deteriorating. Other non-financial

factors, such as changes in the City's property tax base and the physical condition of the City's infrastructure should also be considered in assessing the overall financial health of the City.

In the Statement of Net Assets 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 Civic Facilities, Parking, and Market Building operations are reported here as the City charges fees for services to customers. The Market Building operations ended in fiscal year 2011, and the fund was dissolved.

Component units – The City includes two discretely presented component units in this report, the School Board of the City of Roanoke (School Board) and, effective July 1, 2010, the Greater Roanoke Transit Company (GRTC). Previously, GRTC was reported as a proprietary fund in the City's business-type activities. Although legally separate, the component units are important because the City is financially accountable for them.

Fund Financial Statements

The fund financial statements begin on page 45 and provide detailed information about the most significant funds, not the City as a whole. The City has three types of funds:

Governmental funds – Most of the City's basic services are included in governmental funds. Fund based statements focus on how resources flow into and out of those funds and the balances left at year-end that are available for future spending. 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 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. The differences between governmental activities as reported in the government-wide and fund financial statements are reconciled in Exhibits D and F on pages 49 and 51, respectively.

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

The City's enterprise funds, one 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 the Civic Facilities, Parking, and Market Building funds. During fiscal year 2011, the Market Building fund operations were discontinued.

The City uses internal service funds, another type of proprietary fund, to report activities that provide supplies and services by one City department to other City departments on a cost reimbursement basis. Internal service fund rates are evaluated annually and adjusted as considered necessary with the goal of providing adequate revenues to cover operating and capital expenditures on an ongoing basis. Funds included in this category are Department of Technology, Fleet Management, and Risk Management.

Internal service fund activities are reported as governmental activities on the government-wide 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 post-employment benefits (OPEB) related to its healthcare plan for retirees in an OPEB trust fund. The City reports assets held on behalf of the Hotel Roanoke Conference Center Commission as an agency fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

A comparative analysis of government-wide information is as follows:

**Summary of Net Assets
(Restated)
as of June 30, 2011 and 2010
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 112.9	\$ 105.2	\$ 2.5	\$ 5.3	\$ 115.4	\$ 110.5
Capital assets, net	498.1	494.3	62.5	66.8	560.6	561.1
Total assets	611.0	599.5	65.0	72.1	676.0	671.6
Other liabilities	48.4	57.0	2.9	3.7	51.3	60.7
Long-term liabilities	248.4	256.0	27.0	28.6	275.4	284.6
Total liabilities	296.8	313.0	29.9	32.3	326.7	345.3
Net assets:						
net of related debt	270.0	261.0	34.0	36.5	304.0	297.5
Restricted	-	-	-	-	-	-
Unrestricted	44.2	25.5	1.1	3.3	45.3	28.8
Total net assets	\$ 314.2	\$ 286.5	\$ 35.1	\$ 39.8	\$ 349.3	\$ 326.3

The City's Primary Government combined net assets increased from \$326.3 million to \$349.3 million as a result of the increase in net assets of governmental activities of \$27.7 million and a decrease in business activities of \$4.7 million. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the City, totaled \$45.3 million. Net assets invested in capital assets, net of related debt, totaled \$304.0 million and represents the amount of capital assets owned by the City, including infrastructure, net of accumulated depreciation and any outstanding debt issued to fund the asset purchase or construction. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. As of June 30, 2011, the City did not have any restricted net assets as presented in the governmental-wide statements. The City utilizes restricted resources first when expenditures are incurred for purposes which restricted or unrestricted net assets are available.

Business type activities as reported above, exclude the Greater Roanoke Transit Company (GRTC), which effective July 1, 2010, changed to a discretely presented component unit from a blended component unit. See note 18 of the notes to the basic financial statements for further details of the change in GRTC's component unit status.

Summary of Changes in Net Assets:

The following table shows the revenues and expenses of the government:

Summary of Changes in Net Assets (Restated) For the Years Ended June 30, 2011 and 2010 (In Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for services	\$ 18.0	\$ 15.1	\$ 5.3	\$ 4.9	\$ 23.3	\$ 20.0
Operating grants and contributions	68.6	70.3		-	68.6	70.3
Capital grants and contributions	5.7	0.7		-	5.7	0.7
General Revenues:						
Property taxes	107.3	100.8		-	107.3	100.8
Local portion of state sales tax	18.6	18.1		-	18.6	18.1
Business and professional occupational license taxes	11.3	11.6		-	11.3	11.6
Utility taxes	9.9	9.6		-	9.9	9.6
Prepared food and beverage taxes	16.0	11.2		-	16.0	11.2
Commonwealth share-personal property taxes	8.1	8.1		-	8.1	8.1
Cigarette taxes	2.3	2.5		-	2.3	2.5
Transient room taxes	2.9	2.6		-	2.9	2.6
Telecommunications taxes	7.2	7.4		-	7.2	7.4
Motor vehicle license tax	2.0	2.0		-	2.0	2.0
Local Aid to Commonwealth	(1.4)	(1.1)		-	(1.4)	(1.1)
Other taxes	4.2	5.5		-	4.2	5.5
Payment from Component Unit	9.8	10.0		-	9.8	10.0
Interest and investment income	1.0	1.3	0.1	0.1	1.1	1.4
Other	-	-			-	-
Total Revenues	291.5	275.7	5.4	5.0	296.9	280.7

Summary of Changes in Net Assets (Continued)
(Restated)
For the Years Ended June 30, 2011 and 2010
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Expenses						
General Government	\$ 13.9	\$ 12.2	-	-	\$ 13.9	\$ 12.2
Judicial Administration	7.7	7.8	-	-	7.7	7.8
Public Safety	63.3	64.0	-	-	63.3	64.0
Public Works	18.7	28.1	-	-	18.7	28.1
Health and Welfare	42.1	46.0	-	-	42.1	46.0
Parks, Recreation and Cultural	11.4	10.6	-	-	11.4	10.6
Community Development	10.7	10.0	-	-	10.7	10.0
Greater Roanoke Transit Company	1.2	-	-	-	1.2	-
Education	74.8	68.0	-	-	74.8	68.0
Economic Development	3.9	3.5	-	-	3.9	3.5
Interest and Fiscal Charges	12.0	13.5	-	-	12.0	13.5
Civic Facilities	-	-	4.5	4.3	4.5	4.3
Parking	-	-	2.8	3.0	2.8	3.0
Market Building	-	-	0.2	0.4	0.2	0.4
Total Expenses	259.7	263.7	7.5	7.7	267.2	271.4
Increase (Decrease) in Net Assets before Transfers	31.8	12.0	(2.1)	(2.7)	29.7	9.3
Transfers	(0.6)	(5.7)	0.6	4.5	-	(1.2)
Special Item	(3.5)	-	(3.2)	-	(6.7)	-
Increase (Decrease) in Net Assets	27.7	6.3	(4.7)	1.8	23.0	8.1
Net Assets, Beginning	286.5	280.2	39.8	38.0	326.3	318.2
Net Assets, Ending	<u>\$ 314.2</u>	<u>\$ 286.5</u>	<u>\$ 35.1</u>	<u>\$ 39.8</u>	<u>\$ 349.3</u>	<u>\$ 326.3</u>

The net assets of governmental activities increased \$27.7 million during 2011. Significant current year activities affecting net assets include:

- A \$9.0 million increase capital assets net of related debt, primarily related to Infrastructure – capitalization of street paving.
- An increase in unrestricted assets of \$18.7 million driven by increased cash and investments and reductions in current liabilities year over year.
- Growth in the Prepared Food and Beverage Tax led performance of local tax revenues and was primarily the result of a rate change from 5% to 7% effective July 1, 2010. Total property tax revenues continued to grow 4.1%. Growth in real estate revenues was due to moderate new construction. The remaining local taxes such as the personal property, sales tax, business license, transient occupancy, and cigarette tax revenues increased as the result of local improvement in economic conditions. As a whole, the City’s local taxes increased 4.2%.
- The City continued to maintain and implement financial controls to ensure expenditures of general government programs were contained well within budget. Staffing levels were reduced based on program changes, planned departmental budget reductions were maintained

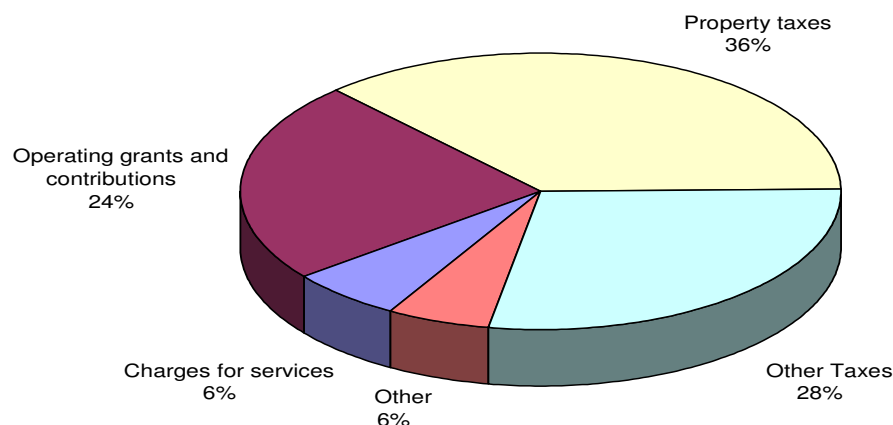
and minimized investment in certain capital assets enabled the City to complete the fiscal year well within the budget.

- The City overfunded the OPEB Trust and thus recognized an asset in the governmental Statement of Net Assets of \$0.3 million included in other assets.
- There are special items for the closing of the Market Building Fund in both the governmental and business type activities related to the discontinuance of operations and the closing out of the residual value of the fund.

The net assets of business-type activities have been restated to exclude GRTC, which effective July 1, 2011, is now reported as a discretely presented component unit. The net assets of business-type activities decreased approximately \$4.7 million during 2011. Significant current year activities affecting net assets include:

- The Market Building Fund net assets decreased by \$4.6 million as a result of operations ending as building renovations started and the building was leased to the Market Building Foundation, Inc. The Market Building Fund was dissolved during 2011.
- The Parking Fund net assets remained stable with no significant change in net assets as operating income covered all fund expenses.
- The Civic Center Fund net assets remained stable due to a transfer from the General Fund of \$1.9 million.

Revenues generated for governmental activities are presented below by category:



The property tax classification, which comprises approximately 36% of total revenue generated by governmental activities, includes 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 \$80.6 million. The assessed value of real property in the City increased for the 2011 calendar year as a result of new construction and a slight reassessment increase.

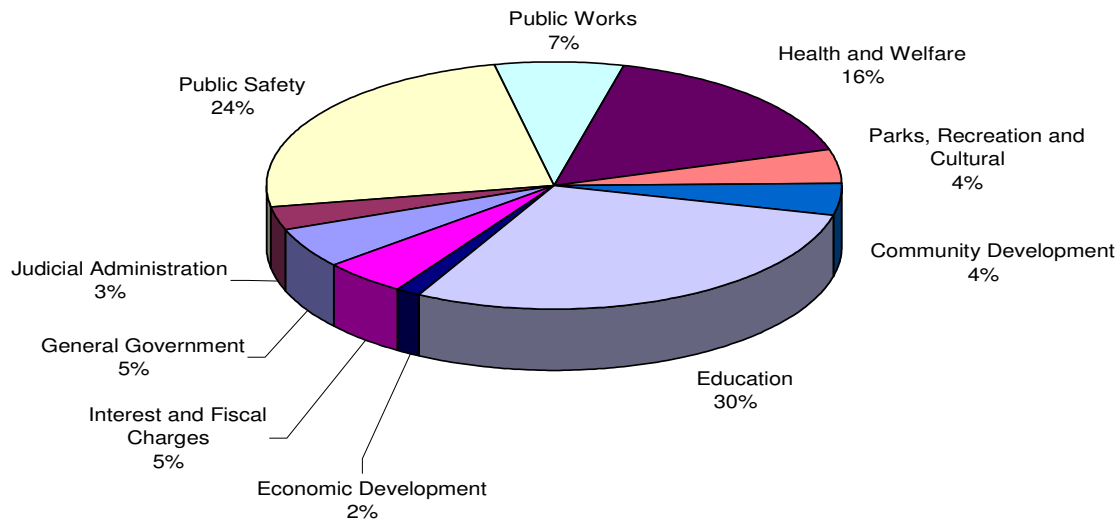
Personal property tax revenue, including the Commonwealth share, totaled \$34.8 million. The revenue received locally from citizens totaled \$26.7 million. Funding from the Commonwealth under its amended Personal Property Tax Relief Act (PPTRA) program provided revenue totaling \$8.1 million. Revenue from the Commonwealth provided relief of 64.97% on the first \$20,000 in vehicle value for the current fiscal year and is included in the other taxes category.

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

Operating grants and contributions comprise approximately 24% 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 include items such as fines, court fees, inspection fees, reimbursements for housing prisoners, garbage collection fees, and recreation and other program-based fees.

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



Education expenses comprise 30% of governmental activities. Funding of \$74.8 million was provided to the Roanoke City School Board to support School operations.

Public Safety expenses comprised approximately 24% of expenses of the governmental activities. Operations of the City Jail, Police and Fire Departments are 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 7% and 16%, respectively, of governmental activities expenses. Expenses for Solid Waste Management, Building Maintenance, Street Paving, and Street Maintenance are included in the Public Works category. The Comprehensive Services Act and social services programs incurred the majority of expenses reported in the Health and Welfare category.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

During fiscal year 2011, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The new standard replaces the prior reporting fund balance categories with five classifications based upon constraints placed on the use of resources as well as revised fund type definitions. The statement addresses the use of Special Revenue Funds, Capital Project Funds and Debt Service Funds. Upon the application of the new standard, the City reclassified a note receivable from the Hotel Roanoke, LLC in the Special Revenue Fund to the entity-wide statements during 2011 to properly record this asset and related revenue amounting to \$1.9 million. See note 1 of the

notes to the basic financial statements for additional information on the fund balance categories.

For the fiscal year ended June 30, 2011, the governmental funds reflect a total fund balance of \$48,155,820. Approximately \$25.5 million of this amount constitutes unassigned fund balance and consists of the Unassigned General Fund Reserve. The Reserve provides the City with sufficient working capital and 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 \$16.0 million consists of funding for outstanding purchase commitments, future debt service, and future years' capital project expenditures. Fund balance of approximately \$3.2 million is assigned for future capital project expenditures. The remaining fund balance of approximately \$3.5 million is restricted and consists of funds, provided by bonded debt, for future capital project expenditures.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund unassigned fund balance was \$25.5 million while the total fund balance was \$26.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 10.0% of the total General Fund expenditures and other financing uses, while total fund balance represents 11.1% of that same amount.

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. During the fiscal year ended June 30, 2011, the fund balance of the General Fund increased by \$2.0 million. The committed balance to cover outstanding purchase commitments at the end of the year increased from 2010 to 2011 while the unassigned fund balances grew as a result of revenues in excess of expenditures.

Local taxes generated 69% of General Fund revenue, totaling approximately \$178.3 million. The most significant portion of the current year growth is attributable to the tax rate increase in the prepared food and beverage tax. Real estate taxes, the City's largest single source of revenue, also increased by 1.0% as a result of growth in new construction.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$65.6 million in fiscal year 2011. The Commonwealth is the primary source of Intergovernmental revenue; providing revenue for social services programs, street maintenance funds, and law enforcement funding received under House Bill 599.

In fiscal year 2011, reductions in Commonwealth supported social service revenues declined as a result of decreases in Child Services Act expenditures. The total reduction in funding from the Commonwealth in fiscal year 2011 compared to fiscal year 2010 was approximately \$3.1 million, or 4.5%.

The Capital Projects Fund balance increased \$7.8 million. Contributing to the increase of the fund were revenues from the sale of the Commonwealth Building of \$3.7 million and transfers

from the General Fund. In addition, the City entered into a development agreement with the Market Building Development LLC to develop and manage the renovations of the City Market Building. The agreement outlined a development fee which was recorded in the Statement of Revenues Expenditures and Change in Fund Balance in the amount of \$1.4 million. See note 17 of the notes to the basic financial statements for additional information on the Market Building renovation, lease and enterprise fund closing.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund Revenues surpassed the original budgeted revenues by \$4.6 million, or 1.8% and fell short of the final budgeted revenues by \$0.3 million, or 0.1%. Changes to the revenue budget late in the year narrowed the gap between actual revenue performance and the final budget estimate. The General Fund revenue surplus was created by real estate taxes and improved local tax performance and was partially offset by lower intergovernmental revenues.

In the local tax area, real estate, sales, personal property, transient occupancy, and bank stock taxes all exceeded budget. The economic recession of 2008-2010 negatively impacted the prior year results and led to the development of a conservative 2011 budget. The performance of local taxes improved throughout the year as the economic conditions improved modestly. The intergovernmental revenue performance was driven by improved case management in CSA activities and lower volume of foster care activities through the year. This lowered Social Services expenditures and, consequently, the reimbursement based revenues.

General Fund expenditures and transfers were greater than the original budget by \$4.0 million, or 1.6% due to supplemental appropriations, but were less than the final amended budget by \$1.7 million, or 0.7%. In an effort to manage the City's expenditures, spending at the departmental level was closely monitored during the fiscal year, and policies centered on maximizing salary and benefits savings during times of turnover and vacancies were continued.

During fiscal year 2011, 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, 2010 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, 2010 totaled \$0.6 million.
- To appropriate excess local revenues over expenditures to education, public safety, employee stipend and capital funding of \$3.2 million.

CAPITAL ASSETS

As of June 30, 2011, the City's capital assets for its governmental and business-type activities amounted to \$560,630,692, 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 decreased year over year by \$0.5 million, or 0.1%.

The following table shows summarized balances of major categories of capital assets as of June 30, 2011. The changes in each category of Capital Assets are presented in detail in note 5 of the notes to the basic financial statements.

**Capital Assets,
Net of Accumulated Depreciation
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	Balance	Balance	Balance	Balance	Balance	Balance
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Land and Improvements	\$ 45.6	\$ 45.7	\$ 3.6	\$ 3.7	\$ 49.2	\$ 49.4
Buildings and Improvements	261.6	263.4	49.9	53.4	311.5	316.8
Equipment	21.2	24.7	0.7	0.9	21.9	25.6
Infrastructure	124.8	120.3	-	-	124.8	120.3
Construction in Progress	44.9	40.2	8.3	8.8	53.2	49.0
Total	<u>\$ 498.1</u>	<u>\$ 494.3</u>	<u>\$ 62.5</u>	<u>\$ 66.8</u>	<u>\$ 560.6</u>	<u>\$ 561.1</u>

Major capital asset additions during the fiscal year ended June 30, 2011 included the following:

- Renovations of the William Fleming High School continued with expenditures of \$3.1 million, as well as \$1.5 million expended for the school's football stadium. Other educational expenditures included nearly \$0.7 million for energy improvements projects at Monterey, Morningside, Preston Park and Westside schools.
- Major governmental projects on facilities other than schools included work on the South Jefferson Redevelopment project, with expenditures of \$3.3 million. Additionally, storm drainage, traffic, streetscape, bridge maintenance, and greenways projects combined accounted for \$2.2 million in expenditures.

Detailed information regarding capital assets is disclosed in note 5 of the notes to the basic financial statements.

LONG-TERM DEBT

At June 30, 2011, the City's long-term liabilities, excluding compensated absences and claims payable, totaled \$284,900,805 comprised of \$256,156,901 related to governmental activities, and \$28,743,904 related to business-type activities. Total debt decreased by \$7,892,605 during the fiscal year. Changes in long-term debt during fiscal year 2011 resulted from

payment of principal on existing debt, issuance of the General Obligation Public Improvement and Refunding Bonds, Series 2010C, General Obligation Public Improvement Bonds, Series 2010D and General Obligation Public Improvement Bonds, Series 2010E. Series 2010C bonds were used to finance capital improvements for school roofs, Roanoke River flood reduction, and digital radio projects as well as refunding a portion of outstanding Series 2002A bonds. Series 2010D bonds were used to finance the capital improvements for the City Market Building. Series 2010E bonds were used to finance the capital improvements for digital radio, bridge renovations, demolition of the National Guard Armory, and flood reduction.

Detailed information regarding these changes in long-term debt is disclosed in notes 8 and 9 of the notes to the basic financial statements.

The City's most recent ratings obtained in July 2010 were AA+ and AA from Fitch Ratings and Standard & Poor's Ratings Services, respectively.

The Charter of the City of Roanoke and Code of Virginia limits the City's net debt to 10% of the assessed valuation of real estate, personal property, and public service corporation property 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 Parking Enterprise Fund 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 \$19,875,450 of general obligation debt. The City's tax-supported debt of \$241,800,043 less the Debt Service Fund Balance of \$1,133,011 designated for the repayment of debt service is well below the legal debt limit of \$792,543,831.

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 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. Additional information concerning the City's long-term liabilities is presented in notes 8 and 9 of the notes to the basic financial statements.

Interest and fiscal charges for 2011 were \$11,684,241, or 4.1% of total governmental funds' expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's Metropolitan Statistical Area (MSA) unemployment rate, not seasonally adjusted, was 6.7% as of June 30, 2011. Consistent with trends at state level, this represents a decrease of 0.8% from the prior year. Roanoke's unemployment rate was slightly above the state unemployment rate of 6.3% while well below the national unemployment rate of 9.3%. Employment in Roanoke is diverse with representation within the MSA 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 2011 financial performance was indicative of an improving local economy. However, the City anticipates lingering effects of the economic downturn as the local real estate market remains depressed and the volume of property sales remains at lower than normal levels.

The City's General Fund revenue increased in 2011 by 1.7% due to the prepared food and beverage tax rate change from 5% to 7%. Without this tax rate increase, overall revenues would have declined by 0.7%, mainly as a result of a decrease in Social Services reimbursement from the Commonwealth. The Roanoke economy is less volatile than other areas of the Commonwealth. The City experienced modest growth in many local taxes and, with tight expenditure controls, was able to fund additional capital asset replacements for public safety, add to the risk management reserve and pay an employee stipend as the fiscal year ended. In addition, the General Fund unassigned fund balance was increased by \$2.0 million.

Important economic indicators for the City during the past fiscal year included a decrease in unemployment and an increase in consumer spending that affected many areas of our local economy. The fact that unemployment remains at a heightened level is a continuing concern. City management expects that the local economy will continue to grow as the unemployment level improves.

Housing values remained more stable for Roanoke than other localities around the state. The average assessed value of a single-family dwelling remained flat in fiscal year 2011 at \$133,000. The volume of commercial construction permits increased although the value of permits decreased in 2011 by 12.7% as compared to 2010. The residential construction permits value declined by 37.9% in 2011 as compared to 2010. Construction efforts have been strained by tight credit markets in both commercial and residential sectors.

During fiscal year 2010, the Commonwealth of Virginia (the Commonwealth) implemented a number of budget reduction strategies in response to the economic downturn. One area impacted in 2011 included the School Board of the City of Roanoke, Virginia (the School Board). The primary change included certain actuarial assumptions for Virginia Retirement System (VRS) sponsored retirement plans, which were affected by legislation passed by the General Assembly. The General Assembly deferred pension rate increases requested by the VRS Trustees. Likewise, an increase in the local employer share of these pension contributions was similarly deferred by the General Assembly. The impact of these deferrals reduced pension related costs of the School Board in fiscal years 2010 and 2011. The legislation requires that this deferral of costs begin to be replenished starting in fiscal year 2012 and to continue until fully replenished in fiscal year 2021. Ultimately, it is likely that there will be significant increases in the local employer costs in order to meet the future payment obligations required of the VRS plan.

In 2011, the City increased funding of education while reducing funding in all other priority areas and departments. Funding to the Schools increased \$4.5 million from the adopted level of fiscal year 2010. Substantially all of the increase was provided by a 2% increase in the prepared food and beverage tax rate from 5% to 7%. The prepared food and beverage tax will

revert to 5% on July 1, 2012. City Council opted to provide temporary funding to the School Board by increasing this tax to offset reductions in funding from the Commonwealth.

Conservative budgeting for 2011 and continued programming levels for services reduced in 2010 resulted in lower expenditures in 2011. Street paving, street cleaning, services at our libraries, hours of operation at City pools, and parks and recreation centers were impacted by these budgeted expectations. These service level changes are expected to continue into the foreseeable future.

The General Fund adopted budget for fiscal year 2012 increased by 2.1% compared to the fiscal year 2011 adopted budget. Local taxes comprise 69% of all budgeted fiscal year 2012 General Fund revenues, and the budget for this category increased approximately 2.5% compared to fiscal year 2011. Growth in the local taxes included personal property tax, sales tax, prepared food and beverage tax, and bank stock tax. Funding from the Commonwealth is projected to increase by 2.0%. Increases are expected in the area of foster care, adoptions and street paving and declines in the areas of jail per diems and law enforcement.

As the City looks ahead toward fiscal year 2013, another difficult budget process is anticipated. The City expects it will be several years before economic performance returns to previous growth levels. Strategic focus areas include providing capital investment to maintain City assets and operations, funding of the School Board for education of students, increased local funding of state mandated programs as state funding is reduced and funding of employee compensation to motivate and retain a quality workforce. The priorities are challenging given the potential of lower local revenues due to reduced assessments of real estate property.

The real estate market in the City has weakened during the past year. Tighter credit requirements have held the volume of real property sales lower than in the past. There is no indication of changes in the credit market which will continue to impact the volume of real estate sales into the future. In addition, the ratio of assessed value to sales price has risen which indicates a potential need to lower assessed values of real property in some neighborhoods in the coming year. The City is monitoring the situation carefully and expects information prior to the beginning of the budgeting process for fiscal year 2013. 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. In the past, new construction has assisted to avoid real estate tax revenue declines; however, the current economic environment does not suggest that new construction growth will offset assessment declines.

The Roanoke economy appears to be slowly rebounding from the recession. Local taxes indicate increased economic activity. Management believes that the fiscal year 2012 revenue estimates will be met. Challenges exist in predicting the timing and rate of improvement moving forward. With state budget constraints and uncertainties, it is difficult to anticipate the level of funding from the Commonwealth in upcoming years. There is certainly risk that there will continue to be significant pressures on local governments to fund programs previously funded by the Commonwealth such as public education and social services.

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, PO Box 1220, Roanoke, Virginia 24006, telephone (540) 853-2821 or email finance@roanokeva.gov. The City's website address is www.roanokeva.gov.

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CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			School Board	GRTC
	Governmental	Business-Type		Component	Component
	Activities	Activities	Total	Unit	Unit
Assets					
Cash and Cash Equivalents	\$ 32,020,177	\$ 1,474,919	\$ 33,495,096	\$ 18,009,534	\$ 443,167
Investments	29,475,450	725,660	30,201,110	-	-
Interest and Dividends Receivable	74,976	-	74,976	-	-
Due from City of Roanoke	-	-	-	534,470	-
Due from Component Unit	447,966	-	447,966	-	-
Due from Other Governments	30,018,674	1,846	30,020,520	14,025,777	739,660
Internal Balances	111,132	(111,132)	-	-	-
Taxes and Accounts Receivable, Net	18,141,501	93,765	18,235,266	224,986	84,500
Note Receivable	1,874,053	-	1,874,053	990,000	-
Inventory	55,035	-	55,035	-	456,733
Other Assets	651,648	272,892	924,540	906,850	55,493
Capital Assets:					
Land, Construction in Progress,					
Right-of-Way, and Historical Treasures	109,039,346	11,885,890	120,925,236	-	720,724
Other Capital Assets, Net	389,095,414	50,610,042	439,705,456	2,799,326	13,329,059
Capital Assets, Net	498,134,760	62,495,932	560,630,692	2,799,326	14,049,783
Total Assets	\$ 611,005,372	\$ 64,953,882	\$ 675,959,254	\$ 37,490,943	\$ 15,829,336
Liabilities					
Accounts Payable and Accrued Expenses	\$ 11,061,775	\$ 342,438	\$ 11,404,213	\$ 1,866,731	\$ 670,783
Accrued Interest Payable	4,261,317	400,556	4,661,873	-	-
Due to Component Unit	534,470	-	534,470	-	-
Due to Other Governments	558,688	65,072	623,760	-	-
Due to Primary Government	-	-	-	150,000	-
Unearned Revenue	733,952	-	733,952	1,309,955	84,888
Other Liabilities	644,284	329,646	973,930	4,450	-
Long-term Liabilities Due Within					
One Year	30,612,178	1,804,395	32,416,573	5,682,856	-
Long-term Liabilities Due in More					
Than One Year, Net	248,414,987	26,938,337	275,353,324	6,058,585	-
Total Liabilities	\$ 296,821,651	\$ 29,880,444	\$ 326,702,095	\$ 15,072,577	\$ 755,671
Net Assets					
Invested in Capital Assets, Net					
of Related Debt	\$ 269,948,200	\$ 33,964,073	\$ 303,912,273	\$ 2,799,326	\$ 14,049,783
Unrestricted	44,235,521	1,109,365	45,344,886	19,619,040	1,023,882
Total Net Assets	\$ 314,183,721	\$ 35,073,438	\$ 349,257,159	\$ 22,418,366	\$ 15,073,665

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 13,934,968	\$ 6,035,893	\$ 886,696	\$ 3,869,087
Judicial Administration	7,644,774	3,755,301	7,942,251	-
Public Safety	63,287,015	5,323,523	8,840,108	-
Public Works	18,654,587	2,168,980	11,734,271	1,298,429
Health and Welfare	42,111,631	131,520	32,787,230	-
Parks, Recreation and Cultural	11,420,919	399,968	1,392,989	470,410
Community Development	10,706,299	167,314	4,989,117	-
Greater Roanoke Transit Company	1,177,324	-	-	-
Education	74,772,599	-	-	27,692
Economic Development	3,904,121	-	-	-
Other	98,494	-	-	-
Interest and Fiscal Charges	12,002,685	-	-	-
Total Governmental Activities	259,715,416	17,982,499	68,572,662	5,665,618
Business-Type Activities:				
Civic Facilities	4,511,711	2,405,370	-	-
Parking	2,755,253	2,840,685	-	-
Market Building	163,992	10,452	-	-
Total Business-Type Activities	7,430,956	5,256,507	-	-
Total Primary Government	\$ 267,146,372	\$ 23,239,006	\$ 68,572,662	\$ 5,665,618
Component Unit:				
Greater Roanoke Transit Company	\$ 10,054,642	\$ 2,003,661	\$ -	\$ -
School Board of the City of Roanoke	\$ 157,787,908	\$ 6,567,176	\$ 46,888,580	\$ -

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

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

Capital Contribution

Special Item: Discontinuance of Fund Operation

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year, as Restated for Change in GRTC**Component Unit Status (See Note 18)****Net Assets at End of Year**

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			School Board Component Unit	GRTC Component Unit
Governmental Activities	Business-Type Activities	Total		
\$ (3,143,292)	\$ -	\$ (3,143,292)	\$ -	\$ -
4,052,778	-	4,052,778	-	-
(49,123,384)	-	(49,123,384)	-	-
(4,860,392)	-	(4,860,392)	-	-
(9,192,881)	-	(9,192,881)	-	-
(9,157,552)	-	(9,157,552)	-	-
(4,142,383)	-	(4,142,383)	-	-
(1,177,324)	-	(1,177,324)	-	-
(74,744,907)	-	(74,744,907)	-	-
(3,904,121)	-	(3,904,121)	-	-
(98,494)	-	(98,494)	-	-
(12,002,685)	-	(12,002,685)	-	-
(167,494,637)	-	(167,494,637)	-	-
-	(2,106,341)	(2,106,341)	-	-
-	85,432	85,432	-	-
-	(153,540)	(153,540)	-	-
-	(2,174,449)	(2,174,449)	-	-
\$ (167,494,637)	\$ (2,174,449)	\$ (169,669,086)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ (8,050,981)
\$ -	\$ -	\$ -	\$ (104,332,152)	\$ -
\$ 107,328,296	\$ -	\$ 107,328,296	\$ -	\$ -
18,602,105	-	18,602,105	-	-
11,276,263	-	11,276,263	-	-
9,937,596	-	9,937,596	-	-
16,030,878	-	16,030,878	-	-
8,075,992	-	8,075,992	-	-
2,338,732	-	2,338,732	-	-
2,918,631	-	2,918,631	-	-
7,247,911	-	7,247,911	-	-
2,002,299	-	2,002,299	-	-
842,763	-	842,763	-	-
1,967,563	-	1,967,563	-	302,269
-	-	-	45,907,251	-
-	-	-	70,232,036	-
9,752,655	-	9,752,655	-	-
2,880	-	2,880	23,074	5,333,677
960,375	112,028	1,072,403	26,566	-
-	-	-	764,903	-
-	-	-	-	830,370
(3,492,982)	(3,204,514)	(6,697,496)	-	-
(569,468)	569,468	-	-	-
\$ 195,222,489	\$ (2,523,018)	\$ 192,699,471	\$ 116,953,830	\$ 6,466,316
27,727,852	(4,697,467)	23,030,385	12,621,678	(1,584,665)
286,455,869	39,770,905	326,226,774	9,796,688	16,658,330
\$ 314,183,721	\$ 35,073,438	\$ 349,257,159	\$ 22,418,366	\$ 15,073,665

CITY OF ROANOKE, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 10,140,991	\$ 1,001,459	\$ 1,252,750	\$ 9,770,506	\$ 22,165,706
Investments	10,685,601	-	-	6,879,871	17,565,472
Interest and Dividends Receivable	27,180	-	-	17,501	44,681
Due from Component Unit	447,966	-	-	-	447,966
Due from Other Governments	9,407,498	-	725,393	-	10,132,891
Due from Other Funds	96,774	267,860	6,490	2,714,871	3,085,995
Taxes Receivable	17,612,574	-	-	-	17,612,574
Accounts Receivable	4,701,571	-	273,000	1,469,911	6,444,482
Allowance for Uncollectible Receivables	(6,134,420)	-	-	(309)	(6,134,729)
Deferred Charges	-	-	-	46,153	46,153
Total Assets	\$ 46,985,735	\$ 1,269,319	\$ 2,257,633	\$ 20,898,504	\$ 71,411,191
LIABILITIES					
Accounts Payable and Accrued Expenditures	\$ 8,887,368	\$ 71,269	\$ 1,385,416	\$ 631,571	\$ 10,975,624
Due to Other Governments	84,090	-	474,598	-	558,688
Due to Other Funds	6,776,413	65,039	1,310	158,954	7,001,716
Deferred Revenue	4,323,034	-	396,309	-	4,719,343
Total Liabilities	\$ 20,070,905	\$ 136,308	\$ 2,257,633	\$ 790,525	\$ 23,255,371
FUND BALANCES					
Restricted	\$ -	\$ -	\$ -	\$ 3,465,004	\$ 3,465,004
Committed	1,379,076	1,133,011	-	13,463,663	15,975,750
Assigned	-	-	-	3,179,312	3,179,312
Unassigned	25,535,754	-	-	-	25,535,754
Total Fund Balances	26,914,830	1,133,011	-	20,107,979	48,155,820
Total Liabilities and Fund Balances	\$ 46,985,735	\$ 1,269,319	\$ 2,257,633	\$ 20,898,504	\$ 71,411,191

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances - Governmental Funds \$ 48,155,820

Amounts reported for governmental activities in the Statement of Net
 Assets 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	682,860,420	
Less: accumulated depreciation	<u>(204,561,312)</u>	478,299,108

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

Bond issuance costs and deferred amounts on refunding	11,742,558	
Less: accumulated amortization	(4,274,792)	
Receivable from Western Virginia Water Authority	19,875,450	
Note Receivable - Hotel Roanoke, LLC	<u>1,874,053</u>	29,217,269

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. 3,985,391

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 payable	(247,819,492)	
Capital lease obligation	(4,386,803)	
Bond premium	(11,991,583)	
Accumulated amortization of bond premium	3,207,594	
Compensated absences payable	(5,844,419)	
Accrued interest payable	<u>(4,158,892)</u>	(270,993,595)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, liabilities and net assets of the internal service funds are included with governmental activities in the Statement of Net Assets.

25,519,728

Total Net Assets of Governmental Activities \$314,183,721

See Notes to Basic Financial Statements.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Local Taxes	\$ 178,308,587	\$ -	\$ -	\$ -	\$ 178,308,587
Permits, Fees and Licenses	969,800	-	-	-	969,800
Fines and Forfeitures	1,805,083	-	-	-	1,805,083
Rental Income	210,633	-	-	-	210,633
Investment Income	134,519	25,758	4,841	12,459	177,577
Intergovernmental	65,626,963	12,707,652	11,389,623	1,778,281	91,502,519
Charges for Services	10,216,932	-	-	1,407,485	11,624,417
Miscellaneous	681,407	-	70,354	3,965,362	4,717,123
Total Revenues	257,953,924	12,733,410	11,464,818	7,163,587	289,315,739
EXPENDITURES					
Current Operating:					
General Government	12,861,339	-	182,243	-	13,043,582
Judicial Administration	7,071,343	-	264,782	-	7,336,125
Public Safety	58,911,155	-	1,934,348	-	60,845,503
Public Works	22,133,031	-	-	-	22,133,031
Health and Welfare	38,487,026	-	3,268,921	-	41,755,947
Parks, Recreation and Cultural	9,072,709	-	1,241,883	-	10,314,592
Community Development	5,983,027	-	4,498,782	-	10,481,809
Greater Roanoke Transit Company	1,177,324	-	-	-	1,177,324
Education	70,232,036	-	-	-	70,232,036
Debt Service:					
Principal Retirement	-	20,778,546	-	-	20,778,546
Interest and Paying Agent Charges	-	11,372,995	-	106,783	11,479,778
Bond Issuance Cost	-	204,463	-	-	204,463
Capital Outlays	-	-	-	13,251,045	13,251,045
Total Expenditures	225,928,990	32,356,004	11,390,959	13,357,828	283,033,781
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,024,934	(19,622,594)	73,859	(6,194,241)	6,281,958
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	-	-	-	7,121,925	7,121,925
Issuance of Refunding Bonds	-	2,017,600	-	-	2,017,600
Payment to Refunded Bond Escrow Agent	-	(2,136,507)	-	-	(2,136,507)
Premium on Sale of Bonds	-	248,563	-	-	248,563
Transfers In	10,565	19,412,689	477,768	7,024,314	26,925,336
Transfers Out	(30,081,289)	-	(551,627)	(111,850)	(30,744,766)
Total Other Financing Sources (Uses)	(30,070,724)	19,542,345	(73,859)	14,034,389	3,432,151
Net Change in Fund Balances	1,954,210	(80,249)	-	7,840,148	9,714,109
Fund Balances--Beginning of Year	24,960,620	1,213,260	-	12,267,831	38,441,711
Fund Balances--End of Year	\$ 26,914,830	\$ 1,133,011	\$ -	\$ 20,107,979	\$ 48,155,820

See Notes to Basic Financial Statements.

**CITY OF ROANOKE, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Total Net Change in Fund Balances - Governmental Funds \$ 9,714,109

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	17,436,961	
Donation of capital assets	86,303	
Transfer of capital assets from business-type activities	1,977,019	
Less current year depreciation expense	<u>(13,740,333)</u>	5,759,950

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	2,864,719	
Note Receivable - Hotel Roanoke, LLC	1,874,053	
Net principal reimbursed by Western Virginia Water Authority	<u>(2,112,234)</u>	2,626,538

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 Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bond and other long term debt proceeds	(14,609,525)	
Bond premium	(452,874)	
Amortization of current year bond premium	766,499	
Bond costs and deferred amounts	204,463	
Amortization of current year bond costs and deferred amounts	(643,876)	
Principal payments	<u>22,915,053</u>	8,179,740

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	503,075	
Change in accrued interest payable	<u>505,775</u>	1,008,850

Internal service funds are used by management to charge the costs of certain services to individual funds. The change in net assets of the internal service funds is reported with Governmental Activities.

438,665

Total Change in Net Assets of Governmental Activities \$ 27,727,852

See Notes to Basic Financial Statements.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Enterprise Funds		
	Civic Facilities	Parking	Market Building
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 778,160	\$ 696,759	\$ -
Investments	53,500	672,160	-
Interest and Dividends Receivable	136	1,710	-
Due from Other Governments	-	-	-
Due from Other Funds	142,499	-	-
Accounts Receivable	85,421	8,344	-
Inventory	-	-	-
Other Assets	103,688	169,204	-
Total Current Assets	1,163,404	1,548,177	-
Capital Assets:			
Land and Land Improvements	1,215,005	2,466,514	-
Buildings and Structures	37,655,568	39,670,041	-
Equipment and Other Capital Assets	2,434,201	104,704	-
Construction in Progress	-	8,272,817	-
Less Accumulated Depreciation	(15,558,171)	(13,764,747)	-
Capital Assets, Net	25,746,603	36,749,329	-
Total Assets	\$ 26,910,007	\$ 38,297,506	\$ -
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 206,449	\$ 135,989	\$ -
Accrued Interest Payable	192,384	208,172	-
Due to Other Governments	65,072	-	-
Due to Other Funds	101,688	151,943	-
Other Liabilities	329,646	-	-
Long-Term Liabilities Due Within One Year	734,368	1,070,027	-
Total Current Liabilities	1,629,607	1,566,131	-
Long-Term Liabilities:			
Compensated Absences Payable	-	-	-
Claims Payable	-	-	-
General Obligation Bonds Payable, Net	13,275,370	15,181,996	-
Capital Lease Obligations	285,366	-	-
Less Current Maturities	(734,368)	(1,070,027)	-
Total Long-Term Liabilities	12,826,368	14,111,969	-
Total Liabilities	\$ 14,455,975	\$ 15,678,100	\$ -
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	\$ 12,227,536	\$ 21,736,537	\$ -
Unrestricted	226,496	882,869	-
Total Net Assets	\$ 12,454,032	\$ 22,619,406	\$ -

See Notes to Basic Financial Statements

Exhibit G

<u>Enterprise Funds</u>			
	Total	Internal Service Funds	
\$	1,474,919	\$	9,854,471
	725,660		11,909,978
	1,846		30,295
	-		10,333
	142,499		3,765,454
	93,765		219,174
	-		55,035
	272,892		338,495
	<u>2,711,581</u>		<u>26,183,235</u>
	3,681,519		-
	77,325,609		-
	2,538,905		52,035,023
	8,272,817		3,187,145
	<u>(29,322,918)</u>		<u>(35,386,516)</u>
	<u>62,495,932</u>		<u>19,835,652</u>
\$	<u>65,207,513</u>	\$	<u>46,018,887</u>
\$	342,438	\$	620,621
	400,556		102,425
	65,072		-
	253,631		115,885
	329,646		-
	<u>1,804,395</u>		<u>2,846,118</u>
	<u>3,195,738</u>		<u>3,685,049</u>
	-		307,977
	-		16,717,495
	28,457,366		2,493,375
	285,366		141,381
	<u>(1,804,395)</u>		<u>(2,846,118)</u>
	<u>26,938,337</u>		<u>16,814,110</u>
\$	<u>30,134,075</u>	\$	<u>20,499,159</u>
\$	33,964,073	\$	17,192,401
	<u>1,109,365</u>		<u>8,327,327</u>
\$	<u><u>35,073,438</u></u>	\$	<u><u>25,519,728</u></u>

CITY OF ROANOKE, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	Civic Facilities	Parking	Market Building
<u>Operating Revenues</u>			
Charges for Services	\$ 2,405,370	\$ 2,840,685	\$ 10,452
Other Revenue	-	-	-
Total Operating Revenues	2,405,370	2,840,685	10,452
<u>Operating Expenses</u>			
Personal Services	1,204,012	-	-
Other Services and Charges	1,802,679	873,308	114,402
Materials and Supplies	-	355,909	21,564
Depreciation	923,390	822,634	28,026
Total Operating Expenses	3,930,081	2,051,851	163,992
Operating Income (Loss)	(1,524,711)	788,834	(153,540)
<u>Nonoperating Revenues (Expenses)</u>			
Loss on Disposal of Assets	-	-	(1,977,019)
Discontinuance of Operations Expense	-	-	(1,227,495)
Investment Income	55,611	50,049	6,368
Interest Expense	(581,630)	(703,402)	-
Net Nonoperating Expenses	(526,019)	(653,353)	(3,198,146)
Income (Loss) Before Transfers and Contributions	(2,050,730)	135,481	(3,351,686)
<u>Transfers and Contributions</u>			
Transfers In	1,977,100	30,000	47,250
Transfers Out	(43,650)	(150,421)	(1,290,811)
Net Transfers and Contributions	1,933,450	(120,421)	(1,243,561)
Change in Net Assets	(117,280)	15,060	(4,595,247)
Net Assets - Beginning of Year	12,571,312	22,604,346	4,595,247
Net Assets - End of Year	\$ 12,454,032	\$ 22,619,406	\$ -

See Notes to Basic Financial Statements

Exhibit H

<u>Enterprise Funds</u>			
<u>Total</u>		<u>Internal Service Funds</u>	
\$	5,256,507	\$	25,974,785
	-		394,733
	<u>5,256,507</u>		<u>26,369,518</u>
	1,204,012		3,415,535
	2,790,389		15,257,052
	377,473		4,472,969
	<u>1,774,050</u>		<u>5,951,656</u>
	<u>6,145,924</u>		<u>29,097,212</u>
	<u>(889,417)</u>		<u>(2,727,694)</u>
	(1,977,019)		-
	(1,227,495)		-
	112,028		96,892
	<u>(1,285,032)</u>		<u>(180,495)</u>
	<u>(4,377,518)</u>		<u>(83,603)</u>
	<u>(5,266,935)</u>		<u>(2,811,297)</u>
	2,054,350		3,400,978
	<u>(1,484,882)</u>		<u>(151,016)</u>
	<u>569,468</u>		<u>3,249,962</u>
	<u>(4,697,467)</u>		<u>438,665</u>
	<u>39,770,905</u>		<u>25,081,063</u>
\$	<u>35,073,438</u>	\$	<u>25,519,728</u>

**CITY OF ROANOKE, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Funds		
	Civic Facilities	Parking	Market Building
Cash Flow From Operating Activities			
Cash Received from Customers	\$ 1,734,195	\$ 3,066,227	\$ 23,430
Cash Payments to Suppliers for Goods and Services	(1,603,040)	(1,161,031)	(217,113)
Cash Received from Other Funds for Interfund Services	-	150,197	-
Cash Payments to Other Funds for Interfund Services	(38,949)	(35,816)	(11,197)
Cash Payments to Employees	(1,199,677)	-	-
Cash Payments for Claims	-	-	-
Cash Received from Other Operating Revenues	-	-	-
Net Cash Provided (Used) by Operating Activities	(1,107,471)	2,019,577	(204,880)
Cash Flow From Noncapital Financing Activities:			
Transfers In	1,977,100	30,000	47,250
Transfers Out	(43,650)	(150,421)	(1,290,811)
Net Cash Provided (Used) by Noncapital Financing Activities	1,933,450	(120,421)	(1,243,561)
Cash Flow From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(6,255)	(13,878)	(6,156,301)
Proceeds from Issuance of Bonds	91,500	105,900	5,470,000
Principal Paid to Refunded Bond Escrow Agent	(95,000)	(110,000)	-
Principal Paid on Bonds and Capital Lease Obligations	(637,106)	(968,930)	-
Interest Paid on Bonds and Capital Lease Obligations	(594,145)	(778,535)	-
Net Cash Used by Capital and Related Financing Activities	(1,241,006)	(1,765,443)	(686,301)
Cash Flow From Investing Activities:			
Interest Received	55,302	49,480	6,846
Purchase of Investments	(25,556)	(371,028)	543,155
Cash Provided (Used) by Investing Activities	29,746	(321,548)	550,001
Net Decrease in Cash and Cash Equivalents	(385,281)	(187,835)	(1,584,741)
Cash and Cash Equivalents at July 1	1,163,441	884,594	1,584,741
Cash and Cash Equivalents at June 30	\$ 778,160	\$ 696,759	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (1,524,711)	\$ 788,834	\$ (153,540)
Depreciation	923,390	822,634	28,026
Decrease in Due From Other Governments	-	-	-
(Increase) Decrease in Due From Other Funds	17,810	144,836	(453)
(Increase) Decrease in Accounts Receivable	(48,806)	80,706	13,431
Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	66,920	48,619	(88,738)
Decrease in Due to Other Governments	4,335	-	-
Increase (Decrease) in Due to Other Funds	93,770	150,197	(3,606)
Increase (Decrease) in Compensated Absences Payable	-	(16,249)	-
Decrease in Deferred Revenue	(640,179)	-	-
Decrease in Claims Payable	-	-	-
Total Adjustments	417,240	1,230,743	(51,340)
Net Cash Provided (Used) by Operating Activities	\$ (1,107,471)	\$ 2,019,577	\$ (204,880)

Noncash Capital and Financing Activities:

Parking Fund noncash activities in fiscal 2011 consisted of capital asset acquisitions of \$3,775 recorded as accounts payable at June 30, 2011.

Market Building Fund noncash activities in fiscal 2011 consisted of capital asset acquisitions of \$196 recorded as accounts payable at June 30, 2011.

Internal Service Funds noncash activities in fiscal 2011 consisted of capital asset acquisitions of \$85,402 recorded as accounts payable at June 30, 2011.

See Notes to Basic Financial Statements

Exhibit I

<u>Enterprise Funds</u>			
<u>Total</u>		<u>Internal Service Funds</u>	
\$	4,823,852	\$	22,186,388
	(2,981,184)		(6,013,483)
	150,197		-
	(85,962)		(2,268,900)
	(1,199,677)		(3,408,844)
	-		(14,264,972)
	-		394,733
	707,226		(3,375,078)
	2,054,350		3,400,978
	(1,484,882)		(151,016)
	569,468		3,249,962
	(6,176,434)		(3,978,667)
	5,667,400		2,493,375
	(205,000)		-
	(1,606,036)		(578,813)
	(1,372,680)		(90,099)
	(3,692,750)		(2,154,204)
	111,628		101,762
	146,571		(6,391,295)
	258,199		(6,289,533)
	(2,157,857)		(8,568,853)
	3,632,776		18,423,324
\$	1,474,919	\$	9,854,471
\$	(889,417)	\$	(2,727,694)
	1,774,050		5,951,656
	-		2,226
	162,193		(3,751,337)
	45,331		(39,286)
	-		(189)
	26,801		57,495
	4,335		-
	240,361		(2,219,012)
	(16,249)		1,849
	(640,179)		-
	-		(650,786)
	1,596,643		(647,384)
\$	707,226	\$	(3,375,078)

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Pension Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,545,491	\$ -	\$ 2,290,589
Investments	-	-	2,820,053
Receivables:			
Employer Contributions (Includes Net Due From Other Funds of \$377,284)	465,913	-	-
Accrued Interest	-	-	7,173
Investment Income	387,655	-	-
Total Receivables	853,568	-	7,173
Investments Held by Trustee, at Fair Value:			
Cash Equivalents	1,670,398	1,638,881	-
Cash Collateral on Loaned Securities	38,722,929	-	-
Government Securities	13,804,133	-	-
Corporate Bonds	13,389,791	-	-
Convertible Bond Mutual Funds	12,645,674	-	-
Common Stocks	63,375,474	-	-
Domestic Mutual Funds	149,856,410	-	-
International Mutual Funds	66,498,474	-	-
Real Estate Mutual Funds	7,047,472	-	-
Total Investments	367,010,755	1,638,881	-
Total Assets	\$ 369,409,814	\$ 1,638,881	\$ 5,117,815
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 270,776	\$ -	\$ -
Liability for Collateral on Loaned Securities	38,722,929	-	-
Due to Other Governments	-	-	5,117,815
Total Liabilities	\$ 38,993,705	\$ -	\$ 5,117,815
NET ASSETS			
Held in Trust for Pension and Other Postemployment Benefits	\$ 330,416,109	\$ 1,638,881	\$ -

See Notes to Basic Financial Statements

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Pension Trust Fund	OPEB Trust Fund
<u>Additions/(Reductions)</u>		
Contributions from Employer	\$ 11,201,409	\$ 1,235,000
Investment Income		
Net Appreciation in Fair Value of Investments	61,936,560	241,355
Interest and Dividends	6,687,880	4
Other	18,690	-
Total Investment Income	68,643,130	241,359
Less Investment Expenses	(1,040,223)	(2,105)
Net Investment Income	67,602,907	239,254
Securities Lending Income		
Securities Lending Income	198,852	-
Less Securities Lending Expenses	(118,298)	-
Net Securities Lending Income	80,554	-
Total Additions	78,884,870	1,474,254
<u>Deductions</u>		
Benefit Payments	28,609,491	976,000
Administrative Expenses	335,879	-
Total Deductions	28,945,370	976,000
Net Increase in Plan Net Assets	49,939,500	498,254
Net Assets Held in Trust for Pension and Other Postemployment Benefits - July 1	280,476,609	1,140,627
Net Assets Held in Trust for Pension and Other Postemployment Benefits - June 30	\$ 330,416,109	\$ 1,638,881

See Notes to Basic Financial Statements.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(1) Summary of Significant Accounting Policies

The accounting policies of the City of Roanoke, Virginia (the City) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments.

A. Reporting Entity

The City of Roanoke 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.

Complete financial statements for this discretely presented component unit may be obtained by writing to the School Board of the City of Roanoke, PO 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.

As of and for the year ended June 30, 2011, GRTC is reported as a discretely presented component unit of the primary governmental reporting entity of the City. Prior to July 1, 2010, GRTC was reported as a blended component unit of the primary governmental reporting entity of the City, and GRTC's financial position, results of operations and cash flows were recorded in an

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

enterprise fund, a proprietary fund type, of the City. For fiscal years prior to fiscal year 2011, the members of City Council acted as GRTC's Board of Directors; therefore, GRTC was presented as a blended component unit of the City. Effective in fiscal year 2011, the composition of GRTC's Board of Directors was changed to include two City Council members, two City employees, and three citizens of the community at large. As a result of this change in the composition of GRTC's Board of Directors, GRTC is now presented as a discretely presented component unit of the City in fiscal year 2011.

The net assets of GRTC were previously presented in the business-type activities in the prior fiscal year Statement of Net Assets and applicable notes to the basic financial statements. For the current fiscal year, GRTC's net assets are presented as a discretely presented component unit in the Statement of Net Assets and under the GRTC component unit heading of certain notes to the basic financial statements. The net assets at the beginning of the year have been restated accordingly for this change in component unit status. See note 18 for further information regarding the GRTC component unit presentation.

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

B. Financial Statement Presentation

The City's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions. GASB Statement No. 34, as amended, 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 government'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 government'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, which are legally separate discretely presented component units, are segregated accordingly.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Statement of Net Assets – 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.

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, liabilities, fund balances or net assets, revenues, and expenditures or expenses, as appropriate.

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:

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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, except the Market Building Fund, 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.

Market Building Fund – Accounted for the operation of the City Market Building which houses several retail merchants and restaurants. The Market Building Fund ceased operations during the current fiscal year, and the residual value was closed into the governmental funds. See note 17 for further information regarding the Market Building Fund presentation.

Internal Service Funds – 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. Funds included in this category are:

Department of Technology Fund – Provides implementation and maintenance of data processing systems and provides workstation support.

Fleet Management Fund – Owns and maintains the City vehicle fleet and related supplies.

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has selected one of the two options available for proprietary fund reporting. The City applies all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

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 assets and financial position.

OPEB Trust Fund – Accounts for the assets held for, and costs of, other post-employment benefits (OPEBs). It is accounted for in the same manner as a proprietary

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

fund type. Measurement focus is upon determination of the change in net assets and financial 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.

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 assets as reported on the Statement of Net Assets (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 assets 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

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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.

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 Greater Roanoke Transit Company balances, Roanoke City Public Schools balances, Roanoke Civic Center balances, OPEB Trust Fund balances and a portion of the Pension 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.

Investments are recorded at fair value. Mutual fund and common stock fair values are based on quotations obtained from national security exchanges. 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. Investments of the Capital Projects Fund consist of government securities and certificates of deposits with original maturities greater than three months. Investments of the Pension Trust Fund consist of overnight investments in bank common trust funds, government securities, certificates of deposits with original maturities greater than three months, corporate bonds, stocks, and mutual funds.

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 unit 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, 2011, the allowance for General Fund uncollectible taxes and accounts receivable was \$6,134,420, or 27% of the outstanding balance of taxes receivable and accounts receivable.

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 \$1.19 per \$100 of assessed value for the year.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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 64.97% for tax year 2011. 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 rate is calculated at the Internal Revenue Service (IRS) rate. At June 30, 2011, the IRS rate was 4%.

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.

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 recorded at fair value. The fair value is based on quotations obtained from national security exchanges. 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 Other Postemployment Benefits (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 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 fair value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

depreciation expense is recorded for land, 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	5-55 years
Equipment	2-20 years
Infrastructure	15-55 years
Software	3 years

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.

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 fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are paid. Current and non-current portions of compensated absences totaling \$5,844,793 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and governmental fund presentations.

N. Fund Balances

During the fiscal year 2011, the City implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under this statement, fund balance is 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 The 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 are either externally imposed by creditors, grantors, constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate 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, 2011

Committed The committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action such as ordinance or resolution 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 are 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 in the assigned fund balance classification 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 or ordinance, or by State Statute.

Unassigned The 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 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. See note 10 for further information regarding the City's adoption of GASB Statement No. 54.

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:

The Unassigned General Fund Reserve target will be 10% of the 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. Use of this reserve would occur after all other current budgetary resources of funding have been exhausted, and no other category of fund balance is available to satisfy the funding needed. City Council authorization is required for fund balance to be appropriated from the Unassigned General Fund Reserve.

A Risk Management Reserve serves to cover the risk exposure the City has due to its self-insurance program. The minimum funding level for the Risk Management Reserve is 25% of the

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

three-year average of self-insured claims costs, plus 10% of the three-year average of fully insured premiums, plus a \$1 million catastrophic reserve.

Once revenues return to pre-recessionary levels of fiscal year 2009, an Economic Downturn Reserve (EDR) will be created to smooth its financial operations in the event of an economic downturn. The EDR will be maintained in an amount up to 5% of the general fund expenditure budget. As of June 30, 2011, the EDR had not been created since revenues had not returned to the level to trigger establishment of the reserve. The EDR may only be used in the event that City revenues decline by more than 1.5% of the current year estimate. City Council authorization is required for fund balance to be appropriated from the EDR and is limited to one half of the reserve balance in any given year.

The Economic and Community Development Reserve (E&CDR) is 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, and the reserve floor is \$1 million. City Council authorization is required for fund balance to be appropriated from the E&CDR to economic development projects. This reserve may not be used for operating or recurring expenditures.

The fund balance reserves may only be used upon City Council authorization and each of the reserve policies require a written plan for the replenishment of the reserves within a three year period.

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. New GASB Pronouncement

GASB Statement No. 59, *Financial Instruments Omnibus*, was issued to improve the existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The City adopted the pronouncement during the current fiscal year, and the adoption of GASB Statement No. 59 had no material impact on the City's financial statements.

(2) 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 consisting of \$19,178,123. The GRTC component unit maintains separate cash and investment accounts

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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 Global Spectrum which holds a portion of the City's cash of \$687,629 on behalf of the City. The City acts as one of the fiscal agents for the Hotel Roanoke Conference Center Commission (HRCCC) and holds total cash and investments of \$5,117,815 on its 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: Shall be rated by the Moody's Investors Service, Inc. (Moody's) of prime 1 and by Standard & Poor's, Inc. (S & P), within it rating of A-1.

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

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

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

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

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

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

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

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Investments as of June 30, 2011 consisted of the following:

	Total Primary Government	School Board Component Unit	GRTC Component Unit	Fiduciary Funds
Investment in pooled funds, including Virginia LGIP	\$ 12,488,673	\$ 14,908,781	\$ -	\$ 4,108,912
Certificates of Deposit	36,608,012	-	-	3,418,302
Money Market Accounts	2,265,051	-	-	-
Repurchase Agreements	135,361	-	197,187	12,639
Mutual Funds	4,902,402	-	-	-
Federal Agency Bonds/Notes	7,314,604	-	-	683,006
Total	<u>\$ 63,714,103</u>	<u>\$ 14,908,781</u>	<u>\$ 197,187</u>	<u>\$ 8,222,859</u>

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

Credit Risk. State law (Code of Virginia, Chapter 3, Title 26) limits local governments and other public bodies to investing in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes; bankers’ acceptances, repurchase agreements, and the State and 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 nationally recognized statistical rating organizations (NRSROs).

As of June 30, 2011, investment holdings as a percentage of total investments, excluding Pension Plan and OPEB Trust Fund investments, were as follows:

Investment Type	Primary Government	School Board Component Unit	GRTC Component Unit	HRCCC Fiduciary Fund	Credit Rating
Repurchase Agreements	1.1%	0.0%	100.0%	0.4%	NR
Mutual Funds	19.6%	0.0%	0.0%	0.0%	AAAm
Federal Agency Bond/Notes	29.3%	0.0%	0.0%	21.6%	Aaa
Virginia LGIP	50.0%	100.0%	0.0%	78.0%	AAAm
Total Investment Percentage	<u>100.0%</u>	<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

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securities that are in the possession of an outside party. The City's investments as of June 30, 2011 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, 2011, 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 \$3,353,311, including Fiduciary HRCCC Funds of \$56,471. The City's bank balance of deposits was \$3,339,929. 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 Virginia Security for Public Deposits Act.

Concentration of Credit Risk. The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No single issue shall constitute more than 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.

As of June 30, 2011, 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	HRCCC Fiduciary Fund
Commonwealth Cash Reserve Fund	19.6%	-
Federal Home Loan Bank	18.3%	13.5%

As of June 30, 2011, 100% of the School Board's investment portfolio was invested in the Virginia LGIP.

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.

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As of June 30, 2011, the Primary Government had the following investments and maturities:

	Investment Maturity		
	Fair Value	Less than 1 year	1-3 years
Non-negotiable Certificates of Deposits	\$ 36,608,012	\$ 36,608,012	\$ -
Repurchase Agreements	135,361	135,361	-
Mutual Funds	4,902,402	4,902,402	-
Federal Agency Bonds/Notes	7,314,604	-	7,314,604
Virginia LGIP	12,488,673	12,488,673	-
TOTAL	\$ 61,449,052	\$ 54,134,448	\$ 7,314,604

As of June 30, 2011, the School Board Component Unit had the following investments and maturities:

	Investment Maturity	
	Fair Value	Less than 1 year
Virginia LGIP	\$ 14,908,781	\$ 14,908,781
TOTAL	\$ 14,908,781	\$ 14,908,781

As of June 30, 2011, the Hotel Roanoke Conference Center Commission, a fiduciary fund, had the following investments and maturities:

	Investment Maturity		
	Fair Value	Less than 1 year	1-3 years
Non-negotiable Certificates of Deposits	\$ 3,418,302	\$ 3,418,302	\$ -
Repurchase Agreements	12,639	12,639	-
Federal Agency Bonds/Notes	683,006	-	683,006
Virginia LGIP	940,223	940,223	-
TOTAL	\$ 5,054,170	\$ 4,371,164	\$ 683,006

Separately Presented Fiduciary Funds

Pension Trust Fund

Investment Policy. The Board of Trustees of the City of Roanoke Pension Plan (the Plan) has adopted a Statement of Investment Policy Guidelines and Objectives. The Policy articulates the Plan's investment objectives and risk tolerance and serves as a guide for asset allocation development, investment manager and fund selection, and investment performance monitoring and evaluation. The Policy addresses credit

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risk, concentration risk, and foreign currency risk as outlined in the following paragraphs.

Investments as of June 30, 2011 consisted of the following:

Cash Equivalents	\$ 1,670,398
Investment in pooled funds, including Virginia LGIP	1,529,808
Cash Collateral on Loaned Securities	38,722,929
U.S Government Securities	11,074,817
Municipal and Agency Bonds	2,729,316
Corporate Bonds	13,389,791
Convertible Bond Mutual Funds	12,645,674
Common Stocks	63,375,474
Domestic Mutual Funds	149,856,410
International Mutual Funds	66,498,474
Real Estate Mutual Funds	7,047,472
Total Investments	<u>\$ 368,540,563</u>

Credit Risk. 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. Below investment grade fixed income securities 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. 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. As of June 30, 2011, the Plan's pooled and fixed income investments consisted of the following:

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	Moody's Rating	<u>Market Value</u> <u>2011</u>
Municipal and Agency Bonds		
	Aaa	\$ 1,383,227
	Aa1	\$ 123,044
	Aa2	761,735
	A1	411,756
	A2	49,554
	A3	-
		<u>\$ 2,729,316</u>
Corporate Bonds		
	Aaa	\$ 397,427
	Aa1	231,172
	Aa2	1,339,032
	Aa3	1,006,830
	A1	1,114,753
	A2	2,237,934
	A3	2,566,134
	Baa1	2,589,869
	Baa2	824,291
	Baa3	812,988
	NA	269,361
		<u>\$ 13,389,791</u>
Domestic Bond Mutual Funds		
	AA- 1	\$ 16,829,875
	Aa2	7,683,278
	B1 2	13,350,106
	NA 3	8,420,924
		<u>\$ 46,284,183</u>
Investment in Pooled Funds		
	AAAm 1	\$ 1,529,808
		<u>\$ 1,529,808</u>

1 Standard and Poor's credit rating

2 This domestic mutual fund is an alternative asset within the Plan. Alternative assets must meet additional investment criteria under the Plan's investment policy.

3 This domestic mutual fund is a passive investment that emulates the Barclays Capital Aggregate Bond Index.

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.

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On June 30, 2011, the carrying amount and bank balance of the Plan's deposits was \$1,689,081. Of the bank balance at June 30, 2011, \$15,683 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 according to the Virginia Security for Public Deposits Act Regulations of the Code of Virginia.

Such collateralization qualifies as state depository insurance. Accordingly, the bank balance of \$15,683 is considered to be insured. Under the Act, banks holding public deposits in 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 \$1,670,398 is uninsured and uncollateralized.

Custodial Credit Risk – Investments. The Plan has nine types of investments as of June 30, 2011: cash equivalents; U.S. government securities; agency and municipal bonds; corporate bonds; convertible bond mutual funds; common stocks; domestic, international and 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 investment policy does not specifically address custodial credit risk. As of June 30, 2011, the Plan's investments considered to be exposed to custodial credit risk consisted of the following:

<u>Investment Type</u>	<u>Market Value</u>
U.S Government Bonds	\$ 11,074,817
Municipal and Agency Bonds	2,729,316
Corporate Bonds	13,389,791
Common Stocks	63,375,474
Total	<u>\$ 90,569,398</u>

State Street Bank & Trust Company has a blanket insurance policy to secure Trust Funds for every account they hold and also pledges to the Federal Reserve Bank to cover funds on deposit with their bank. State Street Boston Corporation, the parent company, also carries a corporate blanket insurance policy. Further insurance carried by the depositories includes coverage against losses occurring on the premises or during transit.

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. As of June 30, 2011, the Plan did not own securities of a single organization, other than positions in mutual funds, representing 5% or more of the Plan's net assets.

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Interest Rate Risk. The Plan's investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy defines 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 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 object of outperforming the Barclays Capital Long Government/Credit Index over a moving 3 – 5 year range. The market value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2011:

Investment Type	Fair Value	Original Investment Maturities (In Years)				
		<5	5-10	10-15	15-20	>20
U.S. Government Securities	\$11,074,817	\$152,996	\$368,080	-	\$325,680	\$10,228,061
Municipal and Agency Bonds	2,729,316	-	741,592	59,094	-	1,928,630
Corporate Bonds	13,389,791	-	4,500,633	175,356	-	8,713,802
Bond Mutual Funds	46,284,183	-	46,284,183	-	-	-
TOTAL	\$73,478,107	\$152,996	\$51,894,488	\$234,450	\$325,680	\$20,870,493

The City maintains a cash and investment pool, in which the Plan is a participant. The fair value of the Plan's investment that were a result of participating in that cash and investment pool as of June 30, 2011:

Investment Type	Fair Value	Fiscal Year Ended June 30, 2011				
		<5	5-10	10-15	15-20	>20
Virginia LGIP	\$1,529,808	-	-	-	-	-
TOTAL	\$1,529,808	-	-	-	-	-

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, 2011.

Securities Lending Arrangements. The Plan's Board of Trustees approved a Securities Lending Authorization Agreement allowing State Street Bank & Trust Company (Custodian) to lend the Plan's available securities to broker-dealers and banks pursuant to a form of loan agreement. All of the Plan's securities held by the Custodian are available for securities lending, except those securities which the Plan specifically identifies in notices to the Custodian as not being available. During the fiscal year ended June 30, 2011, the Plan did not exclude any securities from securities lending.

The Custodian lends the securities and in exchange the borrowers are required to deliver collateral in the form of cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt of foreign nations and irrevocable bank letters of credit. The Custodian does not have the ability to pledge or sell collateral securities delivered, absent a borrower default. Borrowers

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are required to deliver collateral for each loan in amounts equal to: (1) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The Plan did not impose any restrictions during the fiscal year on the amount of loans the Custodian made on its behalf. The terms of the Authorization Agreement require the Custodian to indemnify the Plan in the event the borrower defaults or fails to return the securities by agreeing to purchase replacement securities, or return the cash collateral in the event the borrower fails to return the loaned security or pay distributions thereon. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the Custodian.

The Plan and the borrowers maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan is invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2011, such investment pool had a weighted maturity of 39 days with an average duration of 125 days.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The Plan had no credit risk exposure to borrowers as of June 30, 2011. The following represents balances related to securities lending transactions as of June 30, 2011:

Securities on Loan	Market Value of Securities	Cash Collateral Investment Value
Domestic Equities	\$ 38,185,403	\$ 38,722,929
Total	\$ 38,185,403	\$ 38,722,929

Other Risks and Uncertainties. The Plan's investments are exposed to various risks such as interest rate and market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions, market perceptions, and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of net assets available for benefits.

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 the name of the Virginia Pooled OPEB Trust. The City's share in this pool is reported as an asset on the statement of fiduciary net assets of the OPEB Trust Fund statement (Exhibit J).

Investment Policy. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to achieve a compound annualized total rate of return over a market cycle, including current income and capital appreciation, in excess of 5.0 percent after inflation, in a manner consistent with prudent risk-taking. Investment decisions for the funds' assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of

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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 its 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 Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

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

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

As of June 30, 2011, investment holdings as a percentage of total investments for the OPEB Trust Fund were as follows:

Investment Type	OPEB Trust Fiduciary Fund	Credit Rating
Virginia Pooled OPEB Trust	100.0%	NR

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 by its trust department or agent, but not in the City’s name. As of June 30, 2011, the OPEB Trust Fund did not hold any investments considered to be exposed to custodial credit risk.

Concentration of Credit Risk. The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No single issue shall constitute more than 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.

As of June 30, 2011, 100% of the OPEB Trust Fund investment portfolio was invested in the Virginia Pooled OPEB Trust.

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As of June 30, 2011, the OPEB Trust Fund had the following investments and maturities:

	<u>Investment Maturity</u>	
	<u>Fair Value</u>	<u>5 - 10 years</u>
Virginia Pooled OPEB Trust	<u>\$ 1,638,881</u>	<u>\$ 1,638,881</u>

(3) Receivables

Receivables as of June 30, 2011 consisted of the following:

Governmental Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Total Governmental Activities</u>	<u>School Board Component Unit</u>	<u>GRTC Component Unit</u>
Receivables							
Interest and Dividends	\$ 27,180	\$ -	\$ 17,501	\$ 30,295	\$ 74,976	\$ -	\$ -
Federal Government	-	172	-	-	172	11,246,758	-
State Government	9,139,299	725,221	-	-	9,864,520	2,779,019	-
City of Roanoke	-	-	-	-	-	534,470	-
Other Governments	268,199	-	-	10,333	278,532	-	-
Subtotal Governments	<u>9,407,498</u>	<u>725,393</u>	<u>-</u>	<u>10,333</u>	<u>10,143,224</u>	<u>14,560,247</u>	<u>-</u>
Taxes	17,612,574	-	-	-	17,612,574	-	-
Accounts	4,701,571	273,000	1,469,911	219,174	6,663,656	224,986	84,500
Less: Allowance for							
Uncollectible Accounts	(6,134,420)	-	(309)	-	-	-	-
Subtotal	<u>16,179,725</u>	<u>273,000</u>	<u>1,469,602</u>	<u>219,174</u>	<u>18,141,501</u>	<u>224,986</u>	<u>84,500</u>
Governmental Fund Receivables	<u>25,614,403</u>	<u>998,393</u>	<u>1,487,103</u>	<u>259,802</u>	<u>34,494,430</u>	<u>14,785,233</u>	<u>84,500</u>
Enterprise Fund Receivables	-	-	-	-	93,765	-	-
Due from WVWA	-	-	-	-	19,875,450	-	-
Note Receivable from							
Hotel Roanoke, LLC	-	-	-	-	1,874,053	-	-
Note Receivable	-	-	-	-	-	990,000	-
Total Receivables	<u>\$ 25,614,403</u>	<u>\$ 998,393</u>	<u>\$ 1,487,103</u>	<u>\$ 259,802</u>	<u>\$ 56,337,698</u>	<u>\$ 15,775,233</u>	<u>\$ 84,500</u>

Business-Type

	<u>Civic Facilities</u>	<u>Parking</u>	<u>Total Enterprise Funds</u>
Receivables			
Accounts	85,421	8,344	93,765
Total Receivables	<u>\$ 85,421</u>	<u>\$ 8,344</u>	<u>\$ 93,765</u>

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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 Assets, include taxes receivable of approximately \$4.0 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 \$19,875,450 receivable from the Western Virginia Water Authority (WVWA) related to long-term liabilities is reported on the Statement of Net Assets.

Similarly, the City carries a Note Receivable from the Hotel Roanoke, LLC with a balance as of June 30, 2011 of \$1,874,053 which is related to a long term Section 108 loan. Principal is payable in nineteen annual installments with interest on the unpaid principal balance of the note at a fixed rate of 4.0% per annum. Installments of principal and interest in the amount of \$496,757 are due and payable on June 30 of each year until June 30, 2014. If, in any one year, full payment of principal and interest is not made, that unpaid amount is payable on any subsequent annual installment payment date. In this event, no additional interest would accrue. At June 30, 2011, unpaid installments totaling \$496,757 are due from the Hotel Roanoke, LLC. This amount is comprised of unpaid principal of \$407,361 and interest of \$89,396. Further details are presented in note 8.

(4) Interfund Balances and Transfers

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

	DUE FROM (FUND)								Total
	General	Civic Facilities	Capital Projects	Debt Service	Internal Services	Special Revenue	Pension Trust	Parking	
DUE TO (FUND)									
General Fund	\$ -	\$ 94,224	\$ -	-	\$ -	\$ -	\$ 1,028	\$ 1,522	\$ 96,774
Civic Facilities	-	-	142,499	-	-	-	-	-	142,499
Capital Projects	2,499,411	-	-	65,039	-	-	-	150,421	2,714,871
Debt Service	178,363	-	16,439	-	73,058	-	-	-	267,860
Internal Service	3,755,194	7,464	16	-	1,470	1,310	-	-	3,765,454
Special Revenue	6,490	-	-	-	-	-	-	-	6,490
Pension Trust	336,955	-	-	-	41,357	-	-	-	378,312
TOTAL	\$ 6,776,413	\$ 101,688	\$ 158,954	\$ 65,039	\$ 115,885	\$ 1,310	\$ 1,028	\$ 151,943	\$ 7,372,260

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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. As of the fiscal year end, the City has a reported Due From Component Unit (School Board) balance of \$447,966. In comparison, the School Board has a Due To Primary Government balance of \$150,000 (see Exhibit A). The \$297,966 Due To/Due From difference is related to payments made by the School Board prior to the end of the fiscal year that were not received by the City prior to the end of the fiscal year.

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

	TRANSFER FROM (FUND)								
	General	Civic Facilities	Parking	Capital Projects	Market Building	Debt Service	Internal Service	Special Revenue	Total
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,565	\$ -	\$ 10,565
Civic Facilities	1,977,100	-	-	-	-	-	-	-	1,977,100
Parking	-	-	-	30,000	-	-	-	-	30,000
Capital Projects	5,367,837	-	150,421	-	1,506,056	-	-	-	7,024,314
Market Building	47,250	-	-	-	-	-	-	-	47,250
Debt Service	18,952,750	43,650	-	-	(215,245)	-	79,907	551,627	19,412,689
Internal Service	3,328,578	-	-	72,400	-	-	-	-	3,400,978
Special Revenue	407,774	-	-	9,450	-	-	60,544	-	477,768
TOTAL	\$ 30,081,289	\$ 43,650	\$ 150,421	\$ 111,850	\$ 1,290,811	\$ -	\$ 151,016	\$ 551,627	\$ 32,380,664

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.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(5) Changes in Capital Assets

Primary Government:

Changes in capital assets for the year ended June 30, 2011 consisted of the following:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<u>Governmental activities:</u>				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 43,392,631	\$ 57,500	\$ -	\$ 43,450,131
Infrastructure - Right of Way	20,027,512	8,314	-	20,035,826
Construction in Process	40,183,534	11,181,272	(6,446,715)	44,918,091
Historical Treasures	635,298	-	-	635,298
Total Capital assets, not being depreciated	104,238,975	11,247,086	(6,446,715)	109,039,346
<u>Capital assets, being depreciated:</u>				
Land Improvements	2,998,634	-	-	2,998,634
Accumulated Depreciation	(666,367)	(187,711)	-	(854,078)
Net Land Improvements	2,332,267	(187,711)	-	2,144,556
Building and Structures	371,760,247	6,867,485	(3,903,720)	374,724,012
Accumulated Depreciation	(108,338,376)	(6,871,806)	2,101,927	(113,108,255)
Net Building & Structures	263,421,871	(4,321)	(1,801,793)	261,615,757
Infrastructure	176,485,317	10,015,704	-	186,501,021
Accumulated Depreciation	(76,232,961)	(5,518,822)	-	(81,751,783)
Net Infrastructure	100,252,356	4,496,882	-	104,749,238
Equipment	62,023,578	3,597,181	(801,184)	64,819,575
Accumulated Depreciation	(37,921,248)	(7,113,648)	801,184	(44,233,712)
Net Equipment	24,102,330	(3,516,467)	-	20,585,863
Total Capital Assets Being Depreciated	613,267,776	20,480,370	(4,704,904)	629,043,242
Less: Accumulated Depreciation	(223,158,952)	(19,691,987)	2,903,111	(239,947,828)
Net Total Capital Assets Being Depreciated	390,108,824	788,383	(1,801,793)	389,095,414
Governmental activities capital assets, net	\$ 494,347,799	\$ 12,035,469	\$ (8,248,508)	\$ 498,134,760
General Capital Assets, Net				\$ 478,299,108
Internal Service Fund Capital Assets, Net				19,835,652
Total				\$ 498,134,760

Capital assets used for educational purposes totaling \$197,118,133 are included with the Governmental Activities capital assets of the primary government. Depreciation expense on these assets was recorded as Education expense in the current fiscal year.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Changes in Capital Assets (Continued)

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<u>Business-type activities:</u>				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 3,663,073	\$ -	\$ (50,000)	\$ 3,613,073
Construction in Process	8,800,133	6,170,179	(6,697,495)	8,272,817
Total Capital assets, not being depreciated	12,463,206	6,170,179	(6,747,495)	11,885,890
<u>Capital assets, being depreciated:</u>				
Land Improvements	68,446	-	-	68,446
Accumulated Depreciation	(58,356)	(1,882)	-	(60,238)
Net Land Improvements	10,090	(1,882)	-	8,208
Building and structures	79,641,500	-	(2,315,891)	77,325,609
Accumulated Depreciation	(26,234,222)	(1,638,339)	447,091	(27,425,470)
Net Building & Structures	53,407,278	(1,638,339)	(1,868,800)	49,900,139
Equipment	2,611,701	6,255	(79,051)	2,538,905
Accumulated Depreciation	(1,724,213)	(133,829)	20,832	(1,837,210)
Net Equipment	887,488	(127,574)	(58,219)	701,695
Total Capital Assets Being Depreciated	82,321,647	6,255	(2,394,942)	79,932,960
Less: Accumulated Depreciation	(28,016,791)	(1,774,050)	467,923	(29,322,918)
Net Total Capital Assets Being Depreciated	54,304,856	(1,767,795)	(1,927,019)	50,610,042
Business-type activities capital assets, net	\$ 66,768,062	\$ 4,402,384	\$ (8,674,514)	\$ 62,495,932

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Changes in Capital Assets (Continued)

Depreciation was charged to functions as follows:

Governmental activities:

General Government	\$ 805,661
Judicial Administration	242,657
Public Safety	1,489,199
Public Works	5,724,910
Health and Welfare	316,969
Parks, Recreation and Cultural	519,238
Community Development	96,156
Economic Development	4,978
Education	4,540,563
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	5,951,656
Total	<u><u>\$ 19,691,987</u></u>

Business-type activities:

Civic Facilities	\$ 923,390
Parking	822,634
Market Building	28,026
Total	<u><u>\$ 1,774,050</u></u>

School Board Component Unit:

	<u>Balance</u> <u>July 1, 2010</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance</u> <u>June 30, 2011</u>
Equipment	\$ 7,257,573	\$	482,572	\$	(147,614)	\$	7,592,531
Accumulated Depreciation	(4,353,374)		(576,137)		136,306		(4,793,205)
Net Equipment	<u>2,904,199</u>		<u>(93,565)</u>		<u>(11,308)</u>		<u>2,799,326</u>
Component unit capital assets, net	<u><u>\$ 2,904,199</u></u>	\$	<u><u>(93,565)</u></u>	\$	<u><u>(11,308)</u></u>	\$	<u><u>2,799,326</u></u>

GRTC Component Unit:

	<u>Balance</u> <u>July 1, 2010</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance</u> <u>June 30, 2011</u>
Capital assets, not being depreciated:							
Land	\$ 603,302	\$	117,422	\$	-	\$	720,724
Capital assets, being depreciated:							
Building and Structures	10,553,898		8,356		-		10,562,254
Equipment	18,112,315		657,264		(598,614)		18,170,965
Less: Accumulated Depreciation	(14,037,037)		(1,965,737)		598,614		(15,404,160)
Subtotal	<u>14,629,176</u>		<u>(1,300,117)</u>		<u>-</u>		<u>13,329,059</u>
Component unit capital assets, net	<u><u>\$ 15,232,478</u></u>	\$	<u><u>(1,182,695)</u></u>	\$	<u><u>-</u></u>	\$	<u><u>14,049,783</u></u>

The City included amortization expense from capitalized leases in the depreciation expense in the above schedule.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(6) Construction in Progress and Contract Commitments

A summary of construction in progress by function and contract commitments (encumbrances) at June 30, 2011 is as follows:

<u>Primary Government:</u>				
	Project	Expended/Expensed	Contract	Required
<u>Governmental Activities:</u>	Authorizations	as of	Commitments	Future
<u>Function</u>		June 30, 2011	(Encumbrances)	Financing
General Government	\$ 4,247,788	\$ 3,808,896	\$ 70,268	None
Parks, Recreation and Cultural	4,280,331	1,632,201	2,052,750	None
Flood Reduction	19,915,340	19,622,830	107,568	None
Economic Development	542,938	327,345	10,001	None
Community Development	267,000	-	-	None
Public Safety	101,000	-	870	None
Public Works	17,493,496	9,955,581	1,706,612	None
Education	7,080,108	6,384,091	815,365	None
Department of Technology	9,046,868	3,187,147	3,683,652	\$ 3,612,167
Subtotal	62,974,869	44,918,091	8,447,086	
Non-Capitalized Projects	36,712,951	37,465,236	39,087	None
Total	\$ 99,687,820	\$ 82,383,327	\$ 8,486,173	
<u>Business-Type Activities:</u>				
<u>Fund</u>				
Parking	7,935,291	8,272,817	589	None
Total	\$ 7,935,291	\$ 8,272,817	\$ 589	

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(7) Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue for the Civic Center proprietary fund (shown as Business-type activities in the table below) is reported as Other Liabilities on the face of the statements (see Exhibit G). Deferred revenue as reported in the governmental and proprietary funds financial statements at June 30, 2011 consisted of the following:

Governmental activities:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Deferred Property and Other Tax Revenue	\$ 4,323,034	\$ -	\$ 4,323,034
Other receivables for which revenue recognition criteria have not been met	-	396,309	396,309
Total	\$ 4,323,034	\$ 396,309	\$ 4,719,343

Business-type activities:

	<u>Civic Facilities Fund</u>
Deferred Ticket and Other Event Revenue	\$ 329,646
Total	\$ 329,646

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

(8) 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, 2011 of \$1,133,011 is committed for future retirement of long-term debt. The Charter of the City of Roanoke limits the legal debt to 10% of the assessed valuation of real estate, personal property and public service corporations within the City limits. The City's legal debt margin at June 30, 2011 is \$551,876,799. 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, as of June 30, 2011 are comprised of the following:

Details of Long-Term Indebtedness

At June 30, 2011, the long-term indebtedness of the City consisted of the following:

	Interest Rates	Issue Date	Maturity Date	Issue Amount	Governmental Activities
General Obligation Bonds					
2002A Public Improvement Bonds	3.00% - 5.25%	2/21/2002	10/1/2021	\$ 34,130,000	\$ 3,710,000
2002B Public Improvement Bonds	4.00% - 5.00%	2/21/2002	10/1/2021	12,000,000	6,895,000
2003 Refunding Bonds	2.00% - 5.00%	7/1/2003	8/1/2024	12,075,000	6,025,000
2004 Refunding Bonds	2.00% - 5.00%	2/25/2004	10/1/2019	46,030,000	28,355,000
2004A Refunding Bonds	2.00% - 3.63%	3/11/2004	8/1/2017	7,935,000	4,695,000
2004B Public Improvement Bonds	3.00% - 5.25%	11/23/2004	2/1/2025	36,105,000	18,050,000
2005 Public Improvement Bonds (Taxable)	6.25%	12/15/2005	12/1/2020	3,975,000	2,650,000
2006A Public Improvement Bonds	3.50% - 5.00%	2/8/2006	2/1/2026	20,550,000	9,870,000
2006B Public Improvement Bonds (Subject to AMT)	4.00% - 5.00%	2/8/2006	2/1/2026	5,500,000	4,125,000
2006C Public Improvement Bonds	3.50% - 4.23%	5/4/2006	8/1/2012	2,975,834	1,409,293
2008 Public Improvement Bonds	3.25% - 5.00%	2/5/2008	2/1/2033	43,445,000	32,800,000
2008A VRA Public Improvement Bonds	3.12% - 5.37%	12/10/2008	10/1/2028	6,910,000	6,250,000
2010A Refunding Bonds	2.00% - 5.00%	3/11/2010	10/1/2021	32,792,400	32,792,400
2010B Public Improvement Bonds	1.25% - 5.80%	3/11/2010	10/1/2029	2,680,000	2,680,000
2010C Refunding Bonds	2.00% - 4.00%	8/11/2010	7/15/2015	1,786,500	1,786,500
2010C Public Improvement Bonds	2.00% - 4.00%	8/11/2010	7/15/2030	2,605,000	2,605,000
2010D Public Improvement Bonds (Market Bldg.)	2.00% - 4.00%	8/11/2010	7/15/2030	5,470,000	5,470,000
2010E Public Improvement Bonds	2.90% - 5.70%	8/11/2010	7/15/2030	5,665,000	5,665,000
					\$ 175,833,193
Section 108 Loan					
Section 108 Loan-Hotel Roanoke Project	3.43% - 6.91%	March, 1994	8/1/2013	6,000,000	\$ 1,355,000
General Obligation Bonds - Western Virginia Water Authority					
2002A Public Improvement Bonds - Water (WVWA)	3.00% - 5.25%	2/1/2002	10/1/2012	5,445,000	525,000
2003 Refunding Bonds - Water Pollution Control	2.00% - 5.00%	7/1/2003	8/1/2024	14,310,000	11,475,000
2006C Refunding Bonds - Water (WVWA)	3.50% - 4.65%	5/4/2006	8/1/2013	7,655,992	4,380,550
2010A Refunding Bonds - Water (WVWA)	2.00% - 5.00%	3/4/2010	10/1/2021	3,263,800	3,263,800
2010C Refunding Bonds - Water (WVWA)	3.00%	8/11/2010	7/15/2015	231,100	231,100
					\$ 19,875,450
Lease Obligations					
Social Services Building Lease	11.80%	2/1/2004	1/1/2024	4,857,000	4,104,037
Xerox Lease - General, Department of Technology and Fleet	12.10%	6/30/2008	6/30/2014	892,965	421,319
					\$ 4,525,356

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Details of Long-Term Indebtedness (continued)

	Interest Rates	Issue Date	Maturity Date	Issue Amount	Governmental Activities
<u>School Fund Bonds and Loans (1)</u>					
1991A VPSA Subsidized Crystal Spring	6.10% - 6.60%	7/1/1991	7/15/2011	\$ 2,000,000	\$ 98,645
1992A VPSA Subsidized Forest Park	4.90% - 6.35%	12/10/1992	7/15/2012	2,500,000	244,206
1994B VPSA Subsidized Virginia Heights	6.25% - 6.75%	11/1/1994	7/15/2014	2,000,000	381,004
1995C VPSA Subsidized Wasena & Jackson	5.10% - 6.10%	12/21/1995	7/15/2015	4,400,000	1,072,205
1996B VPSA Subsidized Breckenridge	5.10% - 6.10%	11/14/1996	7/15/2016	5,000,000	1,450,270
1997 VPSA Subsidized Woodrow Wilson	4.35% - 5.35%	11/1/1997	7/15/2017	5,000,000	1,684,543
1998A VPSA Subsidized Addison	3.60% - 5.10%	11/19/1998	7/15/2018	5,000,000	2,000,000
1998B VPSA Subsidized Huff Lane	3.60% - 5.10%	11/19/1998	7/15/2018	1,200,000	481,989
1999A VPSA Subsidized Governor's School	5.10% - 6.10%	11/18/1999	7/15/2019	3,250,000	1,395,000
1999B VPSA Subsidized Hurt Park	5.10% - 6.10%	11/18/1999	7/15/2019	1,250,000	518,712
2000B VPSA Subsidized Garden City	4.97% - 5.85%	11/16/2000	7/15/2020	2,750,000	1,310,786
2000B VPSA Subsidized Grandin Court	4.97% - 5.85%	11/16/2000	7/15/2020	1,900,000	905,633
2000B VPSA Subsidized Preston Park	4.97% - 5.85%	11/16/2000	7/15/2020	1,900,000	905,633
2001B VPSA Subsidized Fairview	3.10% - 5.35%	11/15/2001	7/15/2021	2,750,000	1,457,030
2001B VPSA Subsidized Fishburn Park	3.10% - 5.35%	11/15/2001	7/15/2021	2,500,000	1,324,572
2003C VPSA Subsidized Roanoke Academy	3.10% - 5.35%	11/6/2003	7/15/2023	5,000,000	3,063,496
2004B VPSA Subsidized Lincoln Terrace	4.10% - 5.60%	11/1/2004	7/15/2024	1,300,000	820,943
2005D VPSA Subsidized Fallon Park	4.60% - 5.10%	11/10/2005	7/15/2025	992,464	770,565
2005D VPSA Subsidized Westside	4.60% - 5.10%	11/10/2005	7/15/2025	3,291,459	2,555,492
2006B VPSA Non-Subsidized Monterey	4.22% - 5.10%	11/9/2006	7/15/2026	1,945,000	1,545,000
2006B VPSA Subsidized Patrick Henry	4.22% - 5.10%	11/9/2006	7/15/2026	7,500,000	5,404,064
2007A VPSA Non-Subsidized Patrick Henry	4.10% - 5.10%	5/10/2007	7/15/2027	3,345,000	2,835,000
2008B VPSA Subsidized William Fleming	3.60% - 5.35%	12/11/2008	1/15/2029	6,350,705	5,773,969
2008B VPSA Non-Subsidized William Fleming/Roofs	3.60% - 5.35%	12/11/2008	7/15/2028	10,580,000	9,520,000
2010 VPSA Qualified School Construction Bonds (QSCB) Elementary	0.00%	7/8/2010	6/1/2027	1,135,000	1,070,000
Literary Fund Loan-Morningside Elementary School	4.00%	8/1995	9/1/2015	2,200,000	550,000
Literary Fund Loan-Lucy Addison Middle School	4.00%	10/1999	10/01/2019	5,000,000	2,250,000
Qualified Zone Academy Bond-Roanoke Academy	0.00%	12/20/2000	12/20/2013	1,291,618	298,066
Qualified Zone Academy Bond-Lincoln Terrace	0.00%	11/1/2002	10/31/2016	800,000	394,009
Qualified Zone Academy Bond-Fallon Park	0.00%	12/29/2004	12/29/2020	439,100	297,814
Qualified Zone Academy Bond-Patrick Henry High School	0.00%	12/27/2006	12/27/2022	1,097,571	873,036
					\$ 53,251,682
Subtotal Governmental Activities					\$ 254,840,681
	Interest Rates	Issue Date	Maturity Date	Issue Amount	Business-Type Activities
<u>Lease Obligations</u>					
Ovations Lease	3.93%	7/1/2008	6/30/2015	449,988	272,170
Xerox Lease - Civic Facilities	12.10%	6/30/2008	6/30/2014	27,877	13,196
					\$ 285,366
<u>Enterprise Fund Bonds</u>					
2002A Civic Facilities Bonds	3.00% - 5.25%	2/1/2002	10/1/2012	2,170,000	205,000
2004B Civic Facilities Bonds	3.00% - 5.25%	11/23/2004	2/1/2025	7,895,000	4,510,000
2006A Civic Facilities Bonds	3.50% - 5.00%	2/8/2006	2/1/2026	6,405,000	3,880,000
2010A Civic Facilities Refunding Bonds	2.00% - 5.00%	3/4/2010	10/1/2021	4,382,700	4,382,700
2010C Civic Facilities Refunding Bonds	2.00% - 4.00%	8/11/2010	7/15/2015	91,500	91,500
2002A Parking Bonds-Gainsboro	3.00% - 5.25%	2/1/2002	10/1/2012	2,500,000	235,000
2004B Parking Bonds-Campbell Avenue	3.00% - 5.25%	11/23/2004	2/1/2025	2,000,000	1,150,000
2006A Parking Bonds-Campbell Avenue	3.50% - 5.00%	2/8/2006	2/1/2026	2,600,000	1,580,000
2006C Parking Refunding Bonds-Wachovia Tower	3.50% - 4.23%	5/4/2006	8/1/2011	1,893,174	650,156
2008 Parking Bonds-Campbell Avenue	3.25% - 5.00%	2/5/2008	2/1/2028	2,545,000	1,890,000
2008A VRA Parking Bonds-Market	3.12% - 5.37%	12/10/2008	10/1/2031	5,040,000	5,040,000
2010A Parking Refunding Bonds-Gainsboro & Campbell Ave.	2.00% - 5.00%	3/4/2010	10/1/2021	2,861,100	2,861,100
2010A Parking Bonds-Market	2.00% - 5.00%	3/4/2010	10/1/2029	1,625,000	1,540,000
2010C Parking Refunding Bonds-Gainsboro	2.00% - 4.00%	8/11/2010	7/15/2015	105,900	105,900
					\$ 28,121,356
Subtotal Business-Type Activities					\$ 28,406,722
Total Primary Government Bonded Debt					\$ 283,247,403

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

The annual requirements to amortize governmental activities debt outstanding as of June 30, 2011 are as follows:

FISCAL YEAR	GENERAL OBLIGATION SERIAL BONDS		WESTERN VIRGINIA WATER AUTHORITY (WVWA) GENERAL OBLIGATION SERIAL BONDS		VPSPA/LITERARY FUND LOANS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2011-12	\$ 16,202,203	\$ 7,461,059	\$ 2,357,368	\$ 761,839	\$ 4,141,460	\$ 2,268,796
2012-13	16,605,985	6,669,734	2,373,182	660,158	4,068,713	2,068,909
2013-14	16,452,554	6,012,278	2,400,000	560,638	3,968,523	1,877,276
2014-15	13,639,338	5,405,828	1,021,400	490,009	3,994,689	1,685,066
2015-16	12,760,135	4,811,378	1,837,700	439,945	3,921,639	1,493,352
2016-21	55,922,522	16,891,113	6,029,600	1,518,086	15,450,672	4,929,908
2021-26	32,191,381	7,530,017	3,856,200	336,330	9,161,606	2,038,117
2026-31	14,514,000	2,359,897	-	-	2,909,455	244,828
2031-36	3,180,000	200,340	-	-	-	-
TOTAL	\$ 181,468,118	\$ 57,341,644	\$ 19,875,450	\$ 4,767,005	\$ 47,616,757	\$ 16,606,252

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, 2011 are as follows:

FISCAL YEAR	CIVIC FACILITIES FUND SERIAL BONDS		PARKING FUND SERIAL BONDS		TOTAL BUSINESS-TYPE DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2011-12	\$ 650,000	\$ 529,442	\$ 1,135,156	\$ 625,350	\$ 1,785,156	\$ 1,154,792
2012-13	755,000	502,327	655,000	592,020	1,410,000	1,094,347
2013-14	762,300	475,363	703,900	568,424	1,466,200	1,043,787
2014-15	785,700	448,659	827,900	543,956	1,613,600	992,615
2015-16	928,400	405,618	737,600	511,969	1,666,000	917,587
2016-21	4,718,400	1,532,927	4,158,900	2,086,304	8,877,300	3,619,231
2021-26	4,469,400	541,073	4,083,700	1,164,137	8,553,100	1,705,210
2026-31	-	-	2,360,000	337,194	2,360,000	337,194
2031-36	-	-	390,000	10,144	390,000	10,144
TOTAL	\$ 13,069,200	\$ 4,435,409	\$ 15,052,156	\$ 6,439,498	\$ 28,121,356	\$ 10,874,907

CITY OF ROANOKE, VIRGINIA
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FISCAL YEAR	SECTION 108 LOAN		TOTAL GOVERNMENTAL ACTIVITIES DEBT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2011-12	\$ 445,000	\$ 53,033	\$ 23,146,031	\$ 10,544,727
2012-13	470,000	32,203	23,517,880	9,431,004
2013-14	440,000	10,626	23,261,077	8,460,818
2014-15	-	-	18,655,427	7,580,903
2015-16	-	-	18,519,474	6,744,675
2016-21	-	-	77,402,794	23,339,107
2021-26	-	-	45,209,187	9,904,464
2026-31	-	-	17,423,455	2,604,725
2031-36	-	-	3,180,000	200,340
TOTAL	\$ 1,355,000	\$ 95,862	\$ 250,315,325	\$ 78,810,763

CITY OF ROANOKE, VIRGINIA
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CHANGES IN GENERAL LONG-TERM LIABILITIES

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Amounts Due Within One Year
<u>Primary Government - Governmental Activities:</u>					
General Obligation Serial Bonds	\$ 182,165,790	\$ 15,526,500	\$ 16,224,172	\$ 181,468,118	\$ 16,252,385
General Obligation Serial Bonds - WVWA	21,987,683	231,100	2,343,333	19,875,450	2,357,368
Hotel Roanoke Section 108 Loan	1,775,000	-	420,000	1,355,000	445,000
State Literary Fund Loans	3,160,000	-	360,000	2,800,000	360,000
VPSA School Bonds	47,476,258	1,135,000	3,794,501	44,816,757	3,780,460
Capital Lease Obligations	4,838,541	-	313,185	4,525,356	310,357
Total Bonds, Loans and Leases Payable before Deferred Amounts and Premiums	261,403,272	16,892,600	23,455,191	254,840,681	23,505,570
Deferred Amount on Refunding and Premiums	1,018,805	1,106,285	808,870	1,316,220	6,462
Total Bonds, Loans and Leases Payable	262,422,077	17,998,885	24,264,061	256,156,901	23,512,032
Claims Payable	17,368,281	12,963,400	13,614,186	16,717,495	2,536,523
Compensated Absences Payable	6,653,996	5,766,826	6,268,053	6,152,769	4,563,623
Subtotal Governmental Activities:	\$ 286,444,354	\$ 36,729,111	\$ 44,146,300	\$ 279,027,165	\$ 30,612,178
<u>Primary Government - Business-Type Activities:</u>					
General Obligation Serial Bonds	\$ 29,667,886	\$ 197,400	\$ 1,743,930	\$ 28,121,356	\$ 1,763,930
Capital Lease Obligations	352,473	-	67,107	285,366	64,730
Deferred Amount on Refunding and Premiums	350,974	11,344	25,136	337,182	6,690
Total Bonds, Loans and Leases Payable	30,371,333	208,744	1,836,173	28,743,904	1,835,350
Compensated Absences Payable	16,249	-	16,249	-	-
Subtotal Business-Type Activities:	\$ 30,387,582	\$ 208,744	\$ 1,852,422	\$ 28,743,904	\$ 1,835,350
Total Primary Government Long-Term Liabilities	\$ 316,831,936	\$ 36,937,855	\$ 45,998,722	\$ 307,771,069	\$ 32,447,528
<u>School Board Component Unit:</u>					
Claims Payable	\$ 6,941,228	\$ 14,855,846	\$ 14,392,749	\$ 7,404,325	\$ 4,788,700
Compensated Absences Payable	3,291,571	2,671,754	2,797,997	3,165,328	851,473
Other Post-Employment Benefit Obligation	1,445,797	-	316,692	1,129,105	-
Total School Board Component Unit	\$ 11,678,596	\$ 17,527,600	\$ 17,507,438	\$ 11,698,758	\$ 5,640,173

CITY OF ROANOKE, VIRGINIA
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During fiscal year 2010, the Debt Service Fund was used to account for the repayment of most long-term liabilities of governmental activities as shown in the tables preceding this paragraph. However, a portion of capital lease obligations, claims payable and compensated absences were liquidated by Internal Service Funds. The remaining portion of compensated absences was liquidated by the General Fund.

On August 21, 2010, the City issued \$15,955,000 principal amount of General Obligation Public Improvement Bonds consisting of \$4,820,000 principal amount of General Obligation Public Improvement and Refunding Bonds, Series 2010C, \$5,470,000 principal amount of General Obligation Public Improvement Bonds, Series 2010D (Tax-Exempt – Recovery Zone Facility Bonds) and \$5,665,000 principal amount of General Obligation Public Improvement Bonds, Series 2010E (Taxable – Recovery Zone Economic Development Bonds).

The Series 2010C Bonds were issued for the purpose of providing funds to finance a portion of the costs of school improvement projects, including the replacement of school roofs, the Roanoke River Flood Reduction Project and the Digital Radio Project (comprised of an 800 MHz radio system for public safety purposes), and to refund on a current basis \$2,215,000 outstanding principal amount of the City's General Obligation Public Improvement Bonds, Series 2002A, dated February 1, 2002 and maturing on October 1, 2010.

The Series 2010D Bonds were issued for the purpose of providing funds to finance the costs of the renovation of the Market Building in the City. The Series 2010D Bonds were issued as Recovery Zone Facility Bonds under Section 1400U-3 of the Internal Revenue Code of 1986, as amended (the "Code"), which was added by the provisions of the American Recovery and Reinvestment Act of 2009 (the "ARRA").

The Series 2010E Bonds were issued for the purpose of providing funds to finance the costs of the Roanoke River Flood Reduction Project, the National Guard Armory Project (comprised of the demolition of the existing National Guard Armory and the preparation of the site thereof for parks and recreation purposes in the South Jefferson Redevelopment area), the Bridge Renovation Project and the Digital Radio Project in the City. The Series 2010E Bonds were issued as Recovery Zone Economic Development Bonds under Section 1400U-2 of the Code, which was added by the provisions of the ARRA. Pursuant to the ARRA, the City receives a cash subsidy payment from the United States Treasury equal to 45% of the interest payable on the Series 2010D Bonds on each interest payment date. The cash payment does not constitute a guarantee by the United States Treasury or a pledge of the faith and credit of the United States of America, but is required to be paid by the United States Treasury under the ARRA.

In addition, on July 8, 2010, the City issued its Virginia Public School Authority/Qualified School Construction 2010 bond in the amount of \$1,135,000. Principal proceeds will be used for Elementary School Projects. The Series 2010 bond was issued with a true interest cost of 0.1079%

A portion of proceeds committed from the Series 2010C Bonds of \$2,215,000 were applied to refund on a current basis the Refunded Series 2002A Bonds, which were to be paid at their stated maturity on October 1, 2010. The proceeds were deposited with The Bank of New York Mellon Trust Company, N.A., Richmond, Virginia, as Escrow Agent (the "Escrow Agent"), under an Escrow Deposit Agreement, dated August 11, 2010, by and between the City and the Escrow Agent. The proceeds were invested in Government Securities (as defined in the Escrow Deposit Agreement). The Government Securities will mature and bear interest payable at times and in amounts sufficient to pay (i) interest due on the Refunded

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Series 2002A Bonds to October 1, 2010, being the stated maturity of the Refunded Series 2002A Bonds, and (ii) the principal due of the Refunded Series 2002A Bonds on October 1, 2010. The City undertook the refunding of the Refunded Series 2002A Bonds described above in order to modify its existing annual debt service structure.

The Series 2002A bonds mature annually through October 1, 2021. The stated interest rates ranged from 3.0% to 5.25%. The amounts maturing on October 1 in each of the years 2013 through 2021 were subject to redemption and are to be redeemed on October 1, 2012.

The Series 2010C bonds were issued with a true interest cost of 1.4139%. The bond proceeds were used to refund, \$2,300,000 principal from the City's Series 2002A general obligation bonds (of which \$240,000 were the ultimate responsibility of the Western Virginia Water Authority).

In prior years, the City defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt was considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2011, the amount of defeased debt outstanding was \$42,290,000 and consisted of maturities from the City's 2002A, 2004B, 2006A and 2008 bond series.

On July 1, 2004, the Western Virginia Water Authority 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, 2011, the City had \$19,875,450 in outstanding general obligation debt which will contractually be repaid by the Water Authority over the remaining fifteen year amortization of the bonds. Further details are presented in notes 3 and 16.

The Hotel Roanoke LLC assumed certain indebtedness of the City and agrees to pay the City amounts equal to debt service on Hotel Roanoke LLC debt to be retained by the City. As of June 30, 2011 the City had \$1,355,000 in outstanding debt which will contractually be repaid by the Hotel Roanoke, LLC. The note originally provided \$6 million of the \$27.5 million expended for the rehabilitation and restoration of the Hotel Roanoke. The Hotel Roanoke, LLC, is obligated to repay, in priority order, certain first mortgage loans held by banks and is then obligated to repay the note receivable and other debt. Funding for repaying this debt is available from resources of the Hotel Roanoke, LLC, generated by the operations of the Hotel Roanoke.

The loan repayments to the City are considered to be program income and are to be applied toward repayment of the City's \$6 million Section 108 loan from the United States Department of Housing and Urban Development.

(9) 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

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NOTES TO BASIC FINANCIAL STATEMENTS
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monthly rent in the range of \$54,838 to \$55,469 to Blue Eagle, representing principal and interest payments with interest at 11.80%. After 2006, the rent increase is a maximum of 2% or 50% of CPI, whichever is lower. The lease term is twenty years. Ownership of the building is retained by Blue Eagle Partnership.

Lease assets and obligations are accounted for as Governmental Activities. At June 30, 2011, the original cost of the building under the capital lease totaled \$4,857,000 and accumulated depreciation on the building totaled \$1,699,160.

Ovations, Inc.

In July 2007, the City entered into an agreement with Ovations, Inc. to provide catering services and kitchen refurbishing and equipment to the Civic Center. The equipment and refurbishing portion of the agreement is a capital lease. Under the lease agreement, the City pays \$75,000 annually to Ovations, Inc., representing principal and interest payments with interest at 3.93%. The lease term is 7 years. Ownership of the equipment and refurbishments will transfer to the City at the completion of the lease term.

Lease assets and obligations are accounted for in the Civic Facilities Fund. At June 30, 2011, the original cost of the kitchen renovations, including equipment, under the capital lease totaled \$449,988, and there was \$134,934 of accumulated depreciation on the assets.

Xerox, Inc.

In June 2008, the City entered into an agreement with Xerox, Inc. to lease copy machines and related equipment. Under the current lease agreement, the City pays \$20,545 monthly to Xerox, Inc. representing principal and interest with interest at 12.1%. The lease term is 5 years. Ownership of the equipment does not transfer to the City at the completion of the lease term.

Lease assets and obligations are accounted for as Governmental Activities and in various proprietary funds. At June 30, 2011, the original cost of the equipment under the capital lease totaled \$920,842 and there was \$536,604 of accumulated depreciation on the assets.

CITY OF ROANOKE, VIRGINIA
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Future Lease Obligations for all capital leases are as follows:

<u>Future Minimum Lease Payments:</u>	Governmental Funds	Internal Service Funds	Total Governmental Activities	Enterprise Funds	Total (Memo Only)
2012	824,863	77,079	901,942	82,464	984,406
2013	824,862	79,907	904,769	82,464	987,233
2014	667,232	146	667,378	75,000	742,378
2015	665,625	-	665,625	75,000	740,625
2016	665,625	-	665,625	-	665,625
2017-2021	3,328,127	-	3,328,127	-	3,328,127
2022-2026	1,719,533	-	1,719,533	-	1,719,533
Minimum lease payments	\$ 8,695,867	\$ 157,132	\$ 8,852,999	\$ 314,928	\$ 9,167,927
Less: Amounts representing interest	(4,309,064)	(18,579)	(4,327,643)	(29,562)	(4,357,205)
Present value of minimum lease payments	4,386,803	138,553	4,525,356	285,366	4,810,722
Less: Current portion	(283,319)	(66,361)	(349,680)	(70,283)	(419,963)
Long-Term Capital Lease Obligations at June 30, 2011	\$ 4,103,484	\$ 72,192	\$ 4,175,676	\$ 215,083	\$ 4,390,759

(10) 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. The City Council approved changes to financial policies on November 1, 2010 which reorganized and strengthened prior policies. These changes included policies on the classification of fund balances which were implemented for fiscal year 2011. Additional information regarding these reserve policies may be found in the City of Roanoke's Reserve and Debt Management Policies.

As discussed in Note 1 (N), the City implemented GASB Statement No. 54 for fund balance reporting purposes in fiscal year 2011

All fiscal year 2011 outstanding purchase commitments were re-appropriated to the 2011-12 fiscal year by City Council on May 9, 2011.

The General Fund balance of \$26,914,830 is categorized as committed and unassigned. The City committed funds of \$1,379,076 for outstanding purchase commitments for goods and services ordered but not received by June 30, 2011. The unassigned fund balance of \$25,535,754 consists of the Unassigned General Fund Reserve.

The Debt Service Fund balance of \$1,133,011 is committed for future debt service payments.

The Capital Projects Fund balance of \$20,107,979 is comprised of \$3,465,004, related to outstanding bond proceeds and is categorized as restricted; committed funds of \$4,802,521 for outstanding purchase commitments for goods and services ordered but not received by June 30, 2011; \$4,429,402 committed for Future Years' Expenditures; and \$4,231,740 committed for the Economic and Community Development Reserve. The remaining balance of \$3,179,312 is assigned.

CITY OF ROANOKE, VIRGINIA
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(11) 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. This change provided for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by the ERS. All employees covered under the provisions of the ERS at June 30, 1984, could elect to remain with the ERS or be covered under the provisions of the ESRS. Coverage under the ESRS was mandatory for all employees hired or rehired on or after July 1, 1984. On November 28, 1994, June 1, 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.

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. If employees under age 60 terminate before rendering ten years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

Employees who are members of the ESRS with 5 years or more of 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

CITY OF ROANOKE, VIRGINIA
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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.

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 until 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.

The City of Roanoke Pension Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Roanoke Retirement Office, Attention: Retirement Supervisor, PO Box 1220, Roanoke, Virginia 24006.

City of Roanoke Pension Plan - Funding Policy

The Pension Plan is noncontributory for employees. Employer contributions to the Pension Plan are based on a percentage of the annual compensation of the active members. The City's contribution rate for the fiscal year ended June 30, 2011 was 15.98% of annual covered payroll. The Pension Plan's required contribution rate for fiscal year 2011 was 15.78%

City of Roanoke Pension Plan - Annual Pension Cost

For fiscal year 2011, the City's actual contribution of \$9,427,062 was in excess of the required contributions of \$9,174,577. As stipulated by City Code, the required contribution was determined as part of the June 30, 2009 actuarial valuation using the projected unit credit actuarial cost method. Any unfunded/(overturned) actuarial liability is amortized using the level percentage of pay amortization method over a 25 year closed amortization period. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases ranging from 3.0% to 5.5% per year, and (c) 1.75% cost-of-living adjustment effective July 1, 2008. Projected salary increases include an inflation component of 2.5%. The actuarial value of the assets is determined using a method designed to smooth the impact of market fluctuations. The actuarial value recognizes annual appreciation and depreciation over a five-year period. The following information is provided related to trend information.

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**Trend Information
City of Roanoke, Virginia**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$9,427,062	103%	-0-
June 30, 2010	8,576,364	107%	-0-
June 30, 2009	9,783,450	100%	-0-

Virginia Retirement System - Plan Description

The City contributes to the Virginia Retirement System, an 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 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) 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 average final salary (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 compensation is defined as the highest consecutive 36 months of salary. 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 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at PO Box 2500, Richmond, VA 23218-2500.

Virginia Retirement System - Funding Policy

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. This 5% member contribution may be assumed by the employer. The City has assumed the employee's 5% contribution. 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, 2011 was 12.12% of annual covered payroll.

Virginia Retirement System – Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 88.16% funded. The actuarial accrued liability for benefits was \$43.9 million, and the actuarial value of assets was \$38.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.5 million, and the ratio of the UAAL to the covered payroll was 61.26%.

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

Virginia Retirement System - Annual Pension Cost

For fiscal year 2011, the City's annual pension cost of \$980,415 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. Any unfunded actuarial liability is amortized as a level percentage of payroll on an open basis within a period of 20 years. The actuarial value of the City's assets is determined based upon a five year smoothed market value designed to smooth the impact of market fluctuations. This method utilizes techniques which recognize the excess (shortfall) between expected and actual investment income over a five-year period.

The following information related to trend information is provided.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011 \$	980,415	100%	-0-
June 30, 2010	917,884	100%	-0-
June 30, 2009	962,792	100%	-0-

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 Virginia Retirement System (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). Disclosure concerning these three plans is as follows:

Virginia Retirement System – Statewide Professional Cost-Sharing Pool

A. Plan Description

The School Board contributes to a cost-sharing and agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers, with the exception of non-professional

**CITY OF ROANOKE, VIRGINIA
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employees, must participate in one VRS plan. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service for participating employers payable monthly using a percentage of their average final compensation multiplied by the total years of service credit. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. Average final compensation is defined as the highest consecutive 36 months of reported salary. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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

B. Funding Policies

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. The Roanoke City School Board has assumed the employee's 5% contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended June 30, 2011, was 8.93% for the period of July 2010 through June 2011 of covered payroll including the employee share of 5% paid by their employer. The following table shows total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School System for the prior three years:

		Total Contributions	Percentage of Annual Covered Payroll	Annual Covered Payroll
June 30, 2011	\$	6,052,585	8.93%	\$67,221,089
June 30, 2010		7,803,829	11.28%	69,128,529
June 30, 2009		10,315,279	13.81%	74,529,030

C. Annual Required Contribution

Public School Division professional employees participate in a VRS statewide teacher cost-sharing pool. For 2011, the School Board's annual required contribution was \$6,052,585. The required contribution was based on an actuarial valuation. The contribution requirements for the School Board were equal to the actual contributions for 2011. Total School Board payroll for 2011 was \$84,832,525. Payroll covered by VRS for School Board employees was \$67,221,089. The following information related to trend information is provided.

**CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

Fiscal Year Ended	Annual Required Contributions (ARC)	Percentage of ARC Contributed
June 30, 2011	\$ 6,052,585	100%
June 30, 2010	7,803,829	100%
June 30, 2009	10,315,279	100%

Virginia Retirement System – Non-Professional’s Agent Plan

A. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 152.54% funded. The actuarial accrued liability for benefits was \$514,460 and the actuarial value of assets was \$784,752, resulting in an over-funded actuarial accrued liability (UAAL) of \$270,292. The covered payroll (annual payroll of active employees covered by the plan) was \$1,071,610, and the ratio of the over funded actuarial accrued liability to the covered payroll was 25.22 percent.

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

B. Annual Pension Cost

Public School Division non-professional employees hired after July 1, 2006 participate in an agent multiple-employee retirement plan. For fiscal year 2011, the School Board's contributions to the plan were equal to the annual required contribution and annual pension cost for each year. The annual and required contribution was determined through a June 30, 2010 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included a) an investment return rate of 7.0%, b) an annual cost-of-living adjustment of 2.5%, and c) salary increases ranging between 3.75% and 5.6% depending on the member’s service and classification. Both the investment rate of return and the projected salary increases also include an inflation component of 2.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the June 30, 2007 actuarial valuation was 20 years. Total School Board payroll for 2011 was \$84,832,525. Payroll covered by VRS for School Board non-professional employees was \$1,071,610.

City of Roanoke Pension Plan

A. Plan Description

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

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The Pension Plan is a cost-sharing multiple-employer defined benefit plan established by City Council and is included in the City's financial statements as a Pension Trust Fund. The Pension Plan was established by City Ordinance No. 8559, dated May 27, 1946, and effective July 1, 1946. The Pension Plan covers certain non-professional employees of the School Board who were hired prior to July 1, 2006. City Council appoints the Pension Plan Board of Trustees who are responsible for administering the Pension Plan. The Pension Plan is currently not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

Effective July 1, 1984, the Pension Plan changed its name from the Employees' Retirement System of the City of Roanoke, Virginia (ERS) to City of Roanoke Pension Plan. This change provided for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by the ERS. All employees covered under the provisions of the ERS at June 30, 1984, could elect to remain with the ERS or be covered under the provisions of the ESRS. Coverage under the ESRS was mandatory for all employees hired or rehired on or after July 1, 1984. On November 28, 1994, June 1, 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.

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. If employees under age 60 terminate before rendering ten years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

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

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

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B. Funding Policy

School Board employees do not contribute to the Pension Plan. The School Board's contribution is based on a percentage of the annual compensation of the active members. The contribution rate was 13.17% of annual covered payroll for the year ended June 30, 2011.

C. Annual Required Contribution

For fiscal year 2011, the School Board's annual required contribution was \$572,600. The required contribution was based on an actuarial valuation. The School Board's actual contribution of \$572,600 was equal to the required contribution in 2011. Total School Board payroll for 2011 was \$84,832,525. Payroll covered by City Retirement for School Board employees was \$4,347,760. Information related to trend information is provided below.

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2011	\$ 572,600	100%
June 30, 2010	562,315	109%
June 30, 2009	715,080	100%

(12) Other Postemployment Benefit Plan

Primary Government

A. Plan Description

Employees with 15 years of active service and under the age of 65 who retire from the City of Roanoke participate in the City of Roanoke healthcare 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 Other Post-employment Benefit (OPEB) as defined by GASB Statement No. 45. The City 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 Code. The City of Roanoke healthcare plan does not issue a stand alone financial report.

B. Funding Policies

The contribution requirements of the City of Roanoke healthcare 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 retirees' premium payment. For the fiscal year ended June 30, 2011, the retirees contributed \$1,047,000 to

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the City of Roanoke healthcare plan for health insurance. The City contributed \$259,000 to a qualified trust as defined by GASB Statement No. 45, to fund the annual required contribution of \$1,235,000 for fiscal year 2011. The City overfunded the plan in fiscal year 2011 by \$71,000. It is the City's intent to fully fund the annual required contribution each year. Effective January 1, 2010, retirees began paying the blended rate plus an additional contribution based on their selected benefit tier.

C. Annual OPEB Cost and Net OPEB Obligation

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

The plan contains both active employees and retirees. Although the City's annual payments were for combined participants, the share of claims related to retirees represents a higher percentage of the total claims. Accordingly, contributions reflected in the OPEB calculations have been adjusted to reflect that a portion of contributions for active employees are subsidizing the retiree claims. As of the June 30, 2010 actuarial valuation, there were 1,646 active participants, 225 retired participants and 41 spouses of retired participants in the plan.

The following table shows the components of the City's annual OPEB cost for the year, the amounts contributed to the plan, and changes in the City's net OPEB asset:

	City of Roanoke Healthcare Plan
Annual Required Contribution	\$ 1,235,000
Annual OPEB Cost	1,235,000
Contributions made	(1,306,000)
Increase in Net OPEB asset	(71,000)
Net OPEB Asset at July 1, 2010	(196,000)
Net OPEB Asset at June 30, 2011 (Overfunded)	\$ (267,000)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year was as follows:

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Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Overfunded Net OPEB Asset
June 30, 2011	\$ 1,235,000	106%	\$ 267,000
June 30, 2010	1,528,000	113%	196,000
June 30, 2009	1,747,000	100%	-

D. Funded Status and Funding Progress

As of July 1, 2010, the most recent biannual actuarial valuation date, the City of Roanoke healthcare plan was 8.9% funded. The actuarial accrued liability for benefits was \$12,816,000, and the actuarial value of assets was \$1,141,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,675,000. The covered payroll (annual payroll of active employees covered by the City plan) was \$69,600,000, and the ratio of the UAAL to the covered payroll was 16.8%.

E. Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following these notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.5% inflation rate and a 7% rate of return (net of administrative expenses). Because the City has begun funding the plan, the rate of return was based on the projected returns of the Virginia Pooled OPEB Trust. The healthcare trend rate is based on the Getzen Trend Model and projects increases from 8.3% graded to 4.4% over an eighty year period. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2011 was 27 years.

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School Board Component Unit

A. Plan Descriptions

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

B. Funding Policies

The contribution requirements of the Roanoke City Public Schools Healthcare Plan members and the Roanoke City Public Schools are established and may be amended by the Roanoke City School Board. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs, and anticipated inflationary increases. For health and dental insurance, the School Board contributes 0 percent of all premium payments, and the retirees contribute 100 percent. Employees who retired on or before July 1, 2010, participate in the plan at a group rate which is blended with that of active employees. Employees who retire after that date will pay an unblended group rate. For the fiscal year ended June 30, 2011, the Roanoke City Public Schools retirees contributed \$1,316,036 to the Roanoke City Public Schools Healthcare Plan. The retiree's claims amounted to \$1,919,524 for the same time period.

C. Annual OPEB Cost and Net OPEB Obligation

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

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

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	Roanoke City Public Schools Healthcare Plan
Annual Required Contribution	\$ 324,784
Interest on net OPEB Obligation	57,832
Adjustment to annual required contribution	<u>(93,573)</u>
Annual OPEB Cost	289,043
Contributions made	<u>(605,735)</u>
Decrease in net OPEB obligation	(316,692)
Net OPEB obligation at July 1, 2010	<u>1,445,797</u>
Net OPEB obligation at June 30, 2011	<u><u>\$ 1,129,105</u></u>

The Roanoke City Public Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 289,043	209.6%	\$ 1,129,105
June 30, 2010	684,706	55.8%	1,445,797
June 30, 2009	(1,599,071)	-16.4%	1,142,793

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the Roanoke City Public Schools' Healthcare Plan was 0.0% funded. The actuarial accrued liability for benefits was \$2,437,419, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,437,419. The covered payroll was \$70,193,034 and the ratio of the UAAL to the covered payroll was 3.47%.

E. Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the Roanoke City Public Schools and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule

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of Funding Progress, presented as required supplementary information following these notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

The actuarial valuation of the liabilities as of June 30, 2011 is based on a closed group. Current employees and retirees only are considered; no provision is made for future hires. For the five-year projection, the actuarial valuation has assumed one new entrant will enter the plan for every active employee who either retires or terminates from Roanoke City Public Schools. Therefore, the active population will remain at a constant level based on the June 30, 2008 count.

F. Actuarial Methods and Assumptions

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

In the June 30, 2011 valuation, the projected unit credit actuarial cost method was used. Under this method, future benefits are projected and their present value is determined. The present value is then allocated over the period from date of hire to the full eligibility date.

The actuarial assumptions included a 4% discount rate. Annual medical rates are expected to decrease 1% each year. For 2011 the rate is 9%. Annual dental rates are expected to increase 3% each year. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 was 22 years.

(13) 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 are accounted for in the Risk Management Internal Service 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 automobile liability insurance with a self insured retention of \$1,000,000 per occurrence. The City purchases excess coverage to cover settlements that exceed the amount of the self insured retention. The amount of settlements did not exceed insurance coverage for each of the past four years.

The City has property insurance coverage with a \$50,000 per occurrence deductible. This coverage also includes the property (building and contents) coverage for The Roanoke Civic Center; however, the deductible that applies to these buildings is \$5,000 per occurrence. Effective January 1, 2009, the Civic Center is managed by Global Spectrum, Incorporation. 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. Flood insurance is purchased through the Federal Emergency Management Agency (FEMA) to protect properties that are located in designated flood zones. Boiler and machinery insurance is purchased to protect various City properties. Pollution legal liability coverage is purchased and

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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 for each of the past four years.

The City purchases a liability policy and an accidental injury medical policy to protect up to 268 volunteers who perform tasks on behalf of the City. Due to the high cost of malpractice insurance, the Nurses and Nurse Practitioner purchase their own malpractice insurance. The City pays the premium. The amount of settlements did not exceed insurance coverage for each of the past four years. The City is self-insured for employee health insurance with stop loss provisions to limit catastrophic claims and worker's compensation excess policy covering any claim exceeding \$1,000,000.

Included in long-term liabilities at June 30, 2011 were claims payables of \$16,717,495 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 four years.

Changes in the reported liability during the past two years are shown in the following tabulation:

	<u>2010-11</u>	<u>2009-10</u>
Claims liability at July 1	\$ 17,368,281	\$ 15,922,966
Claims incurred	12,963,400	17,485,798
Claims payments	<u>(13,614,186)</u>	<u>(16,040,483)</u>
Claims liability at June 30	<u>\$ 16,717,495</u>	<u>\$ 17,368,281</u>

Surety Bond coverage is as follows:

Fidelity and Deposit Company of Maryland:	<u>Amount</u>
Pension Plan	\$2,000,000
Indemnifying Sheriff's Bond	80,000
Commercial Crime – Robbery Inside & Out	25,000
Travelers Property Casualty Insurance Company:	
Commercial Crime Bond (includes all city employees & council)	1,000,000
NGM Insurance Company:	
Treasurer – Public Official Bond	1,000,000
Self-insurance program through Commonwealth of Virginia Division of Risk Management:	
City Treasurer's Employees – Blanket Bond	750,000
All Other Constitutional Officers' Employees – Blanket Bond	500,000

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* addresses the requirements for reporting liabilities related to cleaning up pollution and/or contamination. The City evaluated the impact of GASB Statement No. 49 as of June 30, 2011 and determined the City had no outstanding liability.

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During fiscal year 2011, the City adopted financial policies, effective November 1, 2010, that included a Risk Management Reserve. The purpose of the reserve is to cover risk exposure of the City due its self-insurance program. The City is currently self insured for health insurance, workers' compensation, general liability, and automobile claims.

The minimum funding level for 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 balance as of June 30, 2011 is \$30,043 and is underfunded by \$4,381,432 compared to the computed minimum funding level of \$4,411,475.

Funding of the Risk Management Reserve is based upon the Reserve Funding plan.

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 of the School Board Component Unit. 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.

With the change in health care plan providers at January 1, 2010 from Anthem to United Healthcare, the School Board paid to Anthem \$2,112,646 to cover any claims incurred but not reported at the end of the contract date. This covered two years from December 31, 2009. Anthem refunded \$984,169 to the School Board in April 2011 leaving a remaining balance of \$99,699 to be applied to claims incurred before the end of the contract date but unreported as of year end.

With the change in health care plan providers at January 1, 2010 from Anthem to United Healthcare, the School Board paid to Anthem an amount stated in their contract with the division to cover any claims incurred but not reported at the end of the contract date. The period of time that this covers is up to two years from the December 31, 2009 end of contract date. As of this report date, an estimate of any unused funds cannot be determined. The contract specified a payment of two months of previous contract funding equal to \$2,112,646 which has been fully paid to Anthem. In April 2011, \$984,169 was refunded to the School Board retaining through approximately the end of the 2011 calendar year remaining funds. At June 30, 2011, \$99,699 remains with Anthem, to be applied to claims incurred before the end of the contract date but unreported as of year end.

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.

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At Morningside Elementary school, a vendor hired to replace the roof on this building and the School Board are in dispute regarding both reimbursement for damages and payments for services.

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

	2010-11	2009-10
Claims liability at July 1	\$ 6,941,228	\$ 6,524,493
Claims incurred	14,855,846	16,377,994
Claims payments	(14,392,749)	(15,961,259)
Claims liability at June 30	<u>\$ 7,404,325</u>	<u>\$ 6,941,228</u>

(14) Joint Ventures

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 has issued general obligation bonds in its name for its share of the Conference Center construction costs and is obligated to repay this debt.

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 on going operations. For the fiscal year ended June 30, 2011, 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 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 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 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, 2011, 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.

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(15) Jointly Governed Organizations

Regional Center for Animal Control 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 Control and Protection (RCACP). The regional control center is comprised of an animal control and animal education facility 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. 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, 2011, the City's share was 59%, and the City remitted approximately \$572,000 for its share of RCACP expenses. In the event total net expenses, for a fiscal year, exceed the total amounts collected from the participating localities, each participating locality shall pay an amount equal to the excess of the net expenses multiplied by the use percentage for that locality.

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, 2011, the City of Roanoke School Board, a component unit of the City, remitted \$2,912,180 to the Regional Board for services.

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. 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, 2011, the City remitted approximately \$1,978,000 to the Authority for services.

Roanoke Regional Airport Commission

The City and Roanoke County formed the Roanoke Regional Airport Commission (Airport Commission) in 1986 to own and operate a 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

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financing only to the extent of representation by the board members appointed. No subsidy has been required since inception.

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. Each locality's financial obligation is based on the number of juveniles housed at the 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, 2011, the City remitted approximately \$805,000 to the Roanoke Valley Detention Commission in per diem charges for juveniles housed by the Commission.

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) to provide a system of comprehensive community mental health, mental retardation and substance abuse services. BRBH is governed by a sixteen member board. 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, 2011, the City remitted approximately \$614,000 to BRBH.

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 \$35.6 million of general obligation bonds, which are to be repaid contractually by the WVWA in accordance with its operating agreement. During fiscal year 2011, \$2.9 million in locality compensation payments were paid by the WVWA to the City to cover principal and interest payment on the bonds. As of June 30, 2011, the remaining principal balance of these bonds was approximately \$19.9 million and this amount was recorded as a receivable Due from Other Governments in the Statement of Net Assets of the basic financial statements.

Virginia's First Regional Industrial Facility Authority

The Cities of Roanoke, Radford, Salem; the Counties of Pulaski, Montgomery, Wythe, Bland, Roanoke, Giles, Craig; and the Towns of Christiansburg, Pulaski, Dublin, Pearisburg and Narrows all participate in the Virginia's First Regional Industrial Facility Authority (Authority). The Authority promotes economic development in Virginia's First Region and 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. Authority member localities, who are also participants in the Regional Commerce Park, are obligated to an annual amount based on the number of shares owned.

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

The City owns 10,000 shares and has an annual obligation of \$27,500. For the fiscal year ended June 30, 2011, the City remitted \$32,500 to Virginia's First Regional Industrial Facility Authority.

(16) Related Organizations

Economic Development Authority of the City of Roanoke, Virginia

The Economic Development Authority issues low-interest, tax-free industrial revenue bonds in its name to acquire and improve property that is 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, 2011, there were twelve series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$500 million.

Roanoke Redevelopment and Housing Authority

The Roanoke Redevelopment and Housing Authority (Housing Authority) is a political subdivision of the State created to provide low income and subsidized housing. 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, 2011, the City remitted approximately \$3.4 million to the Housing Authority.

(17) City Market Building

The City Market Building is the center of the downtown market square. Renovations to the building began during the year along with a change in responsibility for operations. Daily operations through the closing of the building on September 6, 2010 were handled by the City Economic Development Department and were reported in the City's Market Building Fund, an enterprise fund. Operations are now the responsibility of the Market Building Foundation, Inc. (Foundation), and the City's responsibility for financial reporting for the Market Building Enterprise Fund has ended. Current assets and liabilities were moved into the Capital Projects Fund. Capital assets and long term debt were recorded in the General Long Term Assets and General Long Term Liabilities of the Primary Governmental. Lastly, the residual value of the Market Building Enterprise Fund was moved to the Primary Government in the Entity Wide Statement of Activities.

The Foundation was formed in late May 2010 in order to manage the renovation process and development and to manage the future daily operations of the Roanoke City Market Building. The City does not have any equity interest in the Foundation organization which consists of legal entities specifically formed to benefit from federal and state historic tax credits. The credits were obtained to assist in the financing the renovations, improvements or future years operations. The Foundation developed a budget and implemented a lease rate schedule with the intention that operations of the building would be supported

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

by the tenant rents. The City is responsible for financing deficits of the Foundation should tenant rents not fully support the operations of the facility.

A long term lease of the building by the City to the Market Building Partners, LP (Partners LP) was executed for a term of 40 years beginning in October 2010. The annual lease rental rate is \$1.00 per year and due by June 1 each year. The lease term was amended by City Council in March 2011 to extend for an additional six months to allow for closure on the historic tax credits. The lease ends in year 2051. The Partners LP is the primary entity where costs were accumulated for the purposes of capturing the Federal and State Historic Tax Credits.

A number of agreements were executed on November 15, 2010 between the Foundation entities and the City to fully move responsibility for the renovation project and daily operations to the Foundation.

A contribution agreement was signed between the City and the Economic Development Authority (EDA) surrounding the renovation of the building and funding through a construction loan to the Partners LP. The City contributed approximately \$6,250,000 to the EDA in fiscal year 2011 which in turn loaned these funds to the Partners LP. The contribution agreement outlined a maximum contribution of \$7,880,000 to the EDA over the life of the project.

A developer agreement was signed between the City and the Market Building Development LLC (Development LLC) to outline expectations and responsibilities for the renovation. In the agreement, the City's Department of Engineering was contracted to assist in the development, management, and construction of the project. In return for these services, a developer fee was negotiated and agreed upon. The fee was equivalent to 20% of the construction project costs multiplied by a factor of 90%. The project was substantially completed and the City will be compensated approximately \$1,407,000. The remaining 10% remains with the Development LLC under the control of the Foundation for their contributions in oversight of the project. At June 30, 2011, the project was completed and the developer fee was due to the City and is reflected in the Capital Projects Statement of Revenues, Expenditures, and Changes in Fund Balance..

Five construction-related contracts were assigned from the City to the Partners LP to move authority over the contracts to the Foundation's control. Likewise, an Assignment of Benefits agreement was executed to move responsibility for construction costs to the Partners LP for costs incurred by the City prior to November 15, 2010. The assigned costs from the City to the EDA and from the EDA to the Partners LP were approximately \$2,375,000.

(18) Greater Roanoke Transit Company

As discussed in Note 1 (A), effective July 1, 2010, a change was made in the composition of the GRTC Board of Directors to a seven member board that is no longer comprised of the seven City Council members. As a result of these changes, the City's financial statements now include GRTC as a discretely presented component unit in the Statement of Net Assets (Exhibit A) and the Statement of Activities (Exhibit B).

The table below displays the GRTC net assets as previously reported in the June 30, 2010, Business – Type Activities in the Statement of Net Assets along with presentation adjustments to restate the net assets at the beginning of fiscal year 2011 due to the change in GRTC's component unit status:

CITY OF ROANOKE, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

	Business-Type Activities with GRTC as of June 30, 2010	GRTC Activities as of June 30, 2010	Business-Type Activities without GRTC as of June 30, 2010
Cash and Cash Equivalents	\$ 3,972,028	\$ 339,252	\$ 3,632,776
Investments	869,913	-	869,913
Due from Other Governments	1,259,597	1,259,572	25
Internal Balances	290,234	-	290,234
Taxes and Accounts Receivable, Net	194,508	55,412	139,096
Inventory	404,078	404,078	-
Other Assets	389,466	31,583	357,883
Capital Assets:			
Land, Construction in Progress,			
Right-of-Way, and Historical Treasures	13,066,508	603,302	12,463,206
Other Capital Assets, Net	68,934,032	14,629,176	54,304,856
Capital Assets, Net	82,000,540	15,232,478	66,768,062
Total Assets	\$ 89,380,364	\$ 17,322,375	\$ 72,057,989
Accounts Payable and Accrued Expenses	\$ 897,445	\$ 581,809	\$ 315,636
Accrued Interest Payable	443,469	-	443,469
Due to Other Governments	60,737	-	60,737
Unearned Revenue	969,825	-	969,825
Other Liabilities	192,071	82,236	109,835
One Year	1,824,925	-	1,824,925
Long-term Liabilities Due in More			
Than One Year, Net	28,562,657	-	28,562,657
Total Liabilities	\$ 32,951,129	\$ 664,045	\$ 32,287,084
Invested in Capital Assets, Net of Related Debt	\$ 51,750,741	\$ 15,232,478	\$ 36,518,263
Unrestricted	4,678,494	1,425,852	3,252,642
Total Net Assets	\$ 56,429,235	\$ 16,658,330	\$ 39,770,905

(19) Commitments, Contingencies and Other Matters

Litigation

The City is named as a defendant in litigation involving claims for personal injury or property damages. City officials estimate that any ultimate liability not covered by insurance would not have a material 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 Circular A-133. 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.

Other Matters

The City has no knowledge of any subsequent events that may materially affect the City's financial position.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

(1) Budgetary Comparison Schedule - General Fund

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Budgetary Fund Balance, July 1	\$ 24,960,620	\$ 24,960,620	\$ 24,960,620	\$ -
Resources (Inflows):				
General Property Taxes	\$ 101,962,000	\$ 102,662,000	\$ 104,463,577	\$ 1,801,577
Other Local Taxes	71,628,000	73,648,000	73,845,010	197,010
Permits, Fees, and Licenses	1,037,000	1,038,000	969,800	(68,200)
Fines and Forfeitures	1,606,000	1,606,000	1,805,083	199,083
Revenue from Use of Money and Property	173,000	173,000	320,152	147,152
Charges for Services	10,025,000	10,454,000	10,216,932	(237,068)
Intergovernmental	66,405,000	68,102,322	65,626,963	(2,475,359)
Miscellaneous	527,000	537,268	681,407	144,139
Transfers from Other Funds	-	10,565	35,565	25,000
Amounts Available for Appropriation	<u>\$ 278,323,620</u>	<u>\$ 283,191,775</u>	<u>\$ 282,925,109</u>	<u>\$ (266,666)</u>
Charges to Appropriations (Outflows):				
General Government				
City Treasurer	\$ 1,033,148	\$ 1,055,527	\$ 1,035,654	\$ (19,873)
Commissioner of the Revenue	1,004,663	1,011,824	1,011,793	(31)
City Council	198,100	209,872	198,994	(10,878)
City Council - Mayor Bowers	13,787	13,787	9,307	(4,480)
City Council - Vice Mayor Trinkle	4,696	4,696	2,925	(1,771)
City Council - Council Member Lea	4,696	4,696	636	(4,060)
City Council - Council Member Bestpitch	4,696	4,696	657	(4,039)
City Council - Council Member Ferris	4,696	4,696	480	(4,216)
City Council - Council Member Price	4,696	6,124	3,818	(2,306)
City Council - Council Member Rosen	4,696	4,696	2,605	(2,091)
City Attorney	870,386	1,000,724	992,947	(7,777)
City Clerk	487,011	480,834	462,042	(18,792)
Municipal Auditing	695,173	643,385	643,333	(52)
Department of Finance	1,892,655	2,050,264	2,050,172	(92)
Office of Billings and Collections	647,425	686,556	685,193	(1,363)
Real Estate Valuation	1,027,451	1,013,919	1,013,683	(236)
Board of Equalization	11,514	11,414	10,817	(597)
Electoral Board	313,577	319,638	317,396	(2,242)
Office of Communications	428,717	478,629	458,622	(20,007)
City Manager	809,353	839,451	836,677	(2,774)
Human Resources	1,007,113	1,026,473	975,320	(51,153)
Employee Health Services	593,000	567,502	551,118	(16,384)
Department of Management and Budget	528,604	469,078	463,888	(5,190)
Purchasing	489,417	529,219	529,141	(78)
Director of General Services	192,559	190,459	183,757	(6,702)
Management Services	76,872	59,186	56,376	(2,810)
Environmental Management	190,777	224,491	224,486	(5)

See Accompanying Note to Budgetary Comparison Schedule
See Accompanying Independent Auditors' Report

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Judicial Administration				
Clerk of Circuit Court	\$ 1,478,029	\$ 1,515,437	\$ 1,504,842	\$ (10,595)
Juvenile and Domestic Relations Court Services	1,416,531	881,131	809,869	(71,262)
Juvenile and Domestic Relations Court Clerk	28,145	24,925	24,915	(10)
Magistrates Office	2,312	4,662	4,567	(95)
General District Court	26,871	23,570	19,588	(3,982)
Circuit Court	474,218	554,503	554,437	(66)
Sheriff	2,334,982	2,350,545	2,350,513	(32)
Commonwealth's Attorney	1,610,894	1,619,946	1,617,475	(2,471)
Cost Collection Unit	77,040	78,540	78,293	(247)
Law Library	111,445	113,596	113,423	(173)
Public Safety				
Jail	13,944,284	13,753,248	13,713,274	(39,974)
E911	2,203,304	2,156,957	2,156,246	(711)
E911 - Wireless	600,000	418,029	417,910	(119)
Fire - Administration	875,154	896,121	885,447	(10,674)
Fire - Support	914,889	1,023,278	1,023,182	(96)
Fire - Operations	14,264,626	14,964,571	14,964,305	(266)
Fire - Airport Rescue	-	47,800	47,746	(54)
Emergency Management	91,484	88,384	86,989	(1,395)
Emergency Medical Services	1,366,801	1,501,501	1,489,500	(12,001)
Building Inspections	749,262	808,062	808,035	(27)
Outreach Detention	250,021	251,921	249,233	(2,688)
Youth Haven I	653,710	658,310	612,241	(46,069)
Crisis Intervention	-	(900)	(1,056)	(156)
Police - Administration	569,977	548,577	548,548	(29)
Police - Investigation	3,692,731	3,949,956	3,945,744	(4,212)
Police - Patrol	12,010,319	13,174,409	13,174,340	(69)
Police - Services	3,181,446	3,260,386	3,225,679	(34,707)
Police - Training	530,376	654,610	600,296	(54,314)
Police - Animal Control	1,092,319	1,065,997	1,014,445	(51,552)
Public Works				
Custodial Services	740,283	701,705	637,328	(64,377)
Building Maintenance	4,291,487	4,377,976	4,359,937	(18,039)
Director of Public Works	164,491	174,886	174,877	(9)
Transportation - Streets and Traffic	4,961,572	5,145,370	5,099,193	(46,177)
Transportation - Paving Program	2,682,111	2,251,668	2,251,668	-
Transportation - Snow Removal	110,280	354,874	354,782	(92)
Transportation - Street Lighting	1,155,989	1,113,257	1,106,024	(7,233)
Transportation - Engineering and Operations	1,629,605	1,446,555	1,439,604	(6,951)
Solid Waste Management	6,270,421	6,096,803	6,092,264	(4,539)
Engineering	1,480,739	1,466,584	1,454,947	(11,637)

See Accompanying Note to Budgetary Comparison Schedule
See Accompanying Independent Auditors' Report

(Continued)

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance from Final Budget Over/(Under)
Health and Welfare				
Human Services Support	\$ 302,878	\$ 308,188	\$ 297,309	\$ (10,879)
Health Department	1,675,403	1,619,167	1,555,651	(63,516)
Blue Ridge Behavioral Health Care	448,890	448,890	448,890	-
Human Services Committee	430,582	430,582	430,582	-
Social Services - Administration	1,380,686	1,373,098	1,330,498	(42,600)
Social Services - Benefits	5,462,137	5,616,821	5,587,906	(28,915)
Social Services - Services	15,828,372	16,617,984	16,602,664	(15,320)
Employment Services	1,576,807	1,506,007	1,494,927	(11,080)
Foster Parent Training	175,504	118,904	106,501	(12,403)
VISSTA	295,485	296,685	223,029	(73,656)
Comprehensive Services Act	11,176,087	10,434,168	10,434,052	(116)
Comprehensive Services Act - Administration	157,522	157,393	144,624	(12,769)
Parks, Recreation and Cultural				
Roanoke Arts Commission	258,926	258,926	258,926	-
Recreation	1,476,374	1,579,914	1,579,826	(88)
Parks	2,585,964	2,758,757	2,682,213	(76,544)
Parks & Recreation - Administration	1,494,173	1,477,086	1,473,216	(3,870)
Parks & Recreation - Youth Services	-	1,900	1,868	(32)
School Playground Maintenance	114,751	89,351	66,571	(22,780)
Libraries	3,099,514	3,130,360	3,130,297	(63)
Community Development				
Memberships and Affiliations	1,558,741	1,674,876	1,673,983	(893)
Economic Development	1,824,679	1,721,754	1,641,780	(79,974)
Planning, Building and Development	1,246,533	1,282,081	1,277,305	(4,776)
Neighborhood Support	92,758	95,271	88,609	(6,662)
Neighborhood Services	1,232,876	1,298,209	1,279,341	(18,868)
Virginia Cooperative Extension	63,800	73,776	73,776	-
Nondepartmental				
Residual Fringe Benefits	2,864,750	-	-	-
Transfers to Other Funds	6,082,205	12,617,041	12,305,863	(311,178)
Transfers to Debt Service Fund	20,543,833	19,115,912	18,952,750	(163,162)
Transfers to Component Unit	68,365,461	70,232,036	70,232,036	-
Miscellaneous	100,000	98,900	65,591	(33,309)
Personnel Lapse	(2,052,246)	-	-	-
Budget Stabilization Reserve	250,000	-	-	-
Contingency	2,671,929	216,285	216,284	(1)
Total Charges to Appropriations	253,363,000	259,079,908	257,389,355	(1,690,553)
Budgetary Fund Balance, June 30	\$ 24,960,620	\$ 24,111,867	\$ 25,535,754	\$ 1,423,887

See Accompanying Note to Budgetary Comparison Schedule
See Accompanying Independent Auditors' Report

(Continued)

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011
(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.	282,925,109
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).	<u>(24,960,620)</u>
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 257,964,489</u></u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 257,389,355
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (Exhibit E).	(30,081,289)
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>(1,379,076)</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u><u>\$ 225,928,990</u></u>

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)

(2) Schedule of Funding Progress

City - Virginia Retirement System Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio Assets as a % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2010	\$ 38,578,435	\$ 48,126,459	\$9,548,024	80.16%	\$ 8,031,938	118.88%
6/30/2009	38,685,812	43,883,043	5,197,231	88.16%	8,483,464	61.26%
6/30/2008	38,079,256	42,499,150	4,419,894	89.60%	8,586,861	51.47%
6/30/2007	34,499,166	38,692,867	4,193,701	89.16%	8,377,002	50.06%
6/30/2006	30,539,557	33,495,408	2,955,851	91.18%	8,127,839	36.37%
6/30/2005	28,648,433	31,277,669	2,629,236	91.59%	7,729,832	34.01%

School Board - Virginia Retirement System Schedule of Funding Progress
Non-Professional's Multi-Employer Retirement Plan

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Over funded AAL	Funded Ratio Assets as a % of AAL	Annual Covered Payroll	OAAL as a % of Covered Payroll
6/30/2010	\$ 784,752	\$ 514,460	\$ (270,292)	152.50%	\$ 1,071,610	-25.20%
6/30/2009	808,508	722,986	85,522	111.83%	3,583,415	2.39%
6/30/2008	265,363	103,514	161,849	256.40%	3,521,287	4.60%
6/30/2007	23,341	5,536	17,805	421.60%	368,136	4.80%

Six years of data is not available, as the Plan originated in 2007. Data will accumulate over time.

See Accompanying Independent Auditors' Report

CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)

(3) Schedules of Funding Progress

City - Other Postemployment Benefits (OPEB) Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2010	\$ 1,141,000	\$ 12,816,000	\$ 11,675,000	8.9%	\$ 69,600,000	16.77%
7/1/2009	793,000	16,958,000	16,165,000	4.7%	69,600,000	23.23%
7/1/2008	362,000	19,283,000	18,921,000	1.9%	75,000,000	25.23%
7/1/2007	-	15,840,000	15,840,000	0.0%	65,100,000	24.33%

School Board - Other Postemployment Benefits (OPEB) Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2011	\$ -	\$ 2,437,419	\$ 2,437,419	0.00%	\$ 70,193,034	3.47%
6/30/2010	-	4,083,544	4,083,544	0.00%	70,113,034	5.82%
6/30/2009	-	7,964,432	7,964,432	0.00%	85,979,029	9.26%
6/30/2008	-	20,074,254	20,074,254	0.00%	83,474,785	24.05%

See Accompanying Independent Auditors' Report

(4) Schedules of Employer Contributions

City - Other Postemployment Benefits (OPEB) Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	\$ 1,235,000	106.00%
2010	1,528,000	113.00%
2009	1,747,000	100.00%
2008	1,398,000	100.00%

The City of Roanoke implemented GASB 45 in fiscal year 2008; therefore, six years of data is not available, but will be accumulated over time.

School Board - Other Postemployment Benefits (OPEB) Schedule of Employer Contributions

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

Roanoke City Public Schools implemented GASB 45 in fiscal year 2008; therefore, six years of data is not available, but will be accumulated over time.

See Accompanying Independent Auditors' Report

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

(5) 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 amounts not exceeding \$75,000 between departments beginning July through March and to transfer any amount between departments beginning April through June. The City Manager also has the authority to make transfers of any amount within a given department. All other transfers or supplemental appropriations must be approved by City Council. During the year ended June 30, 2011, \$5,716,908 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of designated 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.

**CITY OF ROANOKE, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

- 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.

(6) Note to Schedules of Funding Progress – Other Postemployment Benefits (OPEB)

Based on the July 1, 2010 actuarial valuation, there was a significant decrease in the liability in fiscal 2011. The liability was reduced by retirement trends that changed slightly upon implementation of policy and workforce reductions in the past several fiscal years due to budgetary constraints. Other policy changes following implementation of GASB Statement No. 45 limited retirees' ability to make healthcare plan changes after initial date of retirement, also contributing to a decline in the liability.

SUPPLEMENTARY INFORMATION

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CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<u>Assets</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,121,495	\$ 814,701	\$ 5,918,275	\$ 9,854,471
Investments	2,016,423	1,503,709	8,389,846	11,909,978
Interest and Dividends Receivable	5,129	3,825	21,341	30,295
Due from Other Governments	2,265	8,068	-	10,333
Due from Other Funds	306,409	1,413,754	2,045,291	3,765,454
Accounts Receivable (net of allowance for uncollectibles)	27,929	78,478	112,767	219,174
Inventory	-	55,035	-	55,035
Other Assets	8,495	-	330,000	338,495
Total Current Assets	5,488,145	3,877,570	16,817,520	26,183,235
Capital Assets:				
Equipment and Other Capital Assets	21,129,999	30,905,024	-	52,035,023
Construction in Progress	3,187,145	-	-	3,187,145
Less Accumulated Depreciation	(12,258,315)	(23,128,201)	-	(35,386,516)
Capital Assets, Net	12,058,829	7,776,823	-	19,835,652
Total Assets	\$ 17,546,974	\$ 11,654,393	\$ 16,817,520	\$ 46,018,887
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	301,229	260,307	59,085	620,621
Accrued Interest Payable	102,425	-	-	102,425
Due to Other Funds	91,278	19,402	5,205	115,885
Long-Term Liabilities Due Within One Year	248,236	55,041	2,542,841	2,846,118
Total Current Liabilities	743,168	334,750	2,607,131	3,685,049
Long-Term Liabilities:				
Compensated Absences Payable	220,450	81,835	5,692	307,977
Claims Payable	-	-	16,717,495	16,717,495
General Obligation Bonds Payable, Net	2,493,375	-	-	2,493,375
Capital Lease Obligations	134,976	6,405	-	141,381
Less Current Maturities	(248,236)	(55,041)	(2,542,841)	(2,846,118)
Total Long-Term Liabilities	2,600,565	33,199	14,180,346	16,814,110
Total Liabilities	\$ 3,343,733	\$ 367,949	\$ 16,787,477	\$ 20,499,159
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	9,421,983	7,770,418	-	17,192,401
Unrestricted	4,781,258	3,516,026	30,043	8,327,327
Total Net Assets	\$ 14,203,241	\$ 11,286,444	\$ 30,043	\$ 25,519,728

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
<u>Operating Revenues</u>				
Charges for Services	\$ 5,469,533	\$ 5,792,792	\$ 14,712,460	\$ 25,974,785
Other Revenue	16,166	378,567	-	394,733
Total Operating Revenues	5,485,699	6,171,359	14,712,460	26,369,518
<u>Operating Expenses</u>				
Personal Services	1,945,286	1,312,285	157,964	3,415,535
Other Services and Charges	1,064,032	361,486	13,831,534	15,257,052
Materials and Supplies	704,676	2,712,209	1,056,084	4,472,969
Depreciation	3,913,725	2,037,931	-	5,951,656
Total Operating Expenses	7,627,719	6,423,911	15,045,582	29,097,212
Operating Loss	(2,142,020)	(252,552)	(333,122)	(2,727,694)
<u>Nonoperating Revenues (Expenses)</u>				
Investment Income	25,720	6,379	64,793	96,892
Interest Expense	(179,539)	(956)	-	(180,495)
Net Nonoperating Revenues (Expenses)	(153,819)	5,423	64,793	(83,603)
Loss Before Transfers and Contributions	(2,295,839)	(247,129)	(268,329)	(2,811,297)
<u>Transfers and Contributions</u>				
Transfers In	416,389	1,582,589	1,402,000	3,400,978
Transfers Out	(77,240)	(73,776)	-	(151,016)
Net Transfers and Contributions	339,149	1,508,813	1,402,000	3,249,962
Change in Net Assets	(1,956,690)	1,261,684	1,133,671	438,665
Net Assets - Beginning of Year	16,159,931	10,024,760	(1,103,628)	25,081,063
Net Assets - End of Year	\$ 14,203,241	\$ 11,286,444	\$ 30,043	\$ 25,519,728

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Department of Technology	Fleet Management	Risk Management	Total Internal Service Funds
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 5,172,821	\$ 4,348,566	\$ 12,665,001	\$ 22,186,388
Cash Payments to Suppliers for Goods and Services	(1,766,480)	(3,032,400)	(1,214,603)	(6,013,483)
Cash Payments to Other Funds for Interfund Services	(982,427)	(1,138,986)	(147,487)	(2,268,900)
Cash Payments to Employees	(1,954,483)	(1,295,125)	(159,236)	(3,408,844)
Cash Payments for Claims	-	-	(14,264,972)	(14,264,972)
Cash Received From Other Operating Revenue	16,166	378,567	-	394,733
Net Cash Provided (Used) by Operating Activities	485,597	(739,378)	(3,121,297)	(3,375,078)
Cash Flows From Noncapital Financing Activities:				
Transfers In	416,389	1,582,589	1,402,000	3,400,978
Transfers Out	(77,240)	(73,776)	-	(151,016)
Net Cash Provided by Noncapital Financing Activities	339,149	1,508,813	1,402,000	3,249,962
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(3,115,758)	(862,909)	-	(3,978,667)
Principal Paid on Bonds and Capital Lease Obligations	(576,146)	(2,667)	-	(578,813)
Proceeds from Issuance of Bonds	2,493,375	-	-	2,493,375
Interest Paid on Bonds and Capital Lease Obligations	(89,143)	(956)	-	(90,099)
Net Cash Used by Capital and Related Financing Activities	(1,287,672)	(866,532)	-	(2,154,204)
Cash Flows From Investing Activities:				
Interest Received	27,269	6,835	67,658	101,762
Purchase of Investments	(862,770)	(1,176,189)	(4,352,336)	(6,391,295)
Cash Used by Investing Activities	(835,501)	(1,169,354)	(4,284,678)	(6,289,533)
Net Decrease in Cash and Cash Equivalents	(1,298,427)	(1,266,451)	(6,003,975)	(8,568,853)
Cash and Cash Equivalents at July 1	4,419,922	2,081,152	11,922,250	18,423,324
Cash and Cash Equivalents at June 30	\$ 3,121,495	\$ 814,701	\$ 5,918,275	\$ 9,854,471
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Operating Loss	\$ (2,142,020)	\$ (252,552)	\$ (333,122)	\$ (2,727,694)
Depreciation	3,913,725	2,037,931	-	5,951,656
Increase (Decrease) in Due From Other Governments	(2,265)	4,491	-	2,226
Decrease in Due From Other Funds	(299,917)	(1,403,961)	(2,047,459)	(3,751,337)
(Increase) Decrease in Accounts Receivable	5,470	(44,756)	-	(39,286)
Decrease in Inventory	-	(189)	-	(189)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(2,446)	25,629	34,312	57,495
Decrease in Due to Other Funds	(974,199)	(1,117,097)	(127,716)	(2,219,012)
Increase (Decrease) in Compensated Absences Payable	(12,751)	11,126	3,474	1,849
Decrease in Claims Payable	-	-	(650,786)	(650,786)
Total Adjustments	2,627,617	(486,826)	(2,788,175)	(647,384)
Net Cash Provided (Used) by Operating Activities	\$ 485,597	\$ (739,378)	\$ (3,121,297)	\$ (3,375,078)

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2011

	Hotel Roanoke Conference Center Commission
<u>Assets</u>	
Cash and Cash Equivalents	\$ 2,290,589
Investments	2,820,053
Accrued Interest Receivable	7,173
Total Assets	\$ 5,117,815
<u>Liabilities</u>	
Due to Other Governments	\$ 5,117,815
Total Liabilities	\$ 5,117,815

See Accompanying Independent Auditors' Report.

CITY OF ROANOKE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<u>Assets</u>				
Cash and Cash Equivalents	\$ 3,763,788	\$ 2,137,702	\$ 3,610,901	\$ 2,290,589
Investments	1,285,786	2,905,392	1,371,125	2,820,053
Accrued Interest Receivable	6,153	7,173	6,153	7,173
Due from Other Governments	-	118,845	118,845	-
Total Assets	<u>\$ 5,055,727</u>	<u>\$ 5,169,112</u>	<u>\$ 5,107,024</u>	<u>\$ 5,117,815</u>
<u>Liabilities</u>				
Due to Other Governments	\$ 5,055,727	\$ 5,169,112	\$ 5,107,024	\$ 5,117,815
Total Liabilities	<u>\$ 5,055,727</u>	<u>\$ 5,169,112</u>	<u>\$ 5,107,024</u>	<u>\$ 5,117,815</u>

See Accompanying Independent Auditors' Report.

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STATISTICAL SECTION

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	139
<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	146
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	149
<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	152
<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	154
<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.

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Table 1
Unaudited

CITY OF ROANOKE, VIRGINIA
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Governmental Activities										
Invested in Capital Assets, Net of										
Related Debt	\$ 269,948,200	\$ 260,869,253	\$ 238,461,969	\$ 225,501,044	\$ 200,914,327	\$ 190,962,494	\$ 187,115,017	\$ 164,108,469	\$ 149,855,237	\$ 123,600,538
Restricted for:										
Capital Projects	-	46,777	70,914	105,323	139,732	205,752	276,133	215,691	51,846	305,790
Unrestricted	44,235,521	25,539,839	41,697,432	45,552,401	56,691,884	52,348,145	30,519,227	45,098,238	48,331,857	50,492,322
Total Governmental Activities Net Assets	314,183,721	286,455,869	280,230,315	271,158,768	257,745,943	243,516,391	217,910,377	209,422,398	198,238,940	174,398,650
Business-Type Activities										
Invested in Capital Assets, Net of										
Related Debt	\$ 33,964,073	\$ 51,750,741	\$ 52,067,081	\$ 51,594,498	\$ 50,696,302	\$ 38,113,702	\$ 42,009,100	\$ 157,247,149	\$ 150,015,105	\$ 146,615,680
Unrestricted	1,109,365	4,678,494	2,213,388	3,180,872	4,454,864	11,034,165	4,909,789	21,240,298	19,409,253	23,441,496
Total Business-Type Activities Net Assets	35,073,438	56,429,235	54,280,469	54,775,370	55,151,166	49,147,867	46,918,889	178,487,447	169,424,358	170,057,176
Primary Government										
Invested in Capital Assets, Net of										
Related Debt	\$ 303,912,273	\$ 312,619,994	\$ 290,529,050	\$ 277,095,542	\$ 251,610,629	\$ 229,076,196	\$ 229,124,117	\$ 321,355,618	\$ 299,870,342	\$ 270,216,218
Restricted for:										
Capital Projects	-	46,777	70,914	105,323	139,732	205,752	276,133	215,691	51,846	305,790
Unrestricted	45,344,886	30,218,333	43,910,820	48,733,273	61,146,748	63,382,310	35,429,016	66,338,536	67,741,110	73,933,818
Total Primary Government Net Assets	\$ 349,257,159	\$ 342,885,104	\$ 334,510,784	\$ 325,934,138	\$ 312,897,109	\$ 292,664,258	\$ 264,829,266	\$ 387,909,845	\$ 367,663,298	\$ 344,455,826

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 assets included \$16.7 million whereas in fiscal year 2011, GRTC net assets are no longer reported as a business-type activity. Fiscal year 2010 also included net assets of \$4.6 million for the city's Market Building Fund which was discontinued in fiscal year 2011.

Table 2
Unaudited

CITY OF ROANOKE, VIRGINIA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Expenses										
Governmental Activities:										
General Government	\$ 13,934,968	\$ 12,224,830	\$ 13,859,060	\$ 14,951,184	\$ 11,273,712	\$ 13,060,424	\$ 12,505,925	\$ 12,129,739	\$ 12,332,759	\$ 11,621,680
Judicial Administration	7,644,774	7,786,140	9,167,289	8,881,939	8,696,783	7,759,108	7,093,904	6,563,999	6,716,171	6,218,554
Public Safety	63,287,015	63,976,863	66,448,271	67,457,297	63,824,918	60,338,648	56,027,791	52,085,243	49,526,672	48,164,981
Public Works	18,654,587	28,126,031	29,493,501	31,174,272	29,322,095	25,396,344	25,413,778	27,619,650	27,024,931	26,669,142
Health and Welfare	42,111,631	45,995,109	45,756,887	45,287,639	39,755,942	36,851,200	35,063,221	31,985,929	28,920,553	27,757,901
Parks, Recreation and Cultural	11,420,919	10,559,350	12,018,560	11,718,909	12,328,684	10,671,914	9,269,834	6,063,700	5,360,979	5,298,641
Community Development	10,706,299	10,010,970	9,752,877	13,009,501	11,847,813	10,388,248	9,849,351	9,601,301	11,063,836	11,648,000
Greater Roanoke Transit Company (GRTC)	1,177,324	-	-	-	-	-	-	-	-	-
Education	74,772,599	67,945,097	66,604,559	65,494,065	61,335,067	57,899,575	54,737,434	51,458,092	49,368,594	47,048,622
Economic Development	3,904,121	3,510,831	1,535,584	657,348	613,075	3,046,343	7,175,953	1,160,036	5,248,229	8,447,969
Other	98,494	-	15,329	13,470	31,575	66,967	125,801	90,903	73,633	68,037
Interest and Fiscal Charges	12,002,689	13,538,201	13,124,928	10,710,840	11,916,375	11,588,440	11,652,145	8,598,701	9,404,874	8,600,684
Total Governmental Activities Expenses	259,715,420	263,673,422	269,457,616	267,675,693	250,946,039	237,067,211	228,915,137	207,357,293	205,041,231	201,544,211
Business-Type Activities:										
Transit Company	-	9,474,181	9,545,470	9,195,709	8,403,369	7,850,064	7,609,131	7,078,272	6,448,413	6,022,399
Water	-	-	-	-	-	-	-	11,101,776	13,683,991	10,932,612
Water Pollution Control	-	-	-	-	-	-	-	10,801,834	10,179,089	10,423,259
Civic Facilities	4,511,711	4,302,258	7,138,833	5,259,155	4,694,186	5,066,942	4,610,356	5,077,678	4,914,679	4,539,596
Parking	2,755,253	3,030,494	2,806,984	2,396,330	2,894,630	2,036,575	2,002,110	1,927,191	2,288,392	1,869,415
Market Building	163,992	384,331	379,828	379,828	390,098	368,090	506,894	492,795	151,438	-
Total Business-Type Activities Expenses	7,430,956	17,191,264	20,141,161	17,231,022	16,382,283	15,321,671	14,728,491	36,479,546	37,666,002	33,787,281
Total Primary Government Expenses	267,146,376	280,864,686	289,598,777	284,906,715	267,328,322	252,388,882	243,643,628	243,836,839	242,707,233	235,331,492
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	6,035,893	4,152,979	4,511,088	4,467,706	4,228,015	3,234,836	3,038,133	6,839,246	3,899,448	3,642,814
Judicial Administration	3,755,301	3,734,589	4,594,817	4,594,962	5,445,812	5,132,780	5,334,458	2,131,060	1,824,615	1,635,114
Public Safety	5,323,523	6,203,883	6,453,285	6,632,394	5,894,930	5,086,196	4,768,397	5,191,798	7,354,677	7,665,701
Public Works	2,168,980	347,422	386,445	445,191	523,344	458,882	445,256	781,285	552,404	426,731
Health and Welfare	131,520	127,834	146,338	196,110	172,703	584,149	595,797	517,697	-	-
Parks, Recreation and Cultural	399,968	367,143	308,446	155,799	132,728	413,090	372,186	62,309	290,935	322,009
Community Development	167,314	166,176	161,228	165,144	199,255	170,493	131,038	151,933	136,396	84,674
Economic Development	-	-	4,974	83,541	-	-	-	-	-	-
Operating Grants and Contributions	68,572,662	70,252,704	70,986,646	69,257,682	63,164,087	59,245,639	56,208,537	51,329,015	47,692,239	46,513,642
Capital Grants and Contributions	5,665,618	718,580	265,005	3,975,312	289,043	102,934	239,246	736,337	2,126,873	939,828
Total Governmental Activities Program Revenues	92,220,779	86,071,310	88,047,272	89,973,841	80,049,917	74,428,999	71,133,048	67,740,680	63,877,587	61,230,513
Business-Type Activities:										
Charges for Services:										
Transit Company	-	2,046,752	2,097,420	2,033,024	1,819,053	1,779,619	1,565,511	1,439,067	1,410,041	1,410,344
Water	-	-	-	-	-	-	-	13,383,297	11,671,313	11,312,614
Water Pollution Control	-	-	-	-	-	-	-	11,159,513	10,966,478	9,635,016
Civic Facilities	2,405,370	1,966,484	4,312,359	2,248,649	2,413,877	2,995,440	2,788,081	3,403,360	3,412,975	3,206,483
Parking	2,840,685	2,733,270	2,804,755	2,809,958	2,686,301	2,683,159	2,600,415	2,645,977	2,231,038	2,077,482
Market Building	10,452	198,022	224,637	255,476	268,340	277,886	308,366	256,015	134,868	-
Operating Grants and Contributions	-	4,139,626	4,393,415	4,071,749	3,896,866	3,395,701	3,252,566	2,843,449	2,611,895	2,302,111
Capital Grants and Contributions	-	2,348,098	1,115,208	769,852	5,783,634	1,357,967	1,010,893	4,698,459	644,069	3,162,952
Total Business-Type Activities Program Revenues	5,256,507	13,432,252	14,947,794	12,188,708	16,868,071	12,489,772	11,525,832	39,829,137	33,082,677	33,107,002
Total Primary Government Program Revenues	97,477,286	99,503,562	102,995,066	102,162,549	96,917,988	86,918,771	82,658,880	107,569,817	96,960,264	94,337,515
Net (Expense)/Revenue:										
Governmental Activities	(167,494,641)	(177,602,112)	(181,410,344)	(177,701,852)	(170,896,122)	(162,638,212)	(157,782,089)	(139,616,613)	(141,163,644)	(140,313,698)
Business-Type Activities	(2,174,449)	(3,759,012)	(5,193,367)	(5,042,314)	485,788	(2,831,899)	(3,202,659)	3,349,591	(4,583,325)	(680,279)
Total Primary Government Net Expense	\$ (169,669,090)	\$ (181,361,124)	\$ (186,603,711)	\$ (182,744,166)	\$ (170,410,334)	\$ (165,470,111)	\$ (160,984,748)	\$ (136,267,022)	\$ (145,746,969)	\$ (140,993,977)

Table 2
Unaudited
(continued)

CITY OF ROANOKE, VIRGINIA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
General Property - Real Estate and Personal Property	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861	\$ 98,714,420	\$ 93,361,362	\$ 86,651,722	\$ 81,071,535	\$ 75,186,290	\$ 71,672,690	\$ 69,314,220
Local Portion of State Sales	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559	17,466,450	17,489,437
Business and Professional Occupational License	11,276,263	11,588,503	12,479,698	12,536,783	12,690,668	12,893,280	11,335,221	10,828,304	10,584,716	11,288,674
Utility	9,937,596	9,557,889	9,735,948	9,825,738	11,409,106	13,234,488	13,857,552	13,823,643	13,749,522	13,097,155
Prepared Food and Beverage	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950	7,247,472	7,086,162
Commonwealth Share - Personal Property	8,075,992	8,075,992	8,075,992	8,073,460	8,121,547	7,962,068	8,325,821	7,689,531	8,043,897	7,775,099
Cigarette	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988
Transient Room	2,918,631	2,636,536	2,754,683	2,814,253	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878	2,045,876
Telecommunications	7,247,911	7,383,848	7,145,256	7,978,786	3,421,394	-	-	-	-	-
Motor Vehicle License Tax	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605	1,766,599
Other	2,810,326	4,344,857	6,071,290	7,412,254	11,727,231	7,359,754	7,111,634	8,213,700	6,345,237	6,708,809
State Aid Not Restricted to a Specific Program	-	-	-	-	-	7,776,432	-	-	76,454	-
Payment from Component Unit	9,752,655	10,020,049	8,930,898	7,752,288	1,300,000	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Program	2,880	11,226	8,379	3,372	3,107	-	239,988	274,714	-	-
Interest and Investment Income	960,375	1,246,826	1,618,541	2,644,762	3,737,732	3,187,105	2,387,866	1,265,367	1,865,333	2,444,945
Miscellaneous	-	130,702	-	-	4,471,167	4,005,203	6,754,063	5,790,943	5,470,988	4,287,219
Special Item	(3,492,982)	-	-	-	-	(1,575,776)	-	-	-	-
Transfers	(569,468)	(5,693,020)	(4,493,091)	(4,339,261)	(5,030,413)	(3,062,423)	(2,882,183)	(4,892,800)	(3,013,537)	(3,090,557)
Transfers - Capital Assets	-	-	-	-	-	(1,726,651)	-	(161,275)	(289,220)	(4,563,583)
Total Governmental Activities	195,222,489	183,827,666	190,481,891	191,114,677	185,123,674	174,424,956	161,762,038	150,800,071	144,976,424	137,687,043
Business-Type Activities:										
Interest and Investment Income	112,028	80,077	87,552	140,247	228,058	163,638	92,195	224,589	276,000	454,764
Gain (Loss) on Sale of Assets	-	-	-	-	-	(293,213)	9,896	16,325	(10,653)	346,516
Miscellaneous	-	134,681	117,823	187,010	259,040	401,378	522,955	418,509	382,403	274,380
Special Item	(3,204,514)	-	-	-	-	-	-	-	-	-
Transfers	569,468	5,693,020	4,493,091	4,339,261	5,030,413	3,062,423	2,882,183	4,892,800	3,013,537	3,090,557
Transfers - Capital Assets	-	-	-	-	-	1,726,651	-	161,275	289,220	4,563,583
Total Business-Type Activities	(2,523,018)	5,907,778	4,698,466	4,666,518	5,517,511	5,060,877	3,507,229	5,713,498	3,950,507	8,729,800
Total Primary Government	\$ 192,699,471	\$ 189,735,444	\$ 195,180,357	\$ 195,781,195	\$ 190,643,185	\$ 179,485,833	\$ 165,269,267	\$ 156,513,569	\$ 148,926,931	\$ 146,416,843
Change in Net Assets										
Governmental Activities	\$ 27,727,848	\$ 6,225,554	\$ 9,071,547	\$ 13,412,825	\$ 14,229,552	\$ 11,786,744	\$ 3,979,949	\$ 11,183,458	\$ 3,812,780	\$ (2,626,655)
Business-Type Activities	(4,697,467)	2,148,766	(494,901)	(375,796)	6,003,299	2,228,978	304,570	9,063,089	(632,818)	8,049,521
Total Primary Government	\$ 23,030,381	\$ 8,374,320	\$ 8,576,646	\$ 13,037,029	\$ 20,232,851	\$ 14,015,722	\$ 4,284,519	\$ 20,246,547	\$ 3,179,962	\$ 5,422,866

Information is presented on a full accrual basis of accounting.

CITY OF ROANOKE, VIRGINIA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
General Property Tax-Real Estate and Personal Property	\$ 107,328,296	\$ 100,801,682	\$ 101,626,861	\$ 98,714,420	\$ 93,361,362	\$ 86,651,722	\$ 81,071,535	\$ 75,186,290	\$ 71,672,690	\$ 69,314,220
Sales Tax	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559	17,466,450	17,489,437
Occupational License Tax	11,276,263	11,588,503	12,479,698	12,536,783	12,174,159	12,893,280	11,335,221	10,828,304	10,584,716	11,288,674
Utility Consumer Tax	9,937,596	9,557,889	9,735,948	9,825,738	11,925,615	13,234,488	13,857,552	13,823,643	13,749,522	13,097,155
Prepared Food & Beverage Tax	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950	7,247,472	7,086,162
Commonwealth Share Personal Property Tax	8,075,992	8,075,992	8,075,992	8,073,460	8,121,547	7,962,068	8,325,821	7,689,531	8,043,897	7,775,099
Cigarette Tax	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988
Transient Room Tax	2,918,631	2,636,536	2,754,683	2,814,253	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878	2,045,876
Telecommunications	7,247,911	7,383,848	7,145,256	7,978,786	3,421,394	-	-	-	-	-
Motor Vehicle License Tax	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605	1,766,599
Other Taxes	2,810,326	4,344,857	6,071,290	7,412,254	11,727,231	7,359,754	7,111,634	8,213,700	6,345,237	6,708,809
Total Governmental Activities Tax Revenues	\$ 188,569,029	\$ 178,111,883	\$ 184,417,164	\$ 185,053,516	\$ 180,644,081	\$ 165,821,066	\$ 155,262,304	\$ 148,523,122	\$ 140,866,406	\$ 138,609,019

Information is presented on a full accrual basis of accounting.

On January 1, 2007, the State began the new Telecommunications Tax which replaces the Telephone Surcharge as well as Cable TV Franchise Tax, and Telephone and Cellular Utility Taxes. Effective July 01, 2010, the Prepared Food and Beverage Tax increased from 5% to 7% and will sunset back to 5% on July 01, 2012.

Table 4
Unaudited

CITY OF ROANOKE, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	1,379,076	-	-	-	-	-	-	-	-	-
Assigned	1,407,485	-	-	-	-	-	-	-	-	-
Unassigned	25,535,754	-	-	-	-	-	-	-	-	-
Reserved	-	598,753	1,028,676	1,318,997	743,092	1,219,270	1,389,488	1,552,656	1,967,992	2,433,798
Unreserved	-	24,361,867	21,352,928	19,723,710	21,347,881	22,121,582	19,660,766	2,945,349	4,586,865	7,328,637
Total General Fund	28,322,315	\$ 24,960,620	\$ 22,381,604	\$ 21,042,707	\$ 22,090,973	\$ 23,340,852	\$ 21,050,254	\$ 4,498,005	\$ 6,554,857	\$ 9,762,435
All Other Governmental Funds										
Restricted	\$ 3,465,004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	16,368,501	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	-	6,146,088	17,529,842	36,500,585	14,814,335	22,669,544	19,200,210	14,068,820	19,288,996	8,625,220
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Debt Service Fund	-	1,213,260	1,161,895	1,143,782	1,021,667	1,063,737	988,465	15,061,934	14,436,613	14,289,750
Capital Projects Fund	-	6,121,743	31,685,558	27,455,399	26,591,510	37,744,826	39,994,304	37,069,596	42,487,398	63,225,262
Total All Other Governmental Funds	\$ 19,833,505	\$ 13,481,091	\$ 50,377,295	\$ 65,099,766	\$ 42,427,512	\$ 61,478,107	\$ 60,182,979	\$ 66,200,350	\$ 76,213,007	\$ 86,140,232

Information is presented on a modified accrual basis of accounting.

Table 5
Unaudited

CITY OF ROANOKE, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2010-11	2009-10	2008-09	2007-08	2006-07
Revenues					
Local Taxes	\$ 178,308,587	\$ 171,185,553	\$ 173,518,576	\$ 172,769,022	\$ 164,871,887
Permits, Fees and Licenses	969,800	880,347	1,053,443	1,475,370	1,142,724
Fines and Forfeitures	1,805,083	1,615,265	1,558,517	1,558,039	1,540,598
Rental Income	210,633	550,191	845,373	968,975	1,032,990
Investment Income	177,577	251,970	1,211,719	2,241,720	3,460,986
Intergovernmental	91,502,519	93,250,211	93,064,316	96,691,241	85,531,788
Charges for Services	11,624,417	10,834,925	11,616,042	10,955,336	11,611,220
Miscellaneous	4,717,123	703,626	1,536,704	1,336,850	2,897,616
Total Revenues	<u>\$ 289,315,739</u>	<u>\$ 279,272,088</u>	<u>\$ 284,404,690</u>	<u>\$ 287,996,553</u>	<u>\$ 272,089,809</u>
Expenditures					
Current Operating:					
General Government	\$ 13,043,582	\$ 12,671,590	\$ 13,094,420	\$ 13,614,281	\$ 12,782,063
Judicial Administration	7,336,125	7,503,476	8,735,663	8,441,872	8,438,366
Public Safety	60,845,503	61,821,748	63,808,641	64,859,294	61,964,362
Public Works	22,133,031	23,860,980	24,841,431	23,663,876	23,900,264
Health and Welfare	41,755,947	45,439,356	45,128,533	44,626,860	39,290,415
Parks, Recreation and Cultural	10,314,592	9,192,283	10,753,820	11,165,097	10,724,981
Community Development	10,481,809	9,931,020	9,559,518	11,473,754	9,074,244
Greater Roanoke Transit Company	1,177,324	-	-	-	-
Education	70,232,036	63,443,415	62,856,641	62,392,633	58,669,043
Debt Service:					
Principal Retirement	20,778,546	23,566,295	22,157,734	19,822,282	19,119,311
Interest and Paying Agent Charges	11,479,778	12,768,787	12,286,166	11,343,116	11,103,323
Bond Issuance Cost	204,463	317,494	79,082	-	-
Capital Outlays	13,251,045	40,276,382	44,299,810	35,471,132	44,308,692
Total Expenditures	<u>\$ 283,033,781</u>	<u>\$ 310,792,826</u>	<u>\$ 317,601,459</u>	<u>\$ 306,874,197</u>	<u>\$ 299,375,064</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,281,958	(31,520,738)	(33,196,769)	(18,877,644)	(27,285,255)
Other Financing Sources (Uses)					
Issuance of Bonds	7,121,925	2,661,171	23,912,613	43,967,698	12,961,171
Capital Lease	-	-	-	-	-
Issuance of Refunding Bonds	2,017,600	36,056,200	-	-	-
Payment to Refunded Bond Escrow Agent	(2,136,507)	(39,056,309)	-	-	-
Premium on Sale of Bonds	248,563	3,669,899	706,843	1,199,155	407,950
Transfers In	26,925,336	25,536,867	27,214,121	26,430,553	25,211,822
Transfers Out	(30,744,766)	(31,664,278)	(32,020,382)	(31,095,774)	(31,596,162)
Total Other Financing Sources (Uses)	<u>3,432,151</u>	<u>(2,796,450)</u>	<u>19,813,195</u>	<u>40,501,632</u>	<u>6,984,781</u>
Net Change in Fund Balances	<u>9,714,109</u>	<u>(34,317,188)</u>	<u>(13,383,574)</u>	<u>21,623,988</u>	<u>(20,300,474)</u>
Fund Balances--Beginning of Year	<u>38,441,711</u>	<u>72,758,899</u>	<u>86,142,473</u>	<u>64,518,485</u>	<u>84,818,959</u>
Fund Balances--End of Year	<u><u>\$ 48,155,820</u></u>	<u><u>\$ 38,441,711</u></u>	<u><u>\$ 72,758,899</u></u>	<u><u>\$ 86,142,473</u></u>	<u><u>\$ 64,518,485</u></u>

Information is presented on an modified accrual basis of accounting.

Table 5
Unaudited
(continued)

2005-06	2004-05	2003-04	2002-03	2001-02
\$ 156,259,656	\$ 145,738,157	\$ 138,027,923	\$ 131,372,049	\$ 129,553,942
1,469,016	1,275,026	1,026,606	909,669	1,076,603
1,444,566	1,354,775	1,365,502	1,244,283	1,103,113
1,462,840	796,688	682,798	1,114,804	1,100,101
1,978,325	1,794,290	949,912	1,557,228	1,957,370
79,661,592	74,579,619	68,418,569	66,118,526	62,477,966
11,142,081	11,237,776	11,544,955	6,657,533	6,073,913
2,543,147	820,779	1,369,767	502,712	997,855
<u>\$ 255,961,223</u>	<u>\$ 237,597,110</u>	<u>\$ 223,386,032</u>	<u>\$ 209,476,804</u>	<u>\$ 204,340,863</u>
\$ 12,214,535	\$ 11,677,301	\$ 11,822,041	\$ 11,711,800	\$ 11,612,767
7,347,752	6,736,070	6,355,497	6,237,314	6,032,743
58,192,222	53,777,319	50,733,282	45,540,774	45,685,277
22,798,347	22,229,895	24,688,073	23,184,404	23,350,186
36,105,373	34,754,917	31,888,121	28,761,343	27,778,336
9,697,644	8,434,669	5,318,074	4,565,865	4,901,055
9,701,539	9,066,266	8,859,741	8,733,633	7,829,899
-	-	-	-	-
55,789,730	52,676,279	49,520,072	47,408,556	46,617,823
17,140,653	14,785,327	11,543,107	12,283,145	9,166,242
11,270,985	10,084,588	8,541,638	9,863,967	7,677,659
141,334	104,034	241,850	-	190,711
38,370,611	40,808,400	28,606,142	20,115,347	25,316,264
<u>\$ 278,770,725</u>	<u>\$ 265,135,065</u>	<u>\$ 238,117,638</u>	<u>\$ 218,406,148</u>	<u>\$ 216,158,962</u>
(22,809,502)	(27,537,955)	(14,731,606)	(8,929,344)	(11,818,099)
31,708,923	37,662,856	4,595,399	800,000	51,083,499
-	-	4,857,000	-	-
10,631,826	-	66,040,000	-	-
(10,705,136)	-	(68,189,271)	-	-
705,605	1,460,022	2,971,027	-	652,873
30,811,378	37,134,208	21,215,612	23,543,433	20,533,173
(36,757,368)	(42,034,253)	(28,827,670)	(28,548,892)	(26,991,816)
<u>26,395,228</u>	<u>34,222,833</u>	<u>2,662,097</u>	<u>(4,205,459)</u>	<u>45,277,729</u>
3,585,726	6,684,878	(12,069,509)	(13,134,803)	33,459,630
81,233,233	74,548,355	82,767,864	95,902,667	62,443,037
<u>\$ 84,818,959</u>	<u>\$ 81,233,233</u>	<u>\$ 70,698,355</u>	<u>\$ 82,767,864</u>	<u>\$ 95,902,667</u>

Table 6
UnauditedCITY OF ROANOKE, VIRGINIA
LOCAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
General Property Tax	\$ 104,463,578	\$ 103,019,671	\$ 102,177,312	\$ 98,983,976	\$ 93,084,689	\$ 86,447,295	\$ 81,199,730	\$ 75,346,292	\$ 71,849,116	\$ 69,908,899
Sales Tax	18,602,105	18,095,643	20,448,423	21,571,956	21,987,443	20,637,376	19,663,577	19,225,559	17,466,450	17,489,436
Utility Consumer Tax (1)	9,433,181	9,072,887	9,245,881	9,317,726	11,409,106	13,234,488	13,349,039	13,321,752	13,248,053	13,097,155
Cigarette Tax	2,338,732	2,515,209	2,644,599	2,882,612	2,401,764	2,133,150	1,889,419	1,895,533	1,920,939	2,036,988
Recordation and Probate Tax	740,733	781,542	777,182	1,243,373	1,416,300	1,314,804	1,116,447	835,561	734,345	621,691
Business, Professional, and Occupational License Tax	11,780,678	12,073,505	12,969,765	13,044,796	12,690,668	12,893,280	11,843,734	11,330,195	11,086,185	11,288,675
Transient Room Tax	2,918,631	2,636,536	2,754,683	2,814,252	2,666,253	2,529,645	2,250,249	2,232,754	2,101,878	2,045,875
Admissions Tax	422,279	442,030	476,491	443,664	457,454	456,048	448,312	530,712	504,298	400,211
Telecommunications/Telephone Surcharge - E911 (1)	7,247,927	7,383,848	7,145,256	7,979,032	4,127,361	1,431,406	1,603,863	1,340,847	1,180,840	1,137,606
Motor Vehicle License Tax	2,002,299	1,951,813	1,937,500	1,682,310	1,795,365	1,783,689	1,761,745	1,736,858	1,733,605	1,766,599
Franchise Tax (1)	474,064	579,288	483,724	504,370	1,000,718	1,456,085	1,500,624	1,554,297	1,491,601	1,657,992
Prepared Food and Beverage Tax	16,030,878	11,159,911	11,496,914	11,560,944	11,061,948	10,635,894	7,995,551	7,690,950	7,247,472	7,086,162
Bank Stock Tax	1,853,502	1,473,670	960,846	740,011	772,818	1,306,496	1,115,867	986,613	807,267	1,016,653
Total Local Taxes	\$ 178,308,587	\$ 171,185,553	\$ 173,518,576	\$ 172,769,022	\$ 164,871,887	\$ 156,259,656	\$ 145,738,157	\$ 138,027,923	\$ 131,372,049	\$ 129,553,942

(1) 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 7
UnauditedCITY OF ROANOKE, VIRGINIA
GENERAL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Total Tax Levies	\$ 112,560,131	\$ 110,098,047	\$ 110,034,071	\$ 106,316,893	\$ 101,301,039	\$ 94,754,245	\$ 88,719,548	\$ 82,947,318	\$ 78,984,813	\$ 76,830,266
Current Tax Collections	102,130,123	100,833,008	98,726,769	95,621,945	89,761,174	83,902,929	78,489,950	72,835,920	68,960,191	67,233,815
Current Tax Collections - State Share (1)	8,075,992	8,075,992	8,075,992	8,073,460	8,089,164	7,789,896	8,147,634	7,551,379	7,920,717	7,634,673
Delinquent Tax Collections	2,333,454	2,186,663	3,450,543	3,362,031	3,323,515	2,544,365	2,709,780	2,510,372	2,888,925	2,655,084
Delinquent Tax Collections - State Share (1)	-	-	-	-	32,383	172,172	178,186	138,153	123,180	140,426
Total Tax Collections	\$ 112,539,569	\$ 111,095,663	\$ 110,253,304	\$ 107,057,436	\$ 101,206,236	\$ 94,409,362	\$ 89,525,550	\$ 83,035,824	\$ 79,893,013	\$ 77,683,998
Current Tax Collections As Percent of Levies	97.91%	98.92%	97.06%	97.53%	96.59%	96.77%	97.65%	96.91%	97.34%	97.47%
Total Tax Collections As Percent of Levies (2)	99.98%	100.91%	100.20%	100.70%	99.91%	99.64%	100.91%	100.11%	101.15%	101.11%

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

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

Table 8
Unaudited

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

Year	REAL PROPERTY				PERSONAL PROPERTY				PUBLIC SERVICE CORPORATIONS				Total Assessed Value
	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	Assessed Value	Percentage Growth	Estimated Actual Value	Assessment Ratio	
2002	\$4,053,218,187	5.47%	\$ 4,053,218,187	1.00	\$688,540,754	(6.65%)	\$1,147,567,923	0.60	\$ 331,442,235	(2.30%)	\$ 345,950,183	0.958	\$5,073,201,176
2003	4,251,342,652	4.89%	4,251,342,652	1.00	685,231,130	(0.48%)	1,142,051,883	0.60	320,712,924	3.24%	328,933,905	0.975	5,257,286,706
2004	4,558,900,600	7.23%	4,558,900,600	1.00	675,390,754	(1.44%)	1,125,651,256	0.60	372,880,650	16.27%	378,299,578	0.986	5,607,172,004
2005	4,912,403,589	7.75%	4,912,403,589	1.00	731,086,348	8.25%	1,218,477,246	0.60	333,486,044	(10.56%)	338,499,005	0.985	5,976,975,981
2006	5,351,633,570	8.94%	5,351,633,570	1.00	762,403,478	4.28%	1,270,672,463	0.60	303,859,616	(8.88%)	308,722,893	0.984	6,417,896,664
2007	5,834,424,939	9.02%	5,834,424,939	1.00	818,058,932	7.30%	1,363,431,553	0.60	310,606,990	2.22%	316,097,815	0.983	6,963,090,861
2008	6,256,495,314	7.23%	6,256,495,314	1.00	836,674,524	2.28%	1,394,457,540	0.60	314,604,888	1.29%	321,271,916	0.979	7,407,774,726
2009	6,564,294,962	4.92%	6,564,294,962	1.00	809,722,606	(3.22%)	1,349,537,677	0.60	335,086,164	6.51%	341,586,222	0.981	7,709,103,732
2010	6,698,391,113	2.04%	6,698,391,113	1.00	758,872,026	(6.28%)	1,264,786,710	0.60	359,212,368	7.20%	360,848,221	0.995	7,816,475,507
2011	6,801,971,286	1.55%	6,801,971,286	1.00	769,951,558	1.46%	1,283,252,597	0.60	353,515,462	(1.59%)	357,281,499	0.989	7,925,438,306

Table 9
Unaudited

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

REAL PROPERTY				PERSONAL PROPERTY				PUBLIC SERVICE CORPORATIONS				Total Tax Levies
Year	Tax Rate Per \$100	Levy		Tax Rate Per \$100	Levy			Tax Rate Per \$100	Levy			Total Tax Levies
2002	\$ 1.21	\$49,043,478		\$ 3.45	\$ 23,754,656	(1)		\$ 1.21	\$4,032,132			76,830,266
2003	1.21	51,440,874		3.45	23,640,474	(1)		1.21	3,903,465			78,984,813
2004	1.21	55,162,380		3.45	23,300,981	(1)		1.21	4,483,957			82,947,318
2005	1.21	59,439,602		3.45	25,222,479	(1)		1.21	4,057,467			88,719,548
2006	1.21	64,754,545		3.45	26,302,920	(1)		1.21	3,696,780			94,754,245
2007	1.19 (2)	69,429,439		3.45	28,163,083	(1), (3)		1.19 (2)	3,708,517			101,301,039
2008	1.19	74,451,741		3.45	28,100,133	(1)		1.19	3,765,019			106,316,893
2009	1.19	78,114,892		3.45	27,925,972	(1)		1.19	3,993,207			110,034,071
2010	1.19	79,710,636		3.45	26,141,385	(1)		1.19	4,246,026			110,098,047
2011	1.19	80,943,458		3.45	27,385,166	(1)		1.19	4,231,507			112,560,131

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

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

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

Table 10
Unaudited

CITY OF ROANOKE, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
COMPARISON OF JUNE 30, 2011 AND JUNE 30, 2002

<u>Taxpayer</u>	<u>Description</u>	2011			2002		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Carilion Healthcare	Healthcare Provider	\$ 212,127,891	1	2.70%	\$ -	-	-
Appalachian Power	Public Utility	122,649,830	2	1.56%	77,420,983	2	1.62%
Norfolk Southern Railway	Transportation	100,573,358	3	1.28%	70,097,667	3	1.47%
Valley View Mall LLC	Shopping Mall	74,630,800	4	0.95%	42,213,800	4	0.89%
Verizon Virginia, Inc	Communications	57,292,169	5	0.73%	88,749,620	1	1.86%
Steel Dynamics Roanoke Division	Primary Metals	35,265,625	6	0.45%	25,068,058	7	0.53%
Roanoke Gas Company	Public Utility	33,037,661	7	0.42%	23,200,929	8	0.49%
Maple Leaf Bakery	Bakery	30,693,150	8	0.39%	-	-	-
Advance Auto Parts	Auto Parts	27,656,967	9	0.35%	-	-	-
Mozart Investments Inc.	Aircraft	24,104,340	10	0.31%	-	-	-
Spectacle Lens	Eyecare Professionals	-	-	-	25,907,395	5	0.54%
Faison Roanoke Office Limited	Office Building	-	-	-	25,284,800	6	0.53%
Hotel Roanoke	Hotel	-	-	-	20,738,568	9	0.43%
Uni-Lever Company		-	-	-	18,192,105	10	0.38%
		\$ 718,031,791		9.14%	\$ 416,873,925		8.74%

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>
2002	1,588,424,788
2003	1,621,479,275
2004	1,712,570,484
2005	1,599,236,967
2006	1,876,508,609
2007	1,900,930,872
2008	1,925,487,309
2009	1,692,267,903
2010	1,676,331,018
2011 through June	809,075,207

(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	Gross Bonded Debt (D)	Bonds Supported by Enterprise Funds (C) (D)	Bonds Supported By Western Virginia Water Authority	Bonds Supported By Hotel Roanoke, LLC (E)	Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Total Estimated Actual Value	Net Bonded Debt Per Capita
2002	94,600	5,546,736,293	242,386,235	47,001,072	-	-	14,289,750	181,095,413	3.26%	1,914.33
2003	93,100	5,722,328,440	228,050,952	44,517,751	-	-	14,436,613	169,096,588	2.96%	1,816.29
2004	92,900	6,062,851,434	223,671,734	41,504,678	-	-	15,061,934	167,105,122	2.76%	1,798.76
2005	92,671	6,469,379,840	256,369,208	7,818,130	33,435,000	-	988,465 (B)	214,127,613	3.31%	2,310.62
2006	92,994	6,931,028,926	281,808,817	9,863,867	31,315,992	-	1,063,737	239,565,221	3.46%	2,576.14
2007	92,024	7,513,954,307	274,026,551	9,160,142	28,924,766	-	1,021,667	234,919,976	3.13%	2,552.81
2008	93,734	7,972,224,770	298,775,968	10,974,761	26,596,538	-	1,143,782	260,060,887	3.26%	2,774.46
2009	94,482	8,255,418,861	304,071,803	15,160,308	24,255,948	-	1,161,895	263,493,652	3.19%	2,788.82
2010	97,032 (est.)	8,324,026,044	283,602,637	15,632,575	21,987,683	-	1,213,260	244,769,119	2.94%	2,522.56
2011	97,032 (est.)	8,442,505,382	277,658,304	14,627,811	19,875,450	1,355,000	1,133,011	240,667,032	2.85%	2,480.29

Source - (A) Weldon - Cooper Center for Public Service

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

(C) FY04 through FY11 amounts exclude Civic Facilities Fund outstanding balances.

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

(E) Effective FY11, Hotel Roanoke, LLC debt was excluded from total bonded debt as a result of a change in the reporting of the Hotel Roanoke, LLC Note Receivable at the entity-wide level

Table 13
Unaudited

CITY OF ROANOKE, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2001-02	195,385,569	4,364,593	48,482,715	3,293,723	251,526,600	10.50%	2,659
2002-03	184,429,342	3,208,859	45,865,711	3,164,721	236,668,633	9.58%	2,542
2003-04	182,118,717	6,797,976	45,865,218	-	234,781,911	9.46%	2,527
2004-05	241,280,405 (2)	5,648,433	17,876,626 (2)	-	264,805,464	9.91%	2,714
2005-06	258,928,015	4,643,001	26,096,945	-	289,667,961	10.84%	3,095
2006-07	252,341,409	4,551,467	24,782,063	-	281,674,939	9.38%	3,051
2007-08	275,531,207	5,279,002	25,955,524	477,865	307,243,598	9.85%	3,286
2008-09	276,891,495	5,113,998	29,484,914	416,578	311,906,985	9.80%	3,378
2009-10	256,564,731	4,838,541	29,667,886	352,473	291,423,631	8.18%	3,123
2010-11	250,315,325	4,525,356	28,121,356	285,366	283,247,403	7.63%	3,000

(1) See Table 18 for Personal Income and Population data.

(2) The Western Virginia Water Authority was created in FY04, resulting in associated bonds moving from business-type activities to governmental activities.

Table 14
Unaudited

CITY OF ROANOKE, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2010-11 (1)	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Debt Limit	\$ 792,543,831	\$ 669,839,111	\$ 656,429,496	\$ 625,649,531	\$ 583,442,494	\$ 535,163,357	\$ 491,240,359	\$ 455,890,060	\$ 426,377,702	\$ 409,353,757
Total Net Debt Applicable to Limit	240,667,032	244,769,119	263,493,652	260,060,887	234,919,976	239,565,221	214,127,613	171,889,360	169,096,588	181,095,412
Legal Debt Margin	\$ 551,876,799	\$ 425,069,992	\$ 392,935,844	\$ 365,588,644	\$ 348,522,518	\$ 295,598,136	\$ 277,112,746	\$ 284,000,700	\$ 257,281,114	\$ 228,258,345
Total Net Debt										
Applicable to Limit as a Percentage of Debt Limit	30.37%	36.54%	40.14%	41.57%	40.26%	44.76%	43.59%	37.70%	39.66%	44.24%

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

Table 15
Unaudited

CITY OF ROANOKE, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2011

The Charter of the City of Roanoke limits the Legal Debt to 10% of the Assessed Valuation of Real Estate, Personal Property and Public Service Corporations within the City limits. The City has no overlapping debt.

Total Assessed Value of Real Estate, Personal Property and Public Service Corporations, 2011 (1)		<u>\$ 7,925,438,306</u>
Legal Debt Limit: 10% of \$7,925,438,306		792,543,831
Debt applicable to limitation:		
General Obligation Serial Bonds - Governmental Activities	\$ 179,605,193	
General Obligation Serial Bonds - Western Virginia Water Authority (WVWA)	19,875,450	
Section 108 Loan Hotel Roanoke Conference Center Commission (HRCCE)	1,355,000	
Qualified Zone Academy Bonds (QZAB)	1,862,925	
State Literary Fund Loans	2,800,000	
Virginia Public School Authority (VPSA) School Bonds	44,816,757	
Civic Facilities Enterprise Fund - Business-Type Activities	13,069,200	
Deferred Bond Costs - Civic Facilities Enterprise Fund Debt	(354,032)	
Parking Enterprise Fund Supported Debt - Business-Type Activities	15,052,156	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	(424,345)	
Total Debt	277,658,304	
Less: Available in Debt Service Fund	(1,133,011)	
WVWA Supported Debt	(19,875,450)	
HRCCE Supported Debt	(1,355,000)	
Parking Enterprise Fund Supported Debt	(15,052,156)	
Deferred Bond Costs - Parking Enterprise Fund Supported Debt	424,345	
Legal Debt Margin		<u><u>\$ 551,876,799</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
2001-02	8,916,243	7,361,801	16,278,044	246,048,365	6.6%
2002-03	12,083,145	9,681,287	21,764,432	252,841,855	8.6%
2003-04	11,255,346	7,882,228	19,137,574	268,406,972	7.1%
2004-05	12,283,849	7,860,775	20,144,624	284,024,496	7.1%
2005-06 (3)	14,765,894	9,357,973	24,123,867	298,166,075	8.1%
2006-07	17,493,085	10,549,172	28,042,257	318,422,477	8.8%
2007-08	18,181,973	9,880,643	28,062,616	334,448,507	8.4%
2008-09	20,480,823	11,121,043	31,601,866	340,360,591	9.3%
2009-10	21,869,664	11,436,671	33,306,335	324,345,350	10.3%
2010-11	19,093,669	10,346,300	29,439,969	314,114,285	9.3%

(1) Principal and interest payments include all general long term debt payments supported by tax revenues of the City.

Debt payments made on behalf of the Roanoke Civic Center are included. Debt payments made by the Roanoke City Parking Fund, Western Virginia Water Authority and the Hotel Roanoke Conference Center Commission are excluded.

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

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

Table 17
Unaudited

CITY OF ROANOKE
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES
LAST TEN FISCAL YEARS

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Debt Service:										
Principal Retirement	\$ 20,778,546	\$ 23,566,295	\$ 22,157,734	\$ 19,822,282	\$ 19,119,311	\$ 17,140,653	\$ 14,785,327	\$ 11,543,107	\$ 12,283,145	\$ 9,166,242
Interest and Paying Agent Charges	11,372,995	12,768,787	12,286,166	11,189,318	11,103,323	11,270,985	10,084,588	8,541,638	9,863,967	7,677,659
Total Debt Service Payments	32,151,541	36,335,082	34,443,900	31,011,600	30,222,634	28,411,638	24,869,915	20,084,745	22,147,112	16,843,901
Total Government Funds Expenditures	281,741,344	310,792,826	317,601,459	306,874,197	299,375,064	278,770,725	265,135,065	238,117,638	218,406,148	216,158,962
Capital Outlays	17,436,961	(37,764,765)	(40,930,978)	(31,895,657)	(40,817,148)	(37,032,175)	(34,734,158)	(27,916,709)	(13,569,300)	(15,866,367)
Total Noncapital Expenditures	\$ 299,178,305	\$ 273,028,061	\$ 276,670,481	\$ 274,978,540	\$ 258,557,916	\$ 241,738,550	\$ 230,400,907	\$ 210,200,929	\$ 204,836,848	\$ 200,292,595
Percentage of Noncapital Expenditures	10.75%	13.31%	12.45%	11.28%	11.69%	11.75%	10.79%	9.56%	10.81%	8.41%

Information is presented on the modified accrual basis of accounting.

Table 18
Unaudited

CITY OF ROANOKE, VIRGINIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Per Capita Income (2)	Personal Income	School Enrollment (3)	Local Unemployment Rate (4)	National Unemployment Rate (5)
2001-02	94,600	28,197 (est.)	2,395,177,400	13,263	4.4%	6.0%
2002-03	93,100	29,475 (est.)	2,470,408,500	13,004	4.6%	6.5%
2003-04	92,900	31,370 (est.)	2,900,194,000	12,861	4.0%	5.8%
2004-05	92,671	32,169 (est.)	2,975,832,000	12,712	3.7%	5.2%
2005-06	92,994	33,684 (est.)	3,118,622,000	12,587	3.3%	4.8%
2006-07	93,048	37,005 (est.)	3,443,232,000	12,256	3.2%	4.7%
2007-08	93,734	39,190 (est.)	3,673,418,000	12,286	3.9%	5.7%
2008-09	94,482	39,315 (est.)	3,714,521,000	12,303	7.7%	9.7%
2009-10	97,032 (est.)	39,315 (est.)	3,714,521,000	12,266	7.4%	9.6%
2010-11	97,032 (est.)	39,315 (est.)	3,714,521,000	12,261	6.7%	9.3%

(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

(6) Source: U.S. Census

Table 19
Unaudited

CITY OF ROANOKE, VIRGINIA
CONSTRUCTION STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	COMMERCIAL CONSTRUCTION (1)		RESIDENTIAL CONSTRUCTION (1)	
	Number of Permits	Value	Number of Permits	Value
2001-02	499	\$ 64,101,308	875	\$ 36,855,003
2002-03	437	60,291,138	730	21,844,483
2003-04	871	57,922,598	303	17,995,045
2004-05	497	143,755,330	610	23,936,990
2005-06	512	193,157,052	673	30,206,738
2006-07	465	109,104,902	697	24,079,265
2007-08	456	233,358,448	754	29,442,647
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

(1) 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 2010 AND 2001

Employer	December 31, 2010			December 31, 2001		
	Rank	Ownership	Number of Employees	Rank	Ownership	Number of Employees
Roanoke Memorial Community Hospital	1	Private	1000+	1	Private	1000+
Roanoke City School Board	2	Local Govt.	1000+	2	Local Govt.	1000+
City of Roanoke	3	Local Govt.	1000+	3	Local Govt.	1000+
Carilion Services	4	Private	1000+	9	Private	500-999
United Parcel Service	5	Private	500-999	8	Private	500-999
Healthmarc	6	Private	500-999	-	-	-
Wal-Mart	7	Private	500-999	5	Private	500-999
Virginia Western Community College	8	State Govt.	500-999	-	State Govt.	500-999
Anthem (Blue Cross & Blue Shield)	9	Private	500-999	10	Private	250-499
United States Postal Service	10	Federal Govt	500-999	6	Federal Govt.	500-999
Advance Auto Parts	-	-	-	4	Private	1000+
Kroger	-	-	-	7	Private	500-999

Source: Virginia Employment Commission (VEC)

CITY OF ROANOKE, VIRGINIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN CALENDAR YEARS

Function:	Full-time Equivalent Employees as of December 31									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government	159	178	195	193	184	184	188	191	199	200
Judicial Administration:										
Sheriff	33	32	35	31	31	31	31	31	31	32
Other	55	58	57	59	58	54	53	52	50	49
Public Safety:										
Police	284	309	312	305	309	304	286	295	289	286
Jail	161	159	164	165	165	173	175	173	170	169
Fire	259	250	268	270	266	264	266	268	262	274
Other	62	81	76	83	84	79	82	84	82	89
Public Works:										
Engineering	28	20	19	19	17	20	21	21	21	22
Maintenance	127	126	132	144	150	151	152	157	155	157
Transportation	86	79	86	92	82	85	91	98	95	101
Other	-	1	2	2	2	1	2	3	3	5
Health and Welfare	220	224	226	224	224	217	209	208	220	231
Parks, Recreation and Cultural	64	97	112	112	110	102	102	105	103	107
Community Development	42	46	47	47	48	41	35	42	34	40
Civic Facilities	-	- (2)	25 (2)	31	36	35	37	31	31	31
Water	-	-	-	-	-	-	- (1)	106	107	106
Water Pollution Control	-	-	-	-	-	-	- (1)	43	51	53
Total	1,580	1,660	1,756	1,777	1,766	1,741	1,730	1,908	1,903	1,952

(1) In FY04, the Western Virginia Water Authority was formed by the City and County of Roanoke.

(2) On 1/1/09, Civic Facilities began operating under private management. Remaining workers became employees of Global Spectrum, the outside management firm, at that time.

Source: City of Roanoke, Department of Finance

Table 22
Unaudited

CITY OF ROANOKE, VIRGINIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
General Government										
Levied property taxes	\$29,197,629	\$28,773,772	\$28,765,002	\$30,005,699	\$30,487,405	\$28,355,143	\$26,943,961	\$25,524,398	\$26,145,291	\$26,794,956
Number of business licenses issued	7,458	7,121	7,481	7,369	7,427	7,200	6,900	7,200	6,900	7,800
Number of property & building permits*	4,145	3,158	3,575	3,685	3,433	5,000	5,352	5,760	4,836	47,000
Police										
Number of traffic summons	27,425	21,997	22,592	20,777	18,626	18,766	7,396	9,714	16,966	19,291
Number of assistance call responses	89,498	89,172	90,840	89,131	88,022	89,176	88,991	83,862	86,146	84,983
Number of hours of training conducted**	34,916	19,266	10,238	28,888	47,089	62,500	62,000	55,906	48,549	N/A
Fire										
Number of emergency call responses	23,941	23,630	23,231	23,369	23,686	22,203	22,579	21,139	19,956	20,060
Highways and Streets										
Number of lane miles resurfaced	19	41	43	46	51	57	57	49	49	57
Number of street lights added	14	52	73	7	52	90	60	120	48	120
Judicial Administration										
Number of criminal cases	11,562	12,671	14,917	14,516	12,790	13,103	12,500	12,643	11,222	11,508
Number of traffic cases	30,555	30,335	32,377	29,199	25,613	28,544	29,500	25,930	22,978	26,812
Number of civil cases	20,292	20,668	26,635	31,585	32,391	37,587	33,000	32,054	28,405	29,000
Parks & Recreation										
Number of participants served	130,755	117,484	135,000	160,000	200,000	231,000	213,900	195,000	151,076	129,750
Education										
Number of instructional personnel	1,073	1,113	1,220	1,188	1,193	1,157	1,096	1,142	1,118	1,060
Number of students	12,261	12,266	12,303	12,286	12,256	12,587	12,712	12,861	13,004	13,263
Libraries										
Number of volumes	319,014	402,827	410,216	273,897	320,249	378,734	374,453	345,856	331,828	347,848
Number of audio materials	11,660	12,128	10,923	11,255	10,958	13,481	13,516	12,844	12,434	11,631
Number of video materials	18,791	16,469	16,690	12,358	9,799	12,078	10,692	9,742	9,055	8,414
Number of annual library visits	659,672	707,467	669,511	650,881	548,436	375,000	434,170	328,228	426,704	309,500
Economic Development										
Businesses contacted for personal visits	504	537	645	349	332	200	100	150	250	100
Housing and Neighborhood Services										
Total housing units	45,665	45,720	45,710	45,442	47,087	45,978	46,388	45,051	44,846	44,566
Average assessed value of single-family housing units	\$ 133,340	\$ 133,276	\$ 132,798	\$ 132,170	\$ 132,778	\$ 124,709	\$ 109,819	\$ 100,707	\$ 93,229	\$ 86,404

Sources: Various City of Roanoke departments

* In fiscal year 2006 and after, combination permits replaced individual electrical, mechanical, and plumbing permits

** In February of 2008, Roanoke County Police Department stopped using the City's basic training academy and began utilizing a new County facility.

CITY OF ROANOKE, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Police										
Number of vehicular units	165	162	157	175	165	142	156	137	122	126
Fire										
Number of stations*	11	12	12	12	12	13	13	13	13	13
Number of fire trucks	28	26	24	24	23	23	25	25	24	24
Highways and Streets										
Miles of streets (lane miles)	998	997	997	997	997	997	997	995	995	995
Number of street lights	9,950	9,936	9,884	9,811	9,804	9,800	9,758	9,710	9,566	9,509
Parks and Recreation										
Parks, plazas and recreation sites	72	72	68	69	69	71	71	71	71	71
Playgrounds/play areas	39	39	37	37	37	39	39	39	39	39
Football/soccer fields	26	26	24	24	24	21	21	21	21	21
Baseball/softball fields	31	31	30	30	30	32	32	32	32	32
Olympic-size swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	6	6	6	6	6	8	8	8	8	8
Education										
Elementary schools	17	18	19	20	21	21	21	21	21	21
Middle schools	5	5	6	6	6	6	6	6	6	6
High schools	2	2	2	2	2	2	2	2	2	2
Libraries										
Libraries	7	7	7	7	7	7	7	7	7	6
Bookmobile	-	-	1	1	1	1	1	1	1	1
Kiosks	2	2	2	2	1	-	-	-	-	-

* Excludes non-staffed fire stations

COMPLIANCE SECTION

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CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
<u>Department of Agriculture</u>			
Passed Through Commonwealth of Virginia			
Department of Agriculture:			
Food Distribution - Commodities (1)	-	10.555	\$ 4,955
Subtotal Food Distribution - Commodities			<u>4,955</u>
Passed Through Commonwealth of Virginia			
Department of Health:			
Summer Food Service Program for Children FY10-11	58745	10.559	75,148
Summer Food Service Program for Children FY11-12	58745	10.559	22,466
Subtotal Summer Food Service Program for Children			<u>97,614</u>
Passed Through Commonwealth of Virginia			
Department of Social Services:			
State Administrative Matching Grants for			
Food Stamp Program	-	10.561	1,643,700
Subtotal Matching Grants for Food Stamp Program			<u>1,643,700</u>
Passed Through Commonwealth of Virginia			
Department of Youth and Family Services:			
(School) Breakfast Program	-	10.553	1,716
Subtotal Breakfast Program			<u>1,716</u>
Passed Through Commonwealth of Virginia			
Department of Forestry:			
Urban and Community Forestry FY10-Greenway	09UCF16	10.675	2,598
Urban and Community Forestry FY10-Outreach	09UCF15	10.675	2,598
Urban and Community Forestry FY11-Plan Update	10UCF14	10.675	9,954
Urban and Community Forestry FY11-Tree Stewards	10UCF15	10.675	9,954
Subtotal Urban and Community Forestry			<u>25,104</u>
Subtotal Passed Through Commonwealth of Virginia			<u>1,773,089</u>
Total Department of Agriculture			<u>1,773,089</u>
<u>Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant FY05 (2)	B-04-MC-51-0020	14.218	9
Community Development Block Grant FY06 (2)	B-05-MC-51-0020	14.218	10
Community Development Block Grant FY07 (2)	B-06-MC-51-0020	14.218	95,299
Community Development Block Grant FY08 (2)	B-07-MC-51-0020	14.218	130,143
Community Development Block Grant FY09 (2)	B-08-MC-51-0020	14.218	440,704
Community Development Block Grant FY10 (2)	B-09-MC-51-0020	14.218	481,279
Community Development Block Grant FY11 (2)	B-10-MC-51-0020	14.218	1,437,487
Subtotal Community Development Block Grant			<u>2,584,931</u>

(Continued)

CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Direct Programs:			
Department of Housing and Urban Development (continued):			
ARRA Homelessness Prevention & Rehousing FY09	S09-MY-51-0005	14.257	\$ 312,367
Subtotal ARRA Homelessness Prevention & Rehousing			312,367
Emergency Shelter Grant FY11 (3)	S-10-MC-51-0006	14.231	81,466
Subtotal Emergency Shelter Grant			81,466
Supportive Housing Program 2010	VA0031B3F020802	14.235	118,839
Supportive Housing Program 2011	VA0031B3F021003	14.235	57,818
Subtotal Supportive Housing Program			176,657
Shelter Plus Care 2010 (4)	VA0032C3F020801	14.238	8,543
Shelter Plus Care 2011 (4)	VA0032C3F020802	14.238	97,912
Subtotal Shelter Plus Care			106,455
HOME Investment in Affordable Housing 02 (5)	M-01-MC-51-0206	14.239	9,000
HOME Investment in Affordable Housing 05 (5)	M-04-MC-51-0206	14.239	2,900
HOME Investment in Affordable Housing 07 (5)	M-06-MC-51-0206	14.239	53,548
HOME Investment in Affordable Housing 09 (5)	M-08-MC-51-0206	14.239	113,163
HOME Investment in Affordable Housing 10 (5)	M-09-MC-51-0206	14.239	274,842
HOME Investment in Affordable Housing 11 (5)	M-10-MC-51-0206	14.239	333,967
Subtotal HOME Investment in Affordable Housing			787,420
ARRA CDBG Neighborhood Infrastructure FY09	B09-MY-51-0020	14.253	334,667
Subtotal ARRA CDBG Neighborhood Infrastructure			334,667
ARRA Lead Hazard Control	VALHB0417-08	14.900	908,516
Subtotal ARRA Lead Hazard Control			908,516
Subtotal Department of Housing and Urban Development Direct Programs			5,292,479
Total Department of Housing and Urban Development			5,292,479
<u>Department of Justice</u>			
Direct Programs:			
U. S. Marshals Service FY10 Automotive	F20105042XJLEOTFS	16.xxx	500
U. S. Marshals Service FY11 Automotive	JLEO-11-0210	16.xxx	4,808
Subtotal U. S. Marshals Service			5,308
Safe Havens Visitation Program FY09	2008-CW-AX-0013	16.527	148,313
Safe Havens Visitation Program FY11	2010-CW-AX-K005	16.527	35,144
Subtotal Safe Havens Visitation Program			183,457

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
Direct Programs:			
Department of Justice (continued):			
Bulletproof Vests FY08	2009BUBX08044562	16.607	\$ 2,610
Bulletproof Vests FY09	2007BUBX07039526	16.607	8,893
Subtotal Bulletproof Vests			<u>11,503</u>
ARRA COPS Hiring Recovery Program FY10	2009-RKWX-0850	16.710	211,212
Subtotal ARRA COPS Hiring Recovery Program			<u>211,212</u>
Justice Assistance Grant FY08 (Bike Patrol)	2007-DJ-BX-0716	16.738	18,701
Justice Assistance Grant FY09 (Bike Patrol)	2008-DJ-BX-0048	16.738	51,083
Justice Assistance Grant FY11 (Technology Improvement)	2010-DJ-BX-1650	16.738	15,602
Subtotal Justice Assistance			<u>85,386</u>
ARRA Justice Assistance Grant (Multiple Projects) FY09	2009-SB-B9-1442	16.804	84,135
Subtotal ARRA Justice Assistance			<u>84,135</u>
Subtotal Department of Justice Direct Programs			<u>581,001</u>
Passed Through Commonwealth of Virginia			
Department of Criminal Justice Services:			
Juvenile Accountability Incentive Block Grant CY10	10-L3221JB08	16.523	24,011
Juvenile Accountability Incentive Block Grant CY11	11-M3221JB09	16.523	11,955
Subtotal Juvenile Accountability Incentive Block Grant			<u>35,966</u>
Project Back on Track FY11	11-A2242JJ09	16.540	61,797
Subtotal Back on Track			<u>61,797</u>
Victim Witness Assistance FY11	11-Q8554VW10	16.575	140,398
Subtotal Victim Witness Assistance			<u>140,398</u>
Data Sharing FY09	09-C5318CR08	16.579	193,909
Data Sharing FY10	09-D5318CR08	16.579	89,695
Subtotal Data Sharing			<u>283,604</u>
Police Domestic Violence Unit CY10	10-L3153VA09	16.588	20,305
Police Domestic Violence Unit CY11	11-M3153VA10	16.588	21,675
ARRA Police Domestic Violence Unit CY10	10-A6061VS09	16.588	33,138
Subtotal Police Domestic Violence			<u>75,118</u>
Criminal Justice Systems Improvement FY10	10-B5825CR09	16.738	20,450
Criminal Justice Systems Improvement FY11	11-B5825CR09	16.738	41,173
Intensive Supervision Juvenile Supervision FY11	11-A2134AD08	16.738	34,612
Subtotal Justice Assistance			<u>96,235</u>
Subtotal Passed Through Commonwealth of Virginia			<u>693,118</u>
Total Department of Justice			<u>1,274,119</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
<u>Department of Labor</u>			
Passed Through Commonwealth of Virginia			
Virginia Employment Commission:			
Workforce Investment Act FY10 Exemplary Perform - Adult	LWA-03-09-INC01	17.258	\$ 8
Workforce Investment Act FY11 Rapid Response - Adult	LWA-03-09-01RR	17.258	16,237
Workforce Investment Act FY11 Exemplary Perform - Adult	LWA-03-10-INC01	17.258	2,700
Workforce Investment Act FY11 Regional Cooperation - Adult	LWA-03-10-INC01	17.258	8,100
Workforce Investment Act FY10 - Adult	LWA3-09-03	17.258	95,957
Workforce Investment Act FY11 - Adult	LWA3-10-02	17.258	269,415
ARRA Workforce Investment Act FY09 - Adult	LWA ARRA-03	17.258	11,549
Subtotal Workforce Investment Act Adult			403,966
Workforce Investment Act FY10 Exemplary Perform - Youth	LWA-03-09-INC01	17.259	9
Workforce Investment Act FY11 Rapid Response - Youth	LWA-03-09-01RR	17.259	17,396
Workforce Investment Act FY11 Exemplary Perform - Youth	LWA-03-10-INC01	17.259	3,000
Workforce Investment Act FY11 Regional Cooperation - Youth	LWA-03-10-INC01	17.259	9,000
Workforce Investment Act FY10 - Youth	LWA3-09-03	17.259	155,573
Workforce Investment Act FY11 - Youth	LWA3-10-02	17.259	237,053
ARRA Workforce Investment Act FY09 - Youth	LWA ARRA-03	17.259	123,554
Subtotal Workforce Investment Act Youth			545,585
Workforce Investment Act FY10 Exemplary Perform - Dis Wkr	LWA-03-09-INC01	17.260	12
Workforce Investment Act FY11 Rapid Response - Dis Wkr	LWA-03-09-01RR	17.260	24,355
Workforce Investment Act FY11 Exemplary Perform - Dis Wkr	LWA-03-10-INC01	17.260	4,300
Workforce Investment Act FY11 Regional Cooperation - Dis Wkr	LWA-03-10-INC01	17.260	12,900
Workforce Investment Act FY10 - Dislocated Worker	LWA3-09-03	17.260	48,668
Workforce Investment Act FY11 - Dislocated Worker	LWA3-10-02	17.260	455,445
ARRA Workforce Investment Act FY09 - Dislocated Worker	LWA ARRA-03	17.260	209,978
Subtotal Workforce Investment Dislocated Worker			755,658
Workforce Investment Act FY11 Rapid Response #2 - Dis Wkr	LWA 03-10-01RR	17.278	51,296
Subtotal Workforce Investment Dislocated Worker			51,296
Subtotal Passed Through Commonwealth of Virginia			1,756,505
Total Department of Labor			1,756,505
<u>Department of Transportation</u>			
Direct Programs:			
FY08 FTA Capital Assistance (pass thru to CCTM)	VA-04-0004-00	20.500	38,641
FY08 FTA Capital Assistance (pass thru to NRHS)	VA-04-0009-00	20.500	46,857
FY08 FTA Capital Assistance (pass thru to OWL)	VA-04-0041-00	20.500	29,119
FY09 FTA Capital Assistance	VA-04-0027-00	20.500	176,951
FY09 FTA Capital Assistance	VA-04-0046-00	20.500	-
Subtotal FTA Capital Assistance			291,568

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
FY07 FTA Capital Assistance	VA-95-X005-00	20.507	\$ 45,811
FY08 FTA Capital Assistance	VA-90-X019-00	20.507	4,516
FY10 FTA Capital Assistance	VA-95-X051-00	20.507	24,605
FY10 FTA Operating Assistance	VA-90-0345-00	20.507	91,377
FY11 FTA Operating Assistance	VA-90-0362-00	20.507	2,494,320
ARRA FY10 FTA Assistance	VA-96-X010-00	20.507	455,268
Subtotal FTA Operating & Capital Assistance			3,115,897
FY08 FTA Operating Assistance (pass thru from DRPT)	VA-18-X030-00	20.509	33,245
FY11 FTA Operating Assistance (pass thru from DRPT)	VA-18-X031-00	20.509	98,980
ARRA FY10 FTA Operating Assistance (pass thru from DRPT)	VA-86-X001-01	20.509	-
Subtotal FTA Operating Assistance			132,225
FY08 FTA JARC Assistance (pass thru from UHTS)	VA-37-X016-00	20.516	-
Subtotal Direct Programs			3,539,690
Passed Through Commonwealth of Virginia			
Department of Motor Vehicles:			
Multi-Purpose FY10	SC-2010-50342-3962	20.600	11,448
Multi-Purpose FY11	SC-2011-51359-4301	20.600	24,811
Subtotal Highway Safety			36,259
Blue Regional DUI FY11	K8-2011-51302-4244	20.601	1,957
Subtotal Highway Safety			1,957
Passed Through Commonwealth of Virginia			
Department of Transportation:			
ARRA Roanoke River Greenway Transportation Enhancement	VDOT UPC 93201	20.205	1,082,615
Roanoke River Greenway TEA21	EN03-128-129	20.205	78,015
Roanoke River Greenway TEA21, #128-129		20.205	94,718
Subtotal Roanoke River Greenway			1,255,348
Subtotal Passed Through Commonwealth of Virginia			1,293,564
Total Department of Transportation			4,833,254
<u>National Endowment for the Arts</u>			
Direct Programs:			
Local Arts Agencies (Roanoke Arts Commission)	10-6200-7028	45.024	4,604
Subtotal Local Arts Agencies			4,604
Total National Endowment for the Arts			4,604

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
<u>Environmental Protection Agency</u>			
Direct Programs:			
Brownfield Area Plan Tech Assistance FY11	TR-83491601-0	66.814	\$ 444
Subtotal Brownfield Job Training			444
Brownfield Assessment Hazardous Materials FY07	BF97348101-0	66.818	16,610
Brownfield Assessment Petroleum Based FY07	BF97346901-0	66.818	6,603
Brownfield Loan Fund FY08	BF97357101-0	66.818	1,450
Brownfield VA Scrap Property FY09	BF97372201-0	66.818	236,923
Brownfield Assessment Hazardous Materials FY09	BF97370501-0	66.818	5,379
Subtotal Brownfield Remedial Programs			266,965
Subtotal Environmental Protection Agency Direct Programs			267,409
Total Department of Environmental Protection Agency			267,409
<u>Department of Energy</u>			
Direct Programs:			
ARRA Energy Efficiency & Conservation Block Grant FY10	DE-SC0002804	81.128	125,582
Subtotal ARRA Energy Efficiency & Conservation Block Grant			125,582
Subtotal Department of Energy Direct Programs			125,582
Total Department of Energy			125,582
<u>Corporation for National and Community Services</u>			
Passed Through Commonwealth of Virginia			
Department of Social Services:			
AmeriCorps	2010-2011 Formula	94.006	72,298
Subtotal AmeriCorps Program			72,298
Subtotal Passed Through Commonwealth of Virginia			72,298
Total Corporation for National and Community Services			72,298
<u>Federal Emergency Management Agency</u>			
Direct Programs:			
Assistance To Firefighters 2009	EMW-2008-FO-11758	97.044	144,154
Subtotal Assistance to Firefighters Programs			144,154
Subtotal Federal Emergency Management Direct Programs			144,154
Passed Through Commonwealth of Virginia			
Department of Emergency Management:			
Emergency Management Assistance	-	97.042	38,769
Subtotal Emergency Management Assistance Programs			38,769
State Homeland Security Program FY06	2006-TE-TX-005	97.067	1,623
Subtotal State Homeland Security Programs			1,623

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
State Homeland Security Incident Response Vehicle FY10	10-A2163HS09	97.073	\$ 34,093
State Homeland Security Haz-Mat Team Equip FY10	2010-SHSP-HAZ-MAT	97.073	27,500
Subtotal State Homeland Security Programs			<u>61,593</u>
Subtotal Passed Through Commonwealth of Virginia			<u>101,985</u>
Total Federal Emergency Management Agency			<u>246,139</u>
<u>Department of Health and Human Services</u>			
Passed Through Commonwealth of Virginia			
Department of Social Services:			
Promoting Safe and Stable Families	-	93.556	<u>66,180</u>
Temporary Assistance for Needy Families	-	93.558	<u>2,400,228</u>
Refugee & Entrant Assistance-State Administered Program	-	93.566	<u>53,316</u>
Low-Income Home Energy Assistance	-	93.568	<u>97,437</u>
Child Care and Development Block Grant	-	93.575	<u>869,301</u>
Child Care Mandatory-Child Care and Development Fund	-	93.596	<u>1,490,994</u>
Education & Training Vouchers Program	-	93.599	<u>16,902</u>
Child Welfare Services	-	93.645	<u>8,047</u>
Passed Through Commonwealth of Virginia			
Department of Social Services (continued):			
Foster Care Title IV-E	-	93.658	<u>2,231,377</u>
Adoption Assistance	-	93.659	<u>955,326</u>
Social Services Block Grant	-	93.667	<u>1,250,787</u>
Foster Care Independence Program	-	93.674	<u>62,522</u>
Children's Insurance Program	-	93.767	<u>47,138</u>
Medical Assistance Program	-	93.778	<u>966,628</u>
Subtotal Passed Through Commonwealth of Virginia			<u>10,516,183</u>
Total Department of Health and Human Services			<u>10,516,183</u>
Grand Total Federal Financial Assistance			<u>\$ 26,161,661</u>

(Continued)

**CITY OF ROANOKE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Grant Program	Grant Number	Federal Catalogue Number	Expenditures
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Notes:

This schedule is presented on the cash basis, except for Social Services grants which are presented on the accrual basis.

- (1) The value reported for disbursements, with respect to commodities distributed by the Federal government, fair market value as furnished by the respective department of the Federal government.
- (2) The amount of federal funds passed through to subgrantees totals \$2,584,931.
- (3) The amount of federal funds passed through to subgrantees totals \$81,466.
- (4) The amount of federal funds passed through to subgrantees totals \$106,455.
- (5) The amount of federal funds passed through to subgrantees totals \$787,420.



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

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

The Honorable Members of City Council
City of Roanoke, Virginia:

We have audited 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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2011, which included a paragraph describing the adoption by the City of the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010, and a paragraph describing the reporting by the City of the Greater Roanoke Transit Company (GRTC) as a discretely presented component unit as of and for the year ended June 30, 2011. 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 *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Other auditors audited the financial statements of the School Board of the City of Roanoke, Virginia (the School Board), a discretely presented component unit of the City, and certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, 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 other auditors.

Internal Control over Financial Reporting

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

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



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

Compliance and Other Matters

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

We noted certain matters that we reported to the City in a separate letter dated November 30, 2011.

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

KPMG LLP

November 30, 2011



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

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The Honorable Members of City Council
City of Roanoke, Virginia:

Compliance

We have audited the City of Roanoke, Virginia's (the City's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 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, 2011. The City's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit. The City's basic financial statements include the operations of the School Board of the City of Roanoke, Virginia (the School Board), a discretely presented component unit of the City, which received \$26,734,371 in federal awards which is not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2011. Our audit, described below, did not include the operations of the School Board because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal



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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1. 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.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City response, and accordingly, we express no opinion on the response.

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

KPMG LLP

November 30, 2011



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

Independent Auditors' Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grant Agreements

The Honorable Members of City Council
City of Roanoke, Virginia:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of the City of Roanoke, Virginia (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2011, which included a paragraph describing the adoption by the City of the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010, and a paragraph describing the reporting by the City of the Greater Roanoke Transit Company (GRTC) as a discretely presented component unit as of and for the year ended June 30, 2011. 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 *Specifications for Audits of Counties, Cities and Towns* (Specifications), 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 of material misstatement. Other auditors audited the financial statements of the School Board of the City of Roanoke, Virginia (the School Board), a discretely presented component unit of the City, and certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of compliance that are reported on separately by those other auditors.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grant agreements applicable to the City is the responsibility of the management of the City. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grant agreements. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia laws, regulations, contracts and grant agreements, as contained in the Specifications, for which we performed tests of compliance:

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Debt Provisions
Retirement Systems
Procurement Laws
Uniform Disposition of Unclaimed Property Act



State Agency Requirements

Comprehensive Youth Services Act
Highway Maintenance Funds
Personal Property Tax Relief Act
Social Services

As described in items 2011-2 and 2011-3 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with certain requirements of the Conflicts of Interest Act and Social Services - Continuity of Operations State Agency Requirement as contained in the Specifications.

With the exception of the noncompliance described in the preceding paragraph, the results of our tests of compliance disclosed no other instances of noncompliance that are required to be reported under the Specifications.

This report is intended solely for the information and use of management, the City Council, the audit committee of the City Council, others within the entity, the Auditor of Public Accounts of the Commonwealth of Virginia, and the applicable state agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 30, 2011

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **unqualified opinion.**
- (b) Significant deficiencies in internal control over financial reporting disclosed by the audit of the financial statements: **none.** Material weaknesses: **none.**
- (c) Noncompliance which is material to the basic financial statements: **none.**
- (d) Significant deficiencies in internal control over major programs: **Yes, item 2011-1.** Material weaknesses: **none.**
- (e) The type of report issued on compliance for major programs: **unqualified opinion.**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **none.**
- (g) Major programs:

Program

CFDA

ARRA Community Development Block Grant and Community Development Block Grant Cluster (CDBG)	(CFDA #14.218 and #14.253);
ARRA Community Oriented Policing Services (COPS) Grant	(CFDA #16.710);
ARRA Federal Transit and Federal Transit – Cluster	(CFDA #20.500 and #20.507);
ARRA Homelessness Prevention & Rehousing Program	(CFDA #14.257);
ARRA Lead-Based Paint Hazard Control	(CFDA # 14.900);
ARRA Formula Grants for Other than Urbanized Areas	(CFDA # 20.509);
Highway Planning and Construction Program	(CFDA #20.205);
Temporary Assistance for Needy Families (TANF)	(CFDA #93.558);
Home Investment Partnership Program (HOME)	(CFDA #14.239);
Social Services Block Grant (SSBG)	(CFDA #93.667);
Medicaid Assistance Program	(CFDA #93.778);
Workforce Investment Act (WIA) and ARRA Workforce Investment Act – Cluster	(CFDA #17.258, #17.259, #17.260 & #17.278)

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$784,850.**

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(i) Auditee qualified as a low risk auditee under Section 530 of OMB Circular A-133: **no**.

(2) **Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:** None.

(3) **Findings and Questioned Costs Relating to Federal Awards:**

Finding 2011-1

Federal Agency and Program:

Department of Justice ARRA COPS Hiring Recovery Program – CFDA 16.710 – award #2009-RKWX-0850

Recipient:

City of Roanoke, Virginia

Federal Award Year:

July 1, 2010 through June 30, 2011

Criteria: Community Oriented Police Services (COPS) Hiring Recovery Program grants fund the approved entry-level salaries and fringe benefits of newly hired or rehired full-time police officers for 36 months of grant funding. The approved entry-level salaries and fringe benefits are based on a grantee agency's actual entry-level sworn officer salary and fringe benefit costs and are identified on the Final Financial Clearance Memorandum that is sent to the grantee agency. Any additional costs for higher than entry-level salaries and fringe benefits will be the responsibility of the grantee agency (42 USC 3796dd(b)).

Condition found, including perspective: During our audit procedures, we noted that overtime-related payroll costs incurred by police officers whose salaries and fringe benefits are paid through the COPS grant were being charged against the COPS grant fund instead of the Roanoke Police Department General Operating Fund. The overtime-related charges inappropriately applied against the COPS grant fund were not detected by the City of Roanoke (City) until KPMG identified the issue in connection with our auditing procedures. All overtime-related payroll costs incurred by police officers whose salaries and fringe benefits are paid through the COPS grant for the fiscal year ended June 30, 2011 were submitted for reimbursement under the COPS grant code by the City's Finance Department via GRPS.

Questioned Costs: \$4,582.94

Effect: Noncompliance with Allowable Costs requirements under OMB A-133.

Cause: The City implemented a new payroll system during the current fiscal year which impacted the previously established expenditure coding for this grant.

Recommendation: We recommend that the City and Roanoke Police Department review the expenditure coding of the City's newly implemented payroll system to ensure that overtime-related payroll costs for officers whose salaries and fringe benefits are paid through the COPS grant are charged against the

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Roanoke Police Department General Operating Fund instead of the COPS grant fund. Overtime-related charges incurred for officers whose salaries and fringe benefits are paid through the COPS grant in fiscal year 2010 was not an issue because the City's previous payroll system had effective internal controls in place to prevent such unallowable costs from being applied against the COPS grant code. The City's Finance Department and Roanoke Police Department should also place a greater emphasis on management review of expenditures before seeking reimbursement to ensure that the charges are allowable and reimbursable pursuant to the grant criteria.

Views of responsible officials: Upon notification of this issue by KPMG, Department of Finance management reviewed charges applied against the COPS grant fund over the life of the grant and discovered that the disallowed charges began in fiscal year 2011. Management entered a fiscal year 2011 journal entry to credit the COPS grant for \$4,582.94, reversing the overtime expense and corresponding FICA fringe benefit costs. Accordingly, the City's Schedule of Expenditures of Federal Awards for the year ended June 30, 2011 was adjusted to remove these unallowable expenditures. Likewise, the reimbursement draw covering the April – June 2011 quarterly period was adjusted to remove the disallowed costs and properly filed with the U.S. Department of Justice in the amount of \$48,994.66. In summary, the notification by the external auditor enabled the City to correct this item before it caused an error in the financial reports or in the amount of reimbursement received.

(4) Findings and Questioned Costs Relating to Commonwealth of Virginia:

Finding 2011-2

3-5 – Conflicts of Interest

Criteria – Local officials must file an annual disclosure form (Section 2.2-3115 of the Code of Virginia) by January 15th of each year, except when the filing deadline falls on a Saturday, Sunday, or legal holiday, then the disclosure statement shall be filed on the next day that is not a Saturday, Sunday, or legal holiday. Completed forms were most recently required to be received by January 17, 2011 pursuant to Section 2.2-3115 of the Code of Virginia,

Condition – One of forty-five disclosures of interest in real estate located within the City of Roanoke was submitted after January 17, 2011. Another one of the forty-five disclosures of interest in real estate located within the City of Roanoke was never submitted and filed.

Effect – Noncompliance with Commonwealth's requirements may result in state sanctions.

Questioned Cost – None.

Recommendation – The City should establish procedures to ensure that disclosure forms for all officials required to comply with Commonwealth's disclosure requirements are filed accurately and timely.

Management's Response – The City Clerk will include a paragraph in communications to all appropriate individuals serving on Council-appointed authorities, boards, commissions and committees advising of the State Code statute regarding penalty for late filing or refusal to file, with a copy of the communication to the Commonwealth's Attorney Office.

CITY OF ROANOKE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Finding 2011-3

3-15b: Social Services

Continuity of Operations

Criteria – The Business Continuity Plan should establish procedures addressing loss of services due to reduced workforce (caused by pandemic influenza for example). The Business Continuity Plan should also prioritize recovery tasks and assign responsibilities and detail procedures to implement actions to continue essential functions within the recovery time objectives to maintain essential functions for up to 30 days.

Condition – The Business Continuity Plan (i.e., Disaster Plan for the City’s Department of Social Services) does not address loss of services due to a reduced workforce and also does not include prioritizing of tasks and evaluation of functioning for the specified 30-day period.

Effect – Undetermined since it is a pervasive finding.

Questioned Costs – None.

Recommendation – The Business Continuity Plan for the City’s Department of Social Services should be revised to address all requirements of the Commonwealth’s Auditor of Public Accounts, including the loss of services due to a reduced workforce and also prioritizing of tasks and evaluation of functioning for the specified 30-day period.

Management’s Response –The Department of Social Services will work with the Department of Technology and the City to develop a supplemental Continuity of Operations (COOP) plan specifically addressing loss of service due to a reduced workforce (as in pandemic influenza) that includes essential functions and prioritizing of tasks.

CITY OF ROANOKE, VIRGINIA

Summary Schedule of Prior Year Audit Findings and Questioned Costs

Year ended June 30, 2011

Item 10-1: Procurement

Status: We did not identify any findings related to the procurement the federal, state, and local procurement requirements for purchases of goods and services using funds administered under the Federal Transit Administration program awarded to the Greater Roanoke Transit Company, a component unit of the City of Roanoke, Virginia.

Item 10-2: Comprehensive Services Act (CSA)

Status: We did not identify any findings as it relates to ensuring that disbursements by the City's Department of Social Services for expenses related to services performed in accordance with the CSA.

**Department of Finance
City of Roanoke, Virginia**

Ann H. Shawver, CPA
John W. Bingham, CPA
Andrea F. Trent

Director of Finance
Assistant Director of Finance
Assistant Director of Finance

Accounting / Accounts Payable

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Kathleen A. Hylton
Cathy P. Jones
James J. Newman
Demietre I. Payne
D. René Satterwhite
Sharon A. Shrewsbury
Jennifer D. Smith
Belinda G. Thomas

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Accountant
Accountant
Account Technician
Accountant
Senior Accountant
Accounting Supervisor
Account Technician
Senior Accountant
Account Technician

Administrative

Cindy M. Ayers

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